COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Application Of Kentucky Power Company	)	
For (1) A General Adjustment Of Its Rates For	)	
Electric Service; (2) Approval Of Tariffs And Riders;	)	
(3) Approval Of Accounting Practices To Establish	)	Case No. 2023-00159
Regulatory Assets And Liabilities; (4) A	)	
Securitization Financing Order; And (5) All Other	)	
Required Approvals And Relief	)	

SECTION II
FILING REQUIREMENTS
AND
EXHIBITS T THROUGH X

VOLUME 4 OF 4

Kentucky Power Company

2021 First Quarter Report

Financial Statements

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GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

Term	Meaning
AEP	American Electric Power Company, Inc., an investor-owned electric public utility holding company which includes American Electric Power Company, Inc. (Parent) and majority owned consolidated subsidiaries and consolidated affiliates.
AEP Credit	AEP Credit, Inc., a consolidated variable interest entity of AEP which securitizes accounts receivable and accrued utility revenues for affiliated electric utility companies.
AEP System	American Electric Power System, an electric system, owned and operated by AEP subsidiaries.
AEPSC	American Electric Power Service Corporation, an AEP service subsidiary providing management and professional services to AEP and its subsidiaries.
AFUDC	Allowance for Equity Funds Used During Construction.
AOCI	Accumulated Other Comprehensive Income.
APCo	Appalachian Power Company, an AEP electric utility subsidiary.
ASU	Accounting Standards Update.
COVID-19	Coronavirus 2019, a highly infectious respiratory disease. In March 2020, the World Health Organization declared COVID-19 a worldwide pandemic.
Excess ADIT	Excess accumulated deferred income taxes.
FASB	Financial Accounting Standards Board.
FERC	Federal Energy Regulatory Commission.
FTR	Financial Transmission Right, a financial instrument that entitles the holder to receive compensation for certain congestion-related transmission charges that arise when the power grid is congested resulting in differences in locational prices.
GAAP	Accounting Principles Generally Accepted in the United States of America.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IRS	Internal Revenue Service.
KPCo	Kentucky Power Company, an AEP electric utility subsidiary.
KPSC	Kentucky Public Service Commission.
MTM	Mark-to-Market.
MWh	Megawatt-hour.
OPEB	Other Postretirement Benefits.
OTC	Over-the-counter.
Parent	American Electric Power Company, Inc., the equity owner of AEP subsidiaries within the AEP consolidation.
PJM	Pennsylvania – New Jersey – Maryland regional transmission organization.
Risk Management Contracts	Trading and non-trading derivatives, including those derivatives designated as cash flow and fair value hedges.
Tax Reform	On December 22, 2017, President Trump signed into law legislation referred to as the “Tax Cuts and Jobs Act” (the TCJA). The TCJA includes significant changes to the Internal Revenue Code of 1986, including a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.
WPCo	Wheeling Power Company, an AEP electric utility subsidiary.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2021 and 2020
(in thousands)
(Unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
REVENUES		
Electric Generation, Transmission and Distribution	$ 159,123	$ 143,959
Sales to AEP Affiliates	2,597	3,430
Other Revenues	223	244
TOTAL REVENUES	161,943	147,633
EXPENSES		
Fuel and Other Consumables Used for Electric Generation	17,750	23,980
Purchased Electricity for Resale	21,114	13,267
Purchased Electricity from AEP Affiliates	22,101	15,487
Other Operation	32,986	23,008
Maintenance	19,377	14,953
Depreciation and Amortization	29,520	24,420
Taxes Other Than Income Taxes	7,021	6,927
TOTAL EXPENSES	149,869	122,042
OPERATING INCOME	12,074	25,591
Other Income (Expense):		
Other Income	280	31
Non-Service Cost Components of Net Periodic Benefit Cost	1,035	1,014
Interest Expense	(8,953)	(9,916)
INCOME BEFORE INCOME TAX BENEFIT	4,436	16,720
Income Tax Benefit	(9,415)	(2,115)
NET INCOME	$ 13,851	$ 18,835

The common stock of KPCo is wholly-owned by Parent.

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended March 31, 2021 and 2020
(in thousands)
(Unaudited)

	Three Months Ended March 31, 2021	2020
Net Income	$ 13,851	$ 18,835
OTHER COMPREHENSIVE LOSS, NET OF TAXES		
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $(9) and $(7) in 2021 and 2020, Respectively	(34)	(27)
TOTAL COMPREHENSIVE INCOME	$ 13,817	$ 18,808

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CHANGES IN
COMMON SHAREHOLDER'S EQUITY
For the Three Months Ended March 31, 2021 and 2020
(in thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2019	$ 50,450	$ 526,135	$ 204,806	$ 790	$ 782,181
ASU 2016-13 Adoption			48		48
Net Income			18,835		18,835
Other Comprehensive Loss				(27)	(27)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2020	$ 50,450	$ 526,135	$ 223,689	$ 763	$ 801,037
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2020	$ 50,450	$ 526,135	$ 245,871	$ 878	$ 823,334
Net Income			13,851		13,851
Other Comprehensive Loss				(34)	(34)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2021	$ 50,450	$ 526,135	$ 259,722	$ 844	$ 837,151

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
ASSETS
March 31, 2021 and December 31, 2020
(in thousands)
(Unaudited)

	March 31, 2021	December 31, 2020
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,051	$ 1,533
Accounts Receivable:		
Customers	11,980	10,485
Affiliated Companies	22,008	21,019
Accrued Unbilled Revenues	13,971	18,918
Miscellaneous	36	80
Allowance for Uncollectible Accounts	(25)	(87)
Total Accounts Receivable	47,970	50,415
Fuel	22,930	22,487
Materials and Supplies	19,953	19,861
Risk Management Assets	1,128	3,152
Accrued Tax Benefits	4,873	468
Regulatory Asset for Under-Recovered Fuel Costs	2,466	—
Prepayments and Other Current Assets	2,487	3,034
TOTAL CURRENT ASSETS	102,858	100,950
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	1,232,366	1,231,387
Transmission	713,239	703,309
Distribution	969,627	955,501
Other Property, Plant and Equipment	128,030	120,965
Construction Work in Progress	95,251	83,008
Total Property, Plant and Equipment	3,138,513	3,094,170
Accumulated Depreciation and Amortization	1,065,245	1,052,273
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	2,073,268	2,041,897
OTHER NONCURRENT ASSETS		
Regulatory Assets	491,450	450,145
Long-term Risk Management Assets	4	23
Employee Benefits and Pension Assets	41,655	41,062
Operating Lease Assets	11,511	11,928
Deferred Charges and Other Noncurrent Assets	28,245	33,585
TOTAL OTHER NONCURRENT ASSETS	572,865	536,743
TOTAL ASSETS	$ 2,748,991	$ 2,679,590

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
March 31, 2021 and December 31, 2020
(Unaudited)

	March 31, 2021	December 31, 2020
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 74,399	$ 65,647
Accounts Payable:		
General	99,362	47,157
Affiliated Companies	31,465	24,862
Long-term Debt Due Within One Year – Nonaffiliated	165,000	40,000
Risk Management Liabilities	58	213
Customer Deposits	31,214	30,774
Accrued Taxes	26,854	36,191
Accrued Interest	6,687	6,399
Obligations Under Operating Leases	2,246	2,296
Regulatory Liability for Over-Recovered Fuel Costs	—	313
Other Current Liabilities	23,297	26,767
TOTAL CURRENT LIABILITIES	460,582	280,619
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	827,777	952,650
Long-term Risk Management Liabilities	4	19
Deferred Income Taxes	450,614	446,054
Regulatory Liabilities and Deferred Investment Tax Credits	130,267	133,243
Asset Retirement Obligations	20,644	21,544
Employee Benefits and Pension Obligations	8,379	7,970
Obligations Under Operating Leases	9,296	9,672
Deferred Credits and Other Noncurrent Liabilities	4,277	4,485
TOTAL NONCURRENT LIABILITIES	1,451,258	1,575,637
TOTAL LIABILITIES	1,911,840	1,856,256
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – Par Value – $50 Per Share:		
Authorized – 2,000,000 Shares		
Outstanding – 1,009,000 Shares	50,450	50,450
Paid-in Capital	526,135	526,135
Retained Earnings	259,722	245,871
Accumulated Other Comprehensive Income (Loss)	844	878
TOTAL COMMON SHAREHOLDER'S EQUITY	837,151	823,334
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 2,748,991	$ 2,679,590

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2021 and 2020
(in thousands)
(Unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
OPERATING ACTIVITIES		
Net Income	$ 13,851	$ 18,835
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	29,520	24,420
Deferred Income Taxes	(4,323)	(377)
Allowance for Equity Funds Used During Construction	(276)	23
Mark-to-Market of Risk Management Contracts	1,873	3,895
Property Taxes	5,279	5,356
Deferred Fuel Over/Under-Recovery, Net	(2,779)	3,323
Change in Regulatory Assets	(44,779)	(9,672)
Change in Other Noncurrent Assets	(4,799)	(2,716)
Change in Other Noncurrent Liabilities	2,475	(4,613)
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	2,611	5,244
Fuel, Materials and Supplies	(527)	6,686
Accounts Payable	44,306	(11,697)
Accrued Taxes, Net	(13,742)	(13,351)
Other Current Assets	526	840
Other Current Liabilities	(1,618)	(1,094)
Net Cash Flows from Operating Activities	27,598	25,102
INVESTING ACTIVITIES		
Construction Expenditures	(37,010)	(47,962)
Other Investing Activities	279	269
Net Cash Flows Used for Investing Activities	(36,731)	(47,693)
FINANCING ACTIVITIES		
Issuance of Long-term Debt – Nonaffiliated	—	124,955
Change in Advances from Affiliates, Net	8,752	(102,490)
Principal Payments for Finance Lease Obligations	(218)	(190)
Other Financing Activities	117	96
Net Cash Flows from Financing Activities	8,651	22,371
Net Decrease in Cash and Cash Equivalents	(482)	(220)
Cash and Cash Equivalents at Beginning of Period	1,533	849
Cash and Cash Equivalents at End of Period	$ 1,051	$ 629
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 8,829	$ 9,746
Net Cash Paid for Income Taxes	156	—
Noncash Acquisitions Under Finance Leases	46	568
Construction Expenditures Included in Current Liabilities as of March 31,	32,351	20,981

See Condensed Notes to Condensed Financial Statements beginning on page 8.

INDEX OF CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING MATTERS

General

The unaudited condensed financial statements and footnotes were prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual financial statements.

In the opinion of management, the unaudited condensed interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair statement of the net income, financial position and cash flows for the interim periods. Net income for the three months ended March 31, 2021 is not necessarily indicative of results that may be expected for the year ending December 31, 2021. The condensed financial statements are unaudited and should be read in conjunction with the audited 2020 financial statements and notes thereto, which are included in KPCo's 2020 Annual Report.

COVID-19

In 2020, COVID-19 was declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention. Its rapid spread around the world and throughout the United States prompted many countries, including the United States, to institute restrictions on travel, public gatherings and certain business operations. These restrictions significantly disrupted economic activity in AEP's service territory and resulted in reduced demand for energy, particularly from commercial and industrial customers. KPCo continues to take steps to mitigate the potential risks to customers, suppliers and employees posed by the spread of COVID-19.

As of March 31, 2021 and through the date of this report, KPCo assessed certain accounting matters that require consideration of forecasted financial information, including, but not limited to, the allowance for credit losses and the carrying value of long-lived assets. While there were not any impairments or significant increases in credit allowances resulting from these assessments for the three months ended March 31, 2021 and 2020, the ultimate impact of COVID-19 also depends on factors beyond management's knowledge or control, including the duration and severity of this outbreak as well as third-party actions taken to contain its spread and mitigate its public health effects. Therefore, management cannot estimate the potential future impact to financial position, results of operations and cash flows, but the impacts could be material.

Subsequent Events

Management reviewed subsequent events through April 22, 2021, the date that the first quarter 2021 report was available to be issued.

2. NEW ACCOUNTING STANDARDS

During the FASB's standard-setting process and upon issuance of final standards, management reviews the new accounting literature to determine its relevance, if any, to KPCo's business. There are no new standards expected to have a material impact on KPCo's financial statements.

3. COMPREHENSIVE INCOME

Presentation of Comprehensive Income

The following tables provide the components of changes in AOCI and details of reclassifications from AOCI. The amortization of pension and OPEB AOCI components are included in the computation of net periodic pension and OPEB costs. See Note 6 - Benefit Plans for additional information.

Three Months Ended March 31, 2021	Pension and OPEB (in thousands)
Balance in AOCI as of December 31, 2020	$ 878
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(59)
Amortization of Actuarial (Gains) Losses	16
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(43)
Income Tax (Expense) Benefit	(9)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(34)
Net Current Period Other Comprehensive Income (Loss)	(34)
Balance in AOCI as of March 31, 2021	$ 844

Three Months Ended March 31, 2020	Pension and OPEB (in thousands)
Balance in AOCI as of December 31, 2019	$ 790
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(57)
Amortization of Actuarial (Gains) Losses	23
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(34)
Income Tax (Expense) Benefit	(7)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(27)
Net Current Period Other Comprehensive Income (Loss)	(27)
Balance in AOCI as of March 31, 2020	$ 763

4. RATE MATTERS

As discussed in KPCo's 2020 Annual Report, KPCo is involved in rate and regulatory proceedings at the FERC and the KPSC. The Rate Matters note within KPCo's 2020 Annual Report should be read in conjunction with this report to gain a complete understanding of material rate matters still pending that could impact net income, cash flows and possibly financial condition. The following discusses ratemaking developments in 2021 and updates KPCo's 2020 Annual Report.

Regulatory Assets Pending Final Regulatory Approval

Noncurrent Regulatory Assets	March 31, 2021	December 31, 2020
	(in thousands)	
Regulatory Assets Currently Earning a Return		
Kentucky Deferred Purchased Power Expenses	$ 42,820	$ 41,267
Regulatory Assets Currently Not Earning a Return		
Storm Related Costs	54,619	10,708
Other Regulatory Assets Pending Final Regulatory Approval	414	2,065
Total Regulatory Assets Pending Final Regulatory Approval	$ 97,853	$ 54,040

If these costs are ultimately determined not to be recoverable, it could reduce future net income and cash flows and impact financial condition.

Storm-Related Costs

In December 2020, a snow storm impacted KPCo's service territory resulting in customer outages and damage to KPCo utility assets. In March 2021, KPCo filed an application seeking deferral authority of approximately $1 million related to the December 2020 storm.

In February 2021, a severe winter storm impacted KPCo's service territory resulting in customer outages and extensive damage to transmission and distribution infrastructure. Management currently estimates KPCo incurred incremental operations and maintenance expenses of $47.9 million related to the storm, of which $44.1 million has been deferred as a regulatory asset. Incremental capital expenditures are estimated to be $26.7 million. Management will continue to refine the estimate as restoration efforts are completed and final costs become available.

In April, 2021 the KPSC approved KPCo's requests for deferral authority of the December 2020 and February 2021 storm-related costs. KPCo will seek recovery of the deferred storm costs in its next base rate case.

If any of these incremental storm costs are not recoverable, it could reduce future net income and cash flows and impact financial condition.

5. COMMITMENTS, GUARANTEES AND CONTINGENCIES

KPCo is subject to certain claims and legal actions arising in its ordinary course of business. In addition, KPCo's business activities are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation against KPCo cannot be predicted. Management accrues contingent liabilities only when management concludes that it is both probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. When management determines that it is not probable, but rather reasonably possible that a liability has been incurred at the date of the financial statements, management discloses such contingencies and the possible loss or range of loss if such estimate can be made. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent the maximum possible loss exposure. Circumstances change over time and actual results may vary significantly from estimates.

For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements. The Commitments, Guarantees and Contingencies note within KPCo's 2020 Annual Report should be read in conjunction with this report.

GUARANTEES

Liabilities for guarantees are recorded in accordance with the accounting guidance for "Guarantees." There is no collateral held in relation to any guarantees. In the event any guarantee is drawn, there is no recourse to third-parties unless specified below.

Indemnifications and Other Guarantees

Contracts

KPCo enters into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. As of March 31, 2021, there were no material liabilities recorded for any indemnifications.

AEPSC conducts power purchase and sale activity on behalf of APCo, I&M, KPCo and WPCo, who are jointly and severally liable for activity conducted on their behalf.

Master Lease Agreements

KPCo leases certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, KPCo is committed to pay the difference between the actual fair value and the residual value guarantee. Historically, at the end of the lease term the fair value has been in excess of the amount guaranteed. As of March 31, 2021, the maximum potential loss for these lease agreements was $1.7 million assuming the fair value of the equipment is zero at the end of the lease term.

CONTINGENCIES

Claims Challenging Transition of American Electric Power System Retirement Plan to Cash Balance Formula

The American Electric Power System Retirement Plan (the Plan) has received a letter written on behalf of four participants (the Claimants) making a claim for additional plan benefits and purporting to advance such claims on behalf of a class. When the Plan's benefit formula was changed in the year 2000, AEP provided a special provision for employees hired before January 1, 2001, allowing them to continue benefit accruals under the then benefit formula for a full 10 years alongside of the new cash balance benefit formula then being implemented. Employees who were hired on or after January 1, 2001 accrued benefits only under the new cash balance benefit formula. The Claimants have asserted claims that: (a) the Plan violates the requirements under the Employee Retirement Income Security Act (ERISA) intended to preclude back-loading the accrual of benefits to the end of a participant's career, (b) the Plan violates the age discrimination prohibitions of ERISA and the Age Discrimination in Employment Act and (c) the company failed to provide required notice regarding the changes to the Plan. AEP has responded to the Claimants providing a reasoned explanation for why each of their claims have been denied. The denial of those claims was appealed to the AEP System Retirement Plan Appeal Committee and the Committee upheld the denial of claims. Management will continue to defend against the claims. Management is unable to determine a range of potential losses that is reasonably possible of occurring.

6. BENEFIT PLANS

KPCo participates in an AEP sponsored qualified pension plan and two unfunded nonqualified pension plans. Substantially all of KPCo's employees are covered by the qualified plan or both the qualified and nonqualified pension plans. KPCo also participates in OPEB plans sponsored by AEP to provide health and life insurance benefits for retired employees.

Components of Net Periodic Benefit Cost

The following table provides the components of KPCo's net periodic benefit cost (credit) for the plans:

	Pension Plans		OPEB	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2021	2020	2021	2020
	(in thousands)			
Service Cost	$ 869	$ 780	$ 71	$ 75
Interest Cost	1,210	1,493	274	373
Expected Return on Plan Assets	(2,146)	(2,473)	(870)	(941)
Amortization of Prior Service Credit	—	—	(625)	(613)
Amortization of Net Actuarial Loss	881	823	—	60
Net Periodic Benefit Cost (Credit)	$ 814	$ 623	$ (1,150)	$ (1,046)

7. DERIVATIVES AND HEDGING

OBJECTIVES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS

AEPSC is agent for and transacts on behalf of KPCo.

KPCo is exposed to certain market risks as a major power producer and participant in the electricity, natural gas, coal and emission allowance markets. These risks include commodity price risk, interest rate risk and credit risk. These risks represent the risk of loss that may impact KPCo due to changes in the underlying market prices or rates. Management utilizes derivative instruments to manage these risks.

STRATEGIES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS TO ACHIEVE OBJECTIVES

Risk Management Strategies

The strategy surrounding the use of derivative instruments primarily focuses on managing risk exposures, future cash flows and creating value utilizing both economic and formal hedging strategies. The risk management strategies also include the use of derivative instruments for trading purposes which focus on seizing market opportunities to create value driven by expected changes in the market prices of the commodities. To accomplish these objectives, KPCo primarily employs risk management contracts including physical and financial forward purchase-and-sale contracts and, to a lesser extent, OTC swaps and options. Not all risk management contracts meet the definition of a derivative under the accounting guidance for "Derivatives and Hedging." Derivative risk management contracts elected normal under the normal purchases and normal sales scope exception are not subject to the requirements of this accounting guidance.

KPCo utilizes power, capacity, coal, natural gas, interest rate and, to a lesser extent, heating oil, gasoline and other commodity contracts to manage the risk associated with the energy business. KPCo utilizes interest rate derivative contracts in order to manage the interest rate exposure associated with its commodity portfolio. For disclosure purposes, such risks are grouped as "Commodity," as these risks are related to energy risk management activities. KPCo may also utilize derivative contracts to manage interest rate risk associated with debt financing. For disclosure purposes, these risks are grouped as "Interest Rate." The amount of risk taken is determined by the Commercial Operations and Finance groups in accordance with the established risk management policies as approved by the Finance Committee of the Board of Directors.

The following table represents the gross notional volume of KPCo's outstanding derivative contracts:

Primary Risk Exposure	March 31, 2021	December 31, 2020	Unit of Measure
	(in thousands)		
Commodity:			
Power	4,149	8,249	MWhs
Heating Oil and Gasoline	196	270	Gallons

Cash Flow Hedging Strategies

KPCo utilizes cash flow hedges on certain derivative transactions for the purchase and sale of power ("Commodity") in order to manage the variable price risk related to forecasted purchases and sales. Management monitors the potential impacts of commodity price changes and, where appropriate, enters into derivative transactions to protect profit margins for a portion of future electricity sales and purchases. KPCo does not hedge all commodity price risk.

KPCo may utilize a variety of interest rate derivative transactions in order to manage interest rate risk exposure. KPCo may also utilize interest rate derivative contracts to manage interest rate exposure related to future borrowings of fixed-rate debt. KPCo does not hedge all interest rate exposure.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND THE IMPACT ON KPCo's FINANCIAL STATEMENTS

The accounting guidance for "Derivatives and Hedging" requires recognition of all qualifying derivative instruments as either assets or liabilities on the balance sheets at fair value. The fair values of derivative instruments accounted for using MTM accounting or hedge accounting are based on exchange prices and broker quotes. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes and assumptions. In order to determine the relevant fair values of the derivative instruments, KPCo applies valuation adjustments for discounting, liquidity and credit quality.

Credit risk is the risk that a counterparty will fail to perform on the contract or fail to pay amounts due. Liquidity risk represents the risk that imperfections in the market will cause the price to vary from estimated fair value based upon prevailing market supply and demand conditions. Since energy markets are imperfect and volatile, there are inherent risks related to the underlying assumptions in models used to fair value risk management contracts. Unforeseen events may cause reasonable price curves to differ from actual price curves throughout a contract's term and at the time a contract settles. Consequently, there could be significant adverse or favorable effects on future net income and cash flows if market prices are not consistent with management's estimates of current market consensus for forward prices in the current period. This is particularly true for longer term contracts. Cash flows may vary based on market conditions, margin requirements and the timing of settlement of risk management contracts.

According to the accounting guidance for "Derivatives and Hedging," KPCo reflects the fair values of derivative instruments subject to netting agreements with the same counterparty net of related cash collateral. For certain risk management contracts, KPCo is required to post or receive cash collateral based on third-party contractual agreements and risk profiles. For the March 31, 2021 and December 31, 2020 balance sheets, KPCo netted $120 thousand and $96 thousand, respectively, of cash collateral received from third-parties against short-term and long-term risk management assets and $4 thousand and $0, respectively, of cash collateral paid to third-parties against short-term and long-term risk management liabilities.

The following tables represent the gross fair value of KPCo's derivative activity on the balance sheets:

Fair Value of Derivative Instruments
March 31, 2021

Balance Sheet Location	Risk Management Contracts – Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Current Risk Management Assets	$ 3,014	$ (1,886)	$ 1,128
Long-term Risk Management Assets	102	(98)	4
Total Assets	3,116	(1,984)	1,132
Current Risk Management Liabilities	1,828	(1,770)	58
Long-term Risk Management Liabilities	102	(98)	4
Total Liabilities	1,930	(1,868)	62
Total MTM Derivative Contract Net Assets (Liabilities)	$ 1,186	$ (116)	$ 1,070

December 31, 2020

Balance Sheet Location	Risk Management Contracts – Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Current Risk Management Assets	$ 6,751	$ (3,599)	$ 3,152
Long-term Risk Management Assets	139	(116)	23
Total Assets	6,890	(3,715)	3,175
Current Risk Management Liabilities	3,746	(3,533)	213
Long-term Risk Management Liabilities	105	(86)	19
Total Liabilities	3,851	(3,619)	232
Total MTM Derivative Contract Net Assets (Liabilities)	$ 3,039	$ (96)	$ 2,943

(a) Derivative instruments within this category are reported gross. These instruments are subject to master netting agreements and are presented on the balance sheets on a net basis in accordance with the accounting guidance for "Derivatives and Hedging."
(b) Amounts include counterparty netting of risk management and hedging contracts and associated cash collateral in accordance with the accounting guidance for "Derivatives and Hedging."
(c) All derivative contracts subject to a master netting arrangement or similar agreement are offset in the statement of financial position.

The table below presents KPCo's activity of derivative risk management contracts:

Amount of Gain (Loss) Recognized on
Risk Management Contracts

Location of Gain (Loss)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Electric Generation, Transmission and Distribution Revenues	$ (1)	$ 132
Purchased Electricity for Resale	15	1
Other Operation	8	(8)
Maintenance	21	(7)
Regulatory Assets (a)	(87)	(1,394)
Regulatory Liabilities (a)	818	424
Total Gain (Loss) on Risk Management Contracts	$ 774	$ (852)

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment recorded as either current or noncurrent on the balance sheets.

Certain qualifying derivative instruments have been designated as normal purchase or normal sale contracts, as provided in the accounting guidance for "Derivatives and Hedging." Derivative contracts that have been designated as normal purchases or normal sales under that accounting guidance are not subject to MTM accounting treatment and are recognized on the statements of income on an accrual basis.

The accounting for the changes in the fair value of a derivative instrument depends on whether it qualifies for and has been designated as part of a hedging relationship and further, on the type of hedging relationship. Depending on the exposure, management designates a hedging instrument as a fair value hedge or a cash flow hedge.

For contracts that have not been designated as part of a hedging relationship, the accounting for changes in fair value depends on whether the derivative instrument is held for trading purposes. Unrealized and realized gains and losses on derivative instruments held for trading purposes are included in revenues on a net basis on KPCo's statements of income. Unrealized and realized gains and losses on derivative instruments not held for trading purposes are included in revenues or expenses on KPCo's statements of income depending on the relevant facts and circumstances. Certain derivatives that economically hedge future commodity risk are recorded in the same expense line item on the statements of income as that of the associated risk. However, unrealized and some realized gains and losses for both trading and non-trading derivative instruments are recorded as regulatory assets (for losses) or regulatory liabilities (for gains), in accordance with the accounting guidance for "Regulated Operations."

Accounting for Cash Flow Hedging Strategies

For cash flow hedges (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), KPCo initially reports the gain or loss on the derivative instrument as a component of Accumulated Other Comprehensive Income (Loss) on the balance sheets until the period the hedged item affects Net Income.

Realized gains and losses on derivative contracts for the purchase and sale of power designated as cash flow hedges are included in Total Revenues or Purchased Electricity for Resale on KPCo's statements of income, or in Regulatory Assets or Regulatory Liabilities on KPCo's balance sheets, depending on the specific nature of the risk being hedged. During the three months ended March 31, 2021 and 2020, KPCo did not apply cash flow hedging to outstanding power derivatives.

KPCo reclassifies gains and losses on interest rate derivative hedges related to debt financings from Accumulated Other Comprehensive Income (Loss) on its balance sheets into Interest Expense on its statements of income in those periods in which hedged interest payments occur. During the three months ended March 31, 2021 and 2020, KPCo did not apply cash flow hedging to outstanding interest rate derivatives.

There was no impact of cash flow hedges included in Accumulated Other Comprehensive Income (Loss) on KPCo's balance sheets as of March 31, 2021 and December 31, 2020.

The actual amounts that KPCo reclassifies from Accumulated Other Comprehensive Income (Loss) to Net Income can differ due to market price changes. As of March 31, 2021, KPCo is not hedging (with contracts subject to the accounting guidance for "Derivatives and Hedging") its exposure to variability in future cash flows related to forecasted transactions.

Credit Risk

Management mitigates credit risk in KPCo's wholesale marketing and trading activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis. Management uses credit agency ratings and current market-based qualitative and quantitative data as well as financial statements to assess the financial health of counterparties on an ongoing basis.

Master agreements are typically used to facilitate the netting of cash flows associated with a single counterparty and may include collateral requirements. Collateral requirements in the form of cash, letters of credit, surety bonds and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. Some master agreements include margining, which requires a counterparty to post cash or letters of credit in the event exposure exceeds the established threshold. The threshold represents an unsecured credit limit which may be supported by a parental/affiliate guaranty, as determined in accordance with AEP's credit policy. In addition, master agreements allow for termination and liquidation of all positions in the event of a default including failure or inability to post collateral when required.

Collateral Triggering Events

Credit Downgrade Triggers

A limited number of derivative contracts include collateral triggering events, which include a requirement to maintain certain credit ratings. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these collateral triggering events in contracts. KPCo has not experienced a downgrade below a specified credit rating threshold that would require the posting of additional collateral. As of March 31, 2021 and December 31, 2020, KPCo did not have derivative contracts with collateral triggering events in a net liability position.

Cross-Default Triggers

In addition, a majority of KPCo's non-exchange-traded commodity contracts contain cross-default provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-default provisions could be triggered if there was a non-performance event by Parent or the obligor under outstanding debt or a third-party obligation that is $50 million or greater. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-default provisions in the contracts. The following table represents: (a) the fair value of these derivative liabilities subject to cross-default provisions prior to consideration of contractual netting arrangements, (b) the amount this exposure has been reduced by cash collateral posted and (c) if a cross-default provision would have been triggered, the settlement amount that would be required after considering contractual netting arrangements:

	March 31, 2021	December 31, 2020
	(in thousands)	
Liabilities for Contracts with Cross-Default Provisions Prior to Contractual Netting Arrangements	$ 114	$ 154
Additional Settlement Liability if Cross-Default Provision is Triggered	22	16

8. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy and Valuation Techniques

The accounting guidance for "Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. When quoted market prices are not available, pricing may be completed using comparable securities, dealer values, operating data and general market conditions to determine fair value. Valuation models utilize various inputs such as commodity, interest rate and, to a lesser degree, volatility and credit that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, market corroborated inputs (i.e. inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability.

For commercial activities, exchange-traded derivatives, namely futures contracts, are generally fair valued based on unadjusted quoted prices in active markets and are classified as Level 1. Level 2 inputs primarily consist of OTC broker quotes in moderately active or less active markets, as well as exchange-traded derivatives where there is insufficient market liquidity to warrant inclusion in Level 1. Management verifies price curves using these broker quotes and classifies these fair values within Level 2 when substantially all of the fair value can be corroborated. Management typically obtains multiple broker quotes, which are nonbinding in nature but are based on recent trades in the marketplace. When multiple broker quotes are obtained, the quoted bid and ask prices are averaged. In certain circumstances, a broker quote may be discarded if it is a clear outlier. Management uses a historical correlation analysis between the broker quoted location and the illiquid locations. If the points are highly correlated, these locations are included within Level 2 as well. Certain OTC and bilaterally executed derivative instruments are executed in less active markets with a lower availability of pricing information. Illiquid transactions, complex structured transactions, FTRs and counterparty credit risk may require nonmarket-based inputs. Some of these inputs may be internally developed or extrapolated and utilized to estimate fair value. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized as Level 3. The main driver of contracts being classified as Level 3 is the inability to substantiate energy price curves in the market. A portion of the Level 3 instruments have been economically hedged which limits potential earnings volatility.

Fair Value Measurements of Long-term Debt

The fair values of Long-term Debt are based on quoted market prices, without credit enhancements, for the same or similar issues and the current interest rates offered for instruments with similar maturities classified as Level 2 measurement inputs. These instruments are not marked-to-market. The estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

The book values and fair values of KPCo's Long-term Debt are summarized in the following table:

	March 31, 2021		December 31, 2020	
	Book Value	Fair Value	Book Value	Fair Value
	(in thousands)			
Long-term Debt	$ 992,777	$ 1,107,755	$ 992,650	$ 1,166,298

Fair Value Measurements of Financial Assets and Liabilities

The following tables set forth, by level within the fair value hierarchy, KPCo's financial assets and liabilities that were accounted for at fair value on a recurring basis. As required by the accounting guidance for "Fair Value Measurements and Disclosures," financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have not been any significant changes in management's valuation techniques.

Assets and Liabilities Measured at Fair Value on a Recurring Basis
March 31, 2021

	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Assets:					
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 1,863	$ 1,239	$ (1,970)	$ 1,132
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 1,720	$ 196	$ (1,854)	$ 62

December 31, 2020

	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Assets:					
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 3,669	$ 3,204	$ (3,698)	$ 3,175
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 3,655	$ 179	$ (3,602)	$ 232

(a) Amounts in "Other" column primarily represent counterparty netting of risk management and hedging contracts and associated cash collateral under the accounting guidance for "Derivatives and Hedging."
(b) Substantially comprised of power contracts.

The following tables set forth a reconciliation of changes in the fair value of net trading derivatives classified as Level 3 in the fair value hierarchy:

Three Months Ended March 31, 2021	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of December 31, 2020	$ 3,025
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	887
Settlements	(2,738)
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	(131)
Balance as of March 31, 2021	$ 1,043

Three Months Ended March 31, 2020	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of December 31, 2019	$ 5,702
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	(338)
Settlements	(4,094)
Transfers out of Level 3 (c)	129
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	(149)
Balance as of March 31, 2020	$ 1,250

(a) Included in revenues on KPCo's statements of income.
(b) Represents the change in fair value between the beginning of the reporting period and the settlement of the risk management commodity contract.
(c) Transfers are recognized based on their value at the beginning of the reporting period that the transfer occurred.
(d) Relates to the net gains (losses) of those contracts that are not reflected on KPCo's statements of income. These net gains (losses) are recorded as regulatory assets/liabilities or accounts payable.

The following tables quantify the significant unobservable inputs used in developing the fair value of Level 3 positions:

Significant Unobservable Inputs
March 31, 2021

	Fair Value		Valuation	Significant Unobservable	Input/Range		
	Assets	Liabilities	Technique	Input (a)	Low	High	Weighted Average (b)
	(in thousands)						
Energy Contracts	$ 81	$ 94	Discounted Cash Flow	Forward Market Price	$ 10.92	$ 44.29	$ 25.13
FTRs	1,158	102	Discounted Cash Flow	Forward Market Price	0.10	4.58	0.91
Total	$ 1,239	$ 196					

December 31, 2020

	Fair Value		Valuation	Significant Unobservable	Input/Range		
	Assets	Liabilities	Technique	Input (a)	Low	High	Weighted Average (b)
	(in thousands)						
Energy Contracts	$ 190	$ 121	Discounted Cash Flow	Forward Market Price	$ 10.84	$ 41.09	$ 25.08
FTRs	3,014	58	Discounted Cash Flow	Forward Market Price	0.17	4.18	1.03
Total	$ 3,204	$ 179					

(a) Represents market prices in dollars per MWh.
(b) The weighted average is the product of the forward market price of the underlying commodity and volume weighted by term.

The following table provides the measurement uncertainty of fair value measurements to increases (decreases) in significant unobservable inputs related to Energy Contracts and FTRs as of March 31, 2021 and December 31, 2020:

Uncertainty of Fair Value Measurements

Significant Unobservable Input	Position	Change in Input	Impact on Fair Value Measurement
Forward Market Price	Buy	Increase (Decrease)	Higher (Lower)
Forward Market Price	Sell	Increase (Decrease)	Lower (Higher)

9. INCOME TAXES

Effective Tax Rates (ETR)

KPCo's interim ETR reflects the estimated annual ETR for 2021 and 2020, adjusted for tax expense associated with certain discrete items.

KPCo includes the amortization of Excess ADIT not subject to normalization requirements in the annual estimated ETR when regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers over multiple interim periods. Certain regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers in a single period (e.g. by applying the Excess ADIT not subject to normalization requirements against an existing regulatory asset balance) and in these circumstances, KPCo recognizes the tax benefit discretely in the period recorded. The annual amount of Excess ADIT approved by KPCo's regulatory commissions may not impact the ETR ratably during each interim period due to the variability of pretax book income between interim periods and the application of an annual estimated ETR.

The ETR for KPCo is included in the following table:

	Three Months Ended March 31,	
	2021	**2020**
U.S. Federal Statutory Rate	21.0 %	21.0 %
Increase (decrease) due to:		
State Income Tax, net of Federal Benefit	0.4 %	(3.8)%
Tax Reform Excess ADIT Reversal	(231.0)%	(25.8)%
Flow Through	(1.7)%	0.3 %
AFUDC Equity	(0.9)%	(1.8)%
Discrete Tax Adjustments	— %	(2.7)%
Other	— %	0.2 %
Effective Income Tax Rate	(212.2)%	(12.6)%

Federal and State Income Tax Audit Status

The statute of limitations for the IRS to examine KPCo and other AEP subsidiaries originally filed federal return has expired for tax years 2016 and earlier. In the third quarter of 2019, KPCo and other AEP subsidiaries elected to amend the 2014 and 2015 federal returns. In the first quarter of 2020, the IRS notified AEP that it was beginning an examination of these amended returns, including the net operating loss carryback to 2015 that originated in the 2017 return. As of March 31, 2021, the IRS has not challenged any items on these returns and the IRS is limited in their proposed adjustments to the amount AEP claimed on the amended returns.

10. FINANCING ACTIVITIES

Long-term Debt

KPCo did not have any long-term debt issuances or retirements during the first three months of 2021.

Dividend Restrictions

KPCo pays dividends to Parent provided funds are legally available. Various financing arrangements and regulatory requirements may impose certain restrictions on the ability of KPCo to transfer funds to Parent in the form of dividends.

All of the dividends declared by KPCo are subject to a Federal Power Act restriction that prohibits the payment of dividends out of capital accounts without regulatory approval; payment of dividends is allowed out of retained earnings only.

KPCo has credit agreements that contain a covenant that limit its debt to capitalization ratio to 67.5%. As of March 31, 2021, KPCo did not exceed its debt to capitalization limit. The method for calculating outstanding debt and capitalization is contractually-defined in the credit agreements.

The Federal Power Act restriction does not limit the ability of KPCo to pay dividends out of retained earnings.

Corporate Borrowing Program – AEP System

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of AEP's subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds AEP's utility subsidiaries. The AEP System Utility Money Pool operates in accordance with the terms and conditions of its agreement filed with the FERC. The amounts of outstanding borrowings from the Utility Money Pool as of March 31, 2021 and December 31, 2020 are included in Advances from Affiliates on KPCo's balance sheets. KPCo's Utility Money Pool activity and corresponding authorized borrowing limit for the three months ended March 31, 2021 are described in the following table:

Maximum Borrowings from the Utility Money Pool	Maximum Loans to the Utility Money Pool	Average Borrowings from the Utility Money Pool	Average Loans to the Utility Money Pool	Borrowings from the Utility Money Pool as of March 31, 2021	Authorized Short-Term Borrowing Limit
		(in thousands)			
$ 79,575	$ —	$ 60,956	$ —	$ 74,399	$ 180,000

Maximum, minimum and average interest rates for funds either loaned to or borrowed from the Utility Money Pool are summarized in the following table:

Three Months Ended March 31,	Maximum Interest Rate for Funds Borrowed from the Utility Money Pool	Minimum Interest Rate for Funds Borrowed from the Utility Money Pool	Maximum Interest Rate for Funds Loaned to the Utility Money Pool	Minimum Interest Rate for Funds Loaned to the Utility Money Pool	Average Interest Rate for Funds Borrowed from the Utility Money Pool	Average Interest Rate for Funds Loaned to the Utility Money Pool
2021	0.40 %	0.25 %	— %	— %	0.31 %	— %
2020	2.24 %	1.76 %	2.08 %	1.80 %	1.91 %	1.81 %

Securitized Accounts Receivables – AEP Credit

Under an affiliated receivables sales arrangement, KPCo sells, without recourse, certain of its customer accounts receivable and accrued unbilled revenue balances to AEP Credit. KPCo is charged a fee for each sale that is based on AEP Credit's financing costs, administrative costs and uncollectible accounts experience from previous purchases of KPCo's customer accounts receivable. No allowance for uncollectible accounts is recognized within KPCo's financial statements for customer accounts receivable sold to AEP Credit, and any bad debt stemming from these receivables would be recognized by AEP Credit. The costs of customer accounts receivable sold are reported in Other Operation expense on KPCo's statements of income. KPCo manages and services its accounts receivable sold.

In March 2021, AEP Credit amended its receivables securitization agreement to extend trigger levels established in October 2020 and to also provide a step down approach to these levels as management continues to monitor the accounts receivable balances for KPCo in response to the COVID-19 pandemic. As of March 31, 2021, KPCo was in compliance with all requirements under the agreement. To the extent that KPCo is deemed ineligible under the agreement, KPCo would no longer participate in the receivables securitization agreement and KPCo would need to finance working capital through other funding mechanisms. As of March 31, 2021, KPCo has borrowed approximately $74.4 million from the Utility Money Pool with an authorized borrowing limit of $180 million. Management believes KPCo has adequate liquidity under existing funding mechanisms, taking into consideration the adverse impact on cash flows, if KPCo would no longer participate in the securitization of accounts receivables. To the extent that future access to capital markets or cost of funding is adversely affected by COVID-19, it could reduce future net income and cash flows and impact financial condition.

AEP Credit's receivables securitization agreement provides a commitment of $750 million from bank conduits to purchase receivables and expires in September 2022.

KPCo's amounts of accounts receivable and accrued unbilled revenues sold under the sale of receivables agreement were $49.8 million and $54.8 million as of March 31, 2021 and December 31, 2020, respectively.

The fees paid by KPCo to AEP Credit for customer accounts receivable sold for the three months ended March 31, 2021 and 2020 were $169 thousand and $1 million, respectively.

KPCo's proceeds on the sale of receivables to AEP Credit for the three months ended March 31, 2021 and 2020 were $153.7 million and $142.6 million, respectively.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenues from Contracts with Customers

The table below represents KPCo's revenues from contracts with customers, net of respective provisions for refund, by type of revenue:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Retail Revenues:		
Residential Revenues	$ 77,317	$ 65,273
Commercial Revenues	38,192	35,246
Industrial Revenues	32,217	32,783
Other Retail Revenues	507	498
Total Retail Revenues	148,233	133,800
Wholesale Revenues:		
Generation Revenues (a)	7,289	3,267
Transmission Revenues (b)	5,462	5,725
Total Wholesale Revenues	12,751	8,992
Other Revenues from Contracts with Customers (a)	2,796	5,264
Total Revenues from Contracts with Customers	163,780	148,056
Other Revenues:		
Alternative Revenues	(1,837)	(423)
Total Other Revenues	(1,837)	(423)
Total Revenues	$ 161,943	$ 147,633

(a) Amounts include affiliated and nonaffiliated revenues.
(b) Amounts include affiliated and nonaffiliated revenues. The affiliated revenues were $2.2 million and $2.6 million for the three months ended March 31, 2021 and 2020, respectively.

Fixed Performance Obligations

The following table represents KPCo's remaining fixed performance obligations satisfied over time as of March 31, 2021. Fixed performance obligations primarily include wholesale transmission services, electricity sales for fixed amounts of energy and stand ready services into PJM's Reliability Pricing Model market. The amounts shown in the table below include affiliated and nonaffiliated revenues.

2021	2022-2023	2024-2025	After 2025	Total
		(in thousands)		
$ 16,709	$ 2,870	$ 2,870	$ 1,435	$ 23,884

Contract Assets and Liabilities

Contract assets are recognized when KPCo has a right to consideration that is conditional upon the occurrence of an event other than the passage of time, such as future performance under a contract. KPCo did not have material contract assets as of March 31, 2021 and December 31, 2020.

When KPCo receives consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, they recognize a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. KPCo's contract liabilities typically arise from advanced payments of services provided primarily with respect to joint use agreements for utility poles. KPCo did not have material contract liabilities as of March 31, 2021 and December 31, 2020.

Accounts Receivable from Contracts with Customers

Accounts receivable from contracts with customers are presented on KPCo's balance sheets within the Accounts Receivable - Customers line item. KPCo's balances for receivables from contracts that are not recognized in accordance with the accounting guidance for "Revenue from Contracts with Customers" included in Accounts Receivable - Customers were not material as of March 31, 2021 and December 31, 2020. See "Securitized Accounts Receivable - AEP Credit" section of Note 10 for additional information related to AEP Credit's securitized accounts receivable.

The amount of affiliated accounts receivable from contracts with customers included in Accounts Receivable - Affiliated Companies on KPCo's balance sheets were \$7.8 million and \$8.3 million, respectively, as of March 31, 2021 and December 31, 2020.

Kentucky Power Company

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Financial Statements

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GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

Term	Meaning
AEP	American Electric Power Company, Inc., an investor-owned electric public utility holding company which includes American Electric Power Company, Inc. (Parent) and majority owned consolidated subsidiaries and consolidated affiliates.
AEP Credit	AEP Credit, Inc., a consolidated variable interest entity of AEP which securitizes accounts receivable and accrued utility revenues for affiliated electric utility companies.
AEP System	American Electric Power System, an electric system, owned and operated by AEP subsidiaries.
AEPSC	American Electric Power Service Corporation, an AEP service subsidiary providing management and professional services to AEP and its subsidiaries.
AFUDC	Allowance for Equity Funds Used During Construction.
AOCI	Accumulated Other Comprehensive Income.
APCo	Appalachian Power Company, an AEP electric utility subsidiary.
ASU	Accounting Standards Update.
CCR	Coal Combustion Residual.
COVID-19	Coronavirus 2019, a highly infectious respiratory disease. In March 2020, the World Health Organization declared COVID-19 a worldwide pandemic.
CWIP	Construction Work in Progress.
ELG	Effluent Limitation Guidelines.
Excess ADIT	Excess accumulated deferred income taxes.
FASB	Financial Accounting Standards Board.
FERC	Federal Energy Regulatory Commission.
FTR	Financial Transmission Right, a financial instrument that entitles the holder to receive compensation for certain congestion-related transmission charges that arise when the power grid is congested resulting in differences in locational prices.
GAAP	Accounting Principles Generally Accepted in the United States of America.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IRS	Internal Revenue Service.
KPCo	Kentucky Power Company, an AEP electric utility subsidiary.
KPSC	Kentucky Public Service Commission.
MTM	Mark-to-Market.
MWh	Megawatt-hour.
OPEB	Other Postretirement Benefits.
OTC	Over-the-counter.
Parent	American Electric Power Company, Inc., the equity owner of AEP subsidiaries within the AEP consolidation.
PJM	Pennsylvania – New Jersey – Maryland regional transmission organization.
Risk Management Contracts	Trading and non-trading derivatives, including those derivatives designated as cash flow and fair value hedges.
Tax Reform	On December 22, 2017, President Trump signed into law legislation referred to as the “Tax Cuts and Jobs Act” (the TCJA). The TCJA includes significant changes to the Internal Revenue Code of 1986, including a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.
WPCo	Wheeling Power Company, an AEP electric utility subsidiary.
WVPSC	Public Service Commission of West Virginia.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF INCOME
For the Three and Six Months Ended June 30, 2021 and 2020
(in thousands)
(Unaudited)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
REVENUES				
Electric Generation, Transmission and Distribution	$ 146,825	$ 119,520	$ 305,948	$ 263,479
Sales to AEP Affiliates	2,630	3,088	5,227	6,518
Other Revenues	279	168	502	412
TOTAL REVENUES	149,734	122,776	311,677	270,409
EXPENSES				
Fuel and Other Consumables Used for Electric Generation	22,841	16,525	40,591	40,505
Purchased Electricity for Resale	10,785	3,798	31,899	17,065
Purchased Electricity from AEP Affiliates	24,772	18,754	46,873	34,241
Other Operation	27,304	20,253	60,290	43,261
Maintenance	15,925	25,063	35,302	40,016
Depreciation and Amortization	27,132	25,032	56,652	49,452
Taxes Other Than Income Taxes	6,994	7,094	14,015	14,021
TOTAL EXPENSES	135,753	116,519	285,622	238,561
OPERATING INCOME	13,981	6,257	26,055	31,848
Other Income (Expense):				
Other Income	403	598	683	629
Non-Service Cost Components of Net Periodic Benefit Cost	1,036	1,014	2,071	2,028
Interest Expense	(8,903)	(9,522)	(17,856)	(19,438)
INCOME (LOSS) BEFORE INCOME TAX BENEFIT	6,517	(1,653)	10,953	15,067
Income Tax Benefit	(3,780)	(718)	(13,195)	(2,833)
NET INCOME (LOSS)	$ 10,297	$ (935)	$ 24,148	$ 17,900

The common stock of KPCo is wholly-owned by Parent.

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three and Six Months Ended June 30, 2021 and 2020
(in thousands)
(Unaudited)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net Income (Loss)	$ 10,297	$ (935)	$ 24,148	$ 17,900
OTHER COMPREHENSIVE LOSS, NET OF TAXES				
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $(9) and $(7) for the Three Months Ended June 30, 2021 and 2020, Respectively, and $(18) and $(14) for the Six Months Ended June 30, 2021 and 2020, Respectively	(34)	(26)	(68)	(53)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 10,263	$ (961)	$ 24,080	$ 17,847

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY
For the Six Months Ended June 30, 2021 and 2020
(in thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2019	$ 50,450	$ 526,135	$ 204,806	$ 790	$ 782,181
ASU 2016-13 Adoption			48		48
Net Income			18,835		18,835
Other Comprehensive Loss				(27)	(27)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2020	50,450	526,135	223,689	763	801,037
Net Loss			(935)		(935)
Other Comprehensive Loss				(26)	(26)
TOTAL COMMON SHAREHOLDER'S EQUITY - JUNE 30, 2020	$ 50,450	$ 526,135	$ 222,754	$ 737	$ 800,076
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2020	$ 50,450	$ 526,135	$ 245,871	$ 878	$ 823,334
Net Income			13,851		13,851
Other Comprehensive Loss				(34)	(34)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2021	50,450	526,135	259,722	844	837,151
Net Income			10,297		10,297
Other Comprehensive Loss				(34)	(34)
TOTAL COMMON SHAREHOLDER'S EQUITY - JUNE 30, 2021	$ 50,450	$ 526,135	$ 270,019	$ 810	$ 847,414

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
ASSETS
June 30, 2021 and December 31, 2020
(in thousands)
(Unaudited)

	June 30, 2021	December 31, 2020
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,055	$ 1,533
Accounts Receivable:		
Customers	11,218	10,485
Affiliated Companies	24,371	21,019
Accrued Unbilled Revenues	14,028	18,918
Miscellaneous	33	80
Allowance for Uncollectible Accounts	(4)	(87)
Total Accounts Receivable	49,646	50,415
Fuel	20,218	22,487
Materials and Supplies	19,047	19,861
Risk Management Assets	6,452	3,152
Accrued Tax Benefits	2,893	468
Regulatory Asset for Under-Recovered Fuel Costs	653	—
Prepayments and Other Current Assets	1,678	3,034
TOTAL CURRENT ASSETS	101,642	100,950
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	1,228,862	1,231,387
Transmission	717,931	703,309
Distribution	975,774	955,501
Other Property, Plant and Equipment	131,819	120,965
Construction Work in Progress	106,280	83,008
Total Property, Plant and Equipment	3,160,666	3,094,170
Accumulated Depreciation and Amortization	1,079,347	1,052,273
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	2,081,319	2,041,897
OTHER NONCURRENT ASSETS		
Regulatory Assets	494,779	450,145
Long-term Risk Management Assets	—	23
Employee Benefits and Pension Assets	42,238	41,062
Operating Lease Assets	11,345	11,928
Deferred Charges and Other Noncurrent Assets	25,007	33,585
TOTAL OTHER NONCURRENT ASSETS	573,369	536,743
TOTAL ASSETS	$ 2,756,330	$ 2,679,590

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
June 30, 2021 and December 31, 2020
(Unaudited)

	June 30, 2021	December 31, 2020
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 10,616	$ 65,647
Accounts Payable:		
General	54,651	47,157
Affiliated Companies	33,681	24,862
Long-term Debt Due Within One Year – Nonaffiliated	125,000	40,000
Risk Management Liabilities	285	213
Customer Deposits	31,360	30,774
Accrued Taxes	26,726	36,191
Accrued Interest	5,873	6,399
Obligations Under Operating Leases	2,249	2,296
Regulatory Liability for Over-Recovered Fuel Costs	—	313
Other Current Liabilities	25,040	26,767
TOTAL CURRENT LIABILITIES	315,481	280,619
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	977,869	952,650
Long-term Risk Management Liabilities	—	19
Deferred Income Taxes	429,329	446,054
Regulatory Liabilities and Deferred Investment Tax Credits	148,511	133,243
Asset Retirement Obligations	15,951	21,544
Employee Benefits and Pension Obligations	7,731	7,970
Obligations Under Operating Leases	9,128	9,672
Deferred Credits and Other Noncurrent Liabilities	4,916	4,485
TOTAL NONCURRENT LIABILITIES	1,593,435	1,575,637
TOTAL LIABILITIES	1,908,916	1,856,256
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – Par Value – $50 Per Share:		
Authorized – 2,000,000 Shares		
Outstanding – 1,009,000 Shares	50,450	50,450
Paid-in Capital	526,135	526,135
Retained Earnings	270,019	245,871
Accumulated Other Comprehensive Income (Loss)	810	878
TOTAL COMMON SHAREHOLDER'S EQUITY	847,414	823,334
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 2,756,330	$ 2,679,590

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2021 and 2020
(in thousands)
(Unaudited)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
OPERATING ACTIVITIES		
Net Income	$ 24,148	$ 17,900
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	56,652	49,452
Deferred Income Taxes	(12,123)	2,339
Allowance for Equity Funds Used During Construction	(671)	(570)
Mark-to-Market of Risk Management Contracts	(3,224)	(797)
Property Taxes	9,900	9,906
Deferred Fuel Over/Under-Recovery, Net	(967)	4,336
Change in Regulatory Assets	(49,463)	(5,510)
Change in Other Noncurrent Assets	(8,554)	(20,470)
Change in Other Noncurrent Liabilities	1,171	(5,757)
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	1,100	(2,934)
Fuel, Materials and Supplies	3,136	3,765
Accounts Payable	11,291	(2,440)
Accrued Taxes, Net	(11,890)	(13,806)
Other Current Assets	1,331	1,590
Other Current Liabilities	(1,024)	(2,218)
Net Cash Flows from Operating Activities	20,813	34,786
INVESTING ACTIVITIES		
Construction Expenditures	(76,465)	(87,445)
Other Investing Activities	490	460
Net Cash Flows Used for Investing Activities	(75,975)	(86,985)
FINANCING ACTIVITIES		
Issuance of Long-term Debt – Nonaffiliated	150,000	124,624
Change in Advances from Affiliates, Net	(55,031)	(72,441)
Retirement of Long-term Debt – Nonaffiliated	(40,000)	—
Principal Payments for Finance Lease Obligations	(447)	(400)
Other Financing Activities	162	117
Net Cash Flows from Financing Activities	54,684	51,900
Net Decrease in Cash and Cash Equivalents	(478)	(299)
Cash and Cash Equivalents at Beginning of Period	1,533	849
Cash and Cash Equivalents at End of Period	$ 1,055	$ 550
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 19,325	$ 20,174
Net Cash Paid (Received) for Income Taxes	2,196	(3,657)
Noncash Acquisitions Under Finance Leases	233	463
Construction Expenditures Included in Current Liabilities as of June 30,	22,864	18,710

See Condensed Notes to Condensed Financial Statements beginning on page 8.

INDEX OF CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING MATTERS

General

The unaudited condensed financial statements and footnotes were prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual financial statements.

In the opinion of management, the unaudited condensed interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair statement of the net income, financial position and cash flows for the interim periods. Net income for the three and six months ended June 30, 2021 is not necessarily indicative of results that may be expected for the year ending December 31, 2021. The condensed financial statements are unaudited and should be read in conjunction with the audited 2020 financial statements and notes thereto, which are included in KPCo's 2020 Annual Report.

Subsequent Events

Management reviewed subsequent events through July 22, 2021, the date that the second quarter 2021 report was available to be issued.

2. NEW ACCOUNTING STANDARDS

During the FASB's standard-setting process and upon issuance of final standards, management reviews the new accounting literature to determine its relevance, if any, to KPCo's business. There are no new standards expected to have a material impact on KPCo's financial statements.

3. COMPREHENSIVE INCOME

Presentation of Comprehensive Income

The following tables provide the components of changes in AOCI and details of reclassifications from AOCI. The amortization of pension and OPEB AOCI components are included in the computation of net periodic pension and OPEB costs. See Note 6 - Benefit Plans for additional information.

Three Months Ended June 30, 2021	Pension and OPEB (in thousands)
Balance in AOCI as of March 31, 2021	$ 844
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(58)
Amortization of Actuarial (Gains) Losses	15
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(43)
Income Tax (Expense) Benefit	(9)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(34)
Net Current Period Other Comprehensive Income (Loss)	(34)
Balance in AOCI as of June 30, 2021	$ 810

Three Months Ended June 30, 2020	Pension and OPEB (in thousands)
Balance in AOCI as of March 31, 2020	$ 763
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(57)
Amortization of Actuarial (Gains) Losses	24
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(33)
Income Tax (Expense) Benefit	(7)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(26)
Net Current Period Other Comprehensive Income (Loss)	(26)
Balance in AOCI as of June 30, 2020	$ 737

Six Months Ended June 30, 2021	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of December 31, 2020	$ 878
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(117)
Amortization of Actuarial (Gains) Losses	31
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(86)
Income Tax (Expense) Benefit	(18)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(68)
Net Current Period Other Comprehensive Income (Loss)	(68)
Balance in AOCI as of June 30, 2021	$ 810

Six Months Ended June 30, 2020	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of December 31, 2019	$ 790
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(114)
Amortization of Actuarial (Gains) Losses	47
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(67)
Income Tax (Expense) Benefit	(14)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(53)
Net Current Period Other Comprehensive Income (Loss)	(53)
Balance in AOCI as of June 30, 2020	$ 737

4. RATE MATTERS

As discussed in KPCo's 2020 Annual Report, KPCo is involved in rate and regulatory proceedings at the FERC and the KPSC. The Rate Matters note within KPCo's 2020 Annual Report should be read in conjunction with this report to gain a complete understanding of material rate matters still pending that could impact net income, cash flows and possibly financial condition. The following discusses ratemaking developments in 2021 and updates KPCo's 2020 Annual Report.

Regulatory Assets Pending Final Regulatory Approval

Noncurrent Regulatory Assets	June 30, 2021	December 31, 2020
	(in thousands)	
Regulatory Assets Currently Earning a Return		
Kentucky Deferred Purchased Power Expenses	$ 44,380	$ 41,267
Regulatory Assets Currently Not Earning a Return		
Storm-Related Costs	53,092	10,708
Other Regulatory Assets Pending Final Regulatory Approval	563	2,065
Total Regulatory Assets Pending Final Regulatory Approval	$ 98,035	$ 54,040

If these costs are ultimately determined not to be recoverable, it could reduce future net income and cash flows and impact financial condition.

Storm-Related Costs

In December 2020, a snow storm impacted KPCo's service territory resulting in customer outages and damage to KPCo utility assets. In March 2021, KPCo filed an application seeking deferral authority of approximately $1 million related to the December 2020 storm.

In February 2021, a severe winter storm impacted KPCo's service territory resulting in customer outages and extensive damage to transmission and distribution infrastructure. Management currently estimates KPCo incurred incremental operations and maintenance expenses of $46.8 million related to the storm, of which $42.6 million has been deferred as a regulatory asset. Incremental capital expenditures are estimated to be $28.6 million.

In April, 2021 the KPSC approved KPCo's requests for deferral authority of the December 2020 and February 2021 storm-related costs. KPCo will seek recovery of the deferred storm costs in its next base rate case.

If any of these incremental storm costs are not recoverable, it could reduce future net income and cash flows and impact financial condition.

CCR/ELG Compliance Plan Filings

KPCo and WPCo each own a 50% interest in the Mitchell Plant. In December 2020 and February 2021, WPCo and KPCo filed requests with the WVPSC and KPSC, respectively, to obtain the regulatory approvals necessary to implement CCR and ELG compliance plans and seek recovery of the estimated $132 million investment for the Mitchell Plant that would allow the plant to continue operating through 2040. Within those requests, WPCo and KPCo also filed a $25 million alternative to implement only the CCR-related investments with the WVPSC and KPSC, respectively, which would allow the Mitchell Plant to continue operating only through 2028.

In May 2021, intervenors in Kentucky and West Virginia submitted testimony with recommendations that only the CCR-related investments be constructed at the Mitchell Plant. In July 2021, the KPSC issued an order rejecting the full CCR and ELG compliance plans and approved the CCR only alternative. As of June 30, 2021, KPCo's share of the Mitchell Plant CCR and ELG investment balances in CWIP, was $795 thousand and $1.9 million, respectively. As of June 30, 2021, the net book value of KPCo's share of the Mitchell Plant, before cost of removal including CWIP and inventory, was $591.9 million.

If any of the CCR and ELG compliance plan costs are not approved for recovery and/or the retirement date of the Mitchell Plant is accelerated to 2028 without commensurate cost recovery, it would reduce future net income and cash flows and impact financial condition.

5. COMMITMENTS, GUARANTEES AND CONTINGENCIES

KPCo is subject to certain claims and legal actions arising in its ordinary course of business. In addition, KPCo's business activities are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation against KPCo cannot be predicted. Management accrues contingent liabilities only when management concludes that it is both probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. When management determines that it is not probable, but rather reasonably possible that a liability has been incurred at the date of the financial statements, management discloses such contingencies and the possible loss or range of loss if such estimate can be made. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent the maximum possible loss exposure. Circumstances change over time and actual results may vary significantly from estimates.

For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements. The Commitments, Guarantees and Contingencies note within KPCo's 2020 Annual Report should be read in conjunction with this report.

GUARANTEES

Liabilities for guarantees are recorded in accordance with the accounting guidance for "Guarantees." There is no collateral held in relation to any guarantees. In the event any guarantee is drawn, there is no recourse to third-parties unless specified below.

Indemnifications and Other Guarantees

Contracts

KPCo enters into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. As of June 30, 2021, there were no material liabilities recorded for any indemnifications.

AEPSC conducts power purchase and sale activity on behalf of APCo, I&M, KPCo and WPCo, who are jointly and severally liable for activity conducted on their behalf.

Master Lease Agreements

KPCo leases certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, KPCo is committed to pay the difference between the actual fair value and the residual value guarantee. Historically, at the end of the lease term the fair value has been in excess of the amount guaranteed. As of June 30, 2021, the maximum potential loss for these lease agreements was $1.7 million assuming the fair value of the equipment is zero at the end of the lease term.

CONTINGENCIES

Claims Challenging Transition of American Electric Power System Retirement Plan to Cash Balance Formula

The American Electric Power System Retirement Plan (the Plan) has received a letter written on behalf of four participants (the Claimants) making a claim for additional plan benefits and purporting to advance such claims on behalf of a class. When the Plan's benefit formula was changed in the year 2000, AEP provided a special provision for employees hired before January 1, 2001, allowing them to continue benefit accruals under the then benefit formula for a full 10 years alongside of the new cash balance benefit formula then being implemented. Employees who were hired on or after January 1, 2001 accrued benefits only under the new cash balance benefit formula. The Claimants have asserted claims that: (a) the Plan violates the requirements under the Employee Retirement Income Security Act (ERISA) intended to preclude back-loading the accrual of benefits to the end of a participant's career, (b) the Plan violates the age discrimination prohibitions of ERISA and the Age Discrimination in Employment Act and (c) the company failed to provide required notice regarding the changes to the Plan. AEP has responded to the Claimants providing a reasoned explanation for why each of their claims have been denied. The denial of those claims was appealed to the AEP System Retirement Plan Appeal Committee and the Committee upheld the denial of claims. Management will continue to defend against the claims. Management is unable to determine a range of potential losses that is reasonably possible of occurring.

6. BENEFIT PLANS

KPCo participates in an AEP sponsored qualified pension plan and two unfunded nonqualified pension plans. Substantially all of KPCo's employees are covered by the qualified plan or both the qualified and nonqualified pension plans. KPCo also participates in OPEB plans sponsored by AEP to provide health and life insurance benefits for retired employees.

Components of Net Periodic Benefit Cost

The following tables provide the components of KPCo's net periodic benefit cost (credit) for the plans:

	Pension Plans		OPEB	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Service Cost	$ 870	$ 779	$ 70	$ 74
Interest Cost	1,210	1,492	274	374
Expected Return on Plan Assets	(2,145)	(2,472)	(870)	(940)
Amortization of Prior Service Credit	—	—	(624)	(613)
Amortization of Net Actuarial Loss	880	823	—	59
Net Periodic Benefit Cost (Credit)	$ 815	$ 622	$ (1,150)	$ (1,046)

	Pension Plans		OPEB	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Service Cost	$ 1,739	$ 1,559	$ 141	$ 149
Interest Cost	2,420	2,985	548	747
Expected Return on Plan Assets	(4,291)	(4,945)	(1,740)	(1,881)
Amortization of Prior Service Credit	—	—	(1,249)	(1,226)
Amortization of Net Actuarial Loss	1,761	1,646	—	119
Net Periodic Benefit Cost (Credit)	$ 1,629	$ 1,245	$ (2,300)	$ (2,092)

7. DERIVATIVES AND HEDGING

OBJECTIVES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS

AEPSC is agent for and transacts on behalf of KPCo.

KPCo is exposed to certain market risks as a major power producer and participant in the electricity, natural gas, coal and emission allowance markets. These risks include commodity price risk, interest rate risk and credit risk. These risks represent the risk of loss that may impact KPCo due to changes in the underlying market prices or rates. Management utilizes derivative instruments to manage these risks.

STRATEGIES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS TO ACHIEVE OBJECTIVES

Risk Management Strategies

The strategy surrounding the use of derivative instruments primarily focuses on managing risk exposures, future cash flows and creating value utilizing both economic and formal hedging strategies. The risk management strategies also include the use of derivative instruments for trading purposes which focus on seizing market opportunities to create value driven by expected changes in the market prices of the commodities. To accomplish these objectives, KPCo primarily employs risk management contracts including physical and financial forward purchase-and-sale contracts and, to a lesser extent, OTC swaps and options. Not all risk management contracts meet the definition of a derivative under the accounting guidance for "Derivatives and Hedging." Derivative risk management contracts elected normal under the normal purchases and normal sales scope exception are not subject to the requirements of this accounting guidance.

KPCo utilizes power, capacity, coal, natural gas, interest rate and, to a lesser extent, heating oil, gasoline and other commodity contracts to manage the risk associated with the energy business. KPCo utilizes interest rate derivative contracts in order to manage the interest rate exposure associated with its commodity portfolio. For disclosure purposes, such risks are grouped as "Commodity," as these risks are related to energy risk management activities. KPCo may also utilize derivative contracts to manage interest rate risk associated with debt financing. For disclosure purposes, these risks are grouped as "Interest Rate." The amount of risk taken is determined by the Commercial Operations and Finance groups in accordance with the established risk management policies as approved by the Finance Committee of the Board of Directors.

The following table represents the gross notional volume of KPCo's outstanding derivative contracts:

Primary Risk Exposure	June 30, 2021	December 31, 2020	Unit of Measure
	(in thousands)		
Commodity:			
Power	16,361	8,249	MWhs
Heating Oil and Gasoline	376	270	Gallons

Cash Flow Hedging Strategies

KPCo utilizes cash flow hedges on certain derivative transactions for the purchase and sale of power ("Commodity") in order to manage the variable price risk related to forecasted purchases and sales. Management monitors the potential impacts of commodity price changes and, where appropriate, enters into derivative transactions to protect profit margins for a portion of future electricity sales and purchases. KPCo does not hedge all commodity price risk.

KPCo may utilize a variety of interest rate derivative transactions in order to manage interest rate risk exposure. KPCo may also utilize interest rate derivative contracts to manage interest rate exposure related to future borrowings of fixed-rate debt. KPCo does not hedge all interest rate exposure.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND THE IMPACT ON KPCo's FINANCIAL STATEMENTS

The accounting guidance for "Derivatives and Hedging" requires recognition of all qualifying derivative instruments as either assets or liabilities on the balance sheets at fair value. The fair values of derivative instruments accounted for using MTM accounting or hedge accounting are based on exchange prices and broker quotes. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes and assumptions. In order to determine the relevant fair values of the derivative instruments, KPCo applies valuation adjustments for discounting, liquidity and credit quality.

Credit risk is the risk that a counterparty will fail to perform on the contract or fail to pay amounts due. Liquidity risk represents the risk that imperfections in the market will cause the price to vary from estimated fair value based upon prevailing market supply and demand conditions. Since energy markets are imperfect and volatile, there are inherent risks related to the underlying assumptions in models used to fair value risk management contracts. Unforeseen events may cause reasonable price curves to differ from actual price curves throughout a contract's term and at the time a contract settles. Consequently, there could be significant adverse or favorable effects on future net income and cash flows if market prices are not consistent with management's estimates of current market consensus for forward prices in the current period. This is particularly true for longer term contracts. Cash flows may vary based on market conditions, margin requirements and the timing of settlement of risk management contracts.

According to the accounting guidance for "Derivatives and Hedging," KPCo reflects the fair values of derivative instruments subject to netting agreements with the same counterparty net of related cash collateral. For certain risk management contracts, KPCo is required to post or receive cash collateral based on third-party contractual agreements and risk profiles. For the June 30, 2021 and December 31, 2020 balance sheets, KPCo netted $162 thousand and $96 thousand, respectively, of cash collateral received from third-parties against short-term and long-term risk management assets and $1.1 million and $0, respectively, of cash collateral paid to third-parties against short-term and long-term risk management liabilities.

The following tables represent the gross fair value of KPCo's derivative activity on the balance sheets:

Fair Value of Derivative Instruments
June 30, 2021

Balance Sheet Location	Risk Management Contracts – Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Current Risk Management Assets	$ 11,932	$ (5,480)	$ 6,452
Long-term Risk Management Assets	26	(26)	—
Total Assets	11,958	(5,506)	6,452
Current Risk Management Liabilities	6,726	(6,441)	285
Long-term Risk Management Liabilities	10	(10)	—
Total Liabilities	6,736	(6,451)	285
Total MTM Derivative Contract Net Assets	$ 5,222	$ 945	$ 6,167

December 31, 2020

Balance Sheet Location	Risk Management Contracts – Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Current Risk Management Assets	$ 6,751	$ (3,599)	$ 3,152
Long-term Risk Management Assets	139	(116)	23
Total Assets	6,890	(3,715)	3,175
Current Risk Management Liabilities	3,746	(3,533)	213
Long-term Risk Management Liabilities	105	(86)	19
Total Liabilities	3,851	(3,619)	232
Total MTM Derivative Contract Net Assets (Liabilities)	$ 3,039	$ (96)	$ 2,943

(a) Derivative instruments within this category are reported gross. These instruments are subject to master netting agreements and are presented on the balance sheets on a net basis in accordance with the accounting guidance for "Derivatives and Hedging."
(b) Amounts include counterparty netting of risk management and hedging contracts and associated cash collateral in accordance with the accounting guidance for "Derivatives and Hedging."
(c) All derivative contracts subject to a master netting arrangement or similar agreement are offset in the statement of financial position.

The table below presents KPCo's activity of derivative risk management contracts:

Amount of Gain (Loss) Recognized on Risk Management Contracts

Location of Gain (Loss)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
		(in thousands)		
Electric Generation, Transmission and Distribution Revenues	$ 1	$ (110)	$ —	$ 22
Purchased Electricity for Resale	22	43	37	44
Other Operation	23	(20)	31	(28)
Maintenance	26	(44)	47	(51)
Regulatory Assets (a)	(1,184)	1,674	(1,271)	280
Regulatory Liabilities (a)	1,571	2,909	2,389	3,333
Total Gain on Risk Management Contracts	$ 459	$ 4,452	$ 1,233	$ 3,600

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment recorded as either current or noncurrent on the balance sheets.

Certain qualifying derivative instruments have been designated as normal purchase or normal sale contracts, as provided in the accounting guidance for "Derivatives and Hedging." Derivative contracts that have been designated as normal purchases or normal sales under that accounting guidance are not subject to MTM accounting treatment and are recognized on the statements of income on an accrual basis.

The accounting for the changes in the fair value of a derivative instrument depends on whether it qualifies for and has been designated as part of a hedging relationship and further, on the type of hedging relationship. Depending on the exposure, management designates a hedging instrument as a fair value hedge or a cash flow hedge.

For contracts that have not been designated as part of a hedging relationship, the accounting for changes in fair value depends on whether the derivative instrument is held for trading purposes. Unrealized and realized gains and losses on derivative instruments held for trading purposes are included in revenues on a net basis on KPCo's statements of income. Unrealized and realized gains and losses on derivative instruments not held for trading purposes are included in revenues or expenses on KPCo's statements of income depending on the relevant facts and circumstances. Certain derivatives that economically hedge future commodity risk are recorded in the same expense line item on the statements of income as that of the associated risk. However, unrealized and some realized gains and losses for both trading and non-trading derivative instruments are recorded as regulatory assets (for losses) or regulatory liabilities (for gains), in accordance with the accounting guidance for "Regulated Operations."

Accounting for Cash Flow Hedging Strategies

For cash flow hedges (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), KPCo initially reports the gain or loss on the derivative instrument as a component of Accumulated Other Comprehensive Income (Loss) on the balance sheets until the period the hedged item affects Net Income.

Realized gains and losses on derivative contracts for the purchase and sale of power designated as cash flow hedges are included in Total Revenues or Purchased Electricity for Resale on KPCo's statements of income, or in Regulatory Assets or Regulatory Liabilities on KPCo's balance sheets, depending on the specific nature of the risk being hedged. During the three and six months ended June 30, 2021 and 2020, KPCo did not apply cash flow hedging to outstanding power derivatives.

KPCo reclassifies gains and losses on interest rate derivative hedges related to debt financings from Accumulated Other Comprehensive Income (Loss) on its balance sheets into Interest Expense on its statements of income in those periods in which hedged interest payments occur. During the three and six months ended June 30, 2021 and 2020, KPCo did not apply cash flow hedging to outstanding interest rate derivatives.

There was no impact of cash flow hedges included in Accumulated Other Comprehensive Income (Loss) on KPCo's balance sheets as of June 30, 2021 and December 31, 2020.

The actual amounts that KPCo reclassifies from Accumulated Other Comprehensive Income (Loss) to Net Income can differ due to market price changes. As of June 30, 2021, KPCo is not hedging (with contracts subject to the accounting guidance for "Derivatives and Hedging") its exposure to variability in future cash flows related to forecasted transactions.

Credit Risk

Management mitigates credit risk in KPCo's wholesale marketing and trading activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis. Management uses credit agency ratings and current market-based qualitative and quantitative data as well as financial statements to assess the financial health of counterparties on an ongoing basis.

Master agreements are typically used to facilitate the netting of cash flows associated with a single counterparty and may include collateral requirements. Collateral requirements in the form of cash, letters of credit, surety bonds and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. Some master agreements include margining, which requires a counterparty to post cash or letters of credit in the event exposure exceeds the established threshold. The threshold represents an unsecured credit limit which may be supported by a parental/affiliate guaranty, as determined in accordance with AEP's credit policy. In addition, master agreements allow for termination and liquidation of all positions in the event of a default including failure or inability to post collateral when required.

Collateral Triggering Events

Credit Downgrade Triggers

A limited number of derivative contracts include collateral triggering events, which include a requirement to maintain certain credit ratings. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these collateral triggering events in contracts. KPCo has not experienced a downgrade below a specified credit rating threshold that would require the posting of additional collateral. As of June 30, 2021 and December 31, 2020, KPCo did not have derivative contracts with collateral triggering events in a net liability position.

Cross-Default Triggers

In addition, a majority of KPCo's non-exchange-traded commodity contracts contain cross-default provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-default provisions could be triggered if there was a non-performance event by Parent or the obligor under outstanding debt or a third-party obligation that is $50 million or greater. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-default provisions in the contracts. The following table represents: (a) the fair value of these derivative liabilities subject to cross-default provisions prior to consideration of contractual netting arrangements, (b) the amount this exposure has been reduced by cash collateral posted and (c) if a cross-default provision would have been triggered, the settlement amount that would be required after considering contractual netting arrangements:

	June 30, 2021	December 31, 2020
	(in thousands)	
Liabilities for Contracts with Cross-Default Provisions Prior to Contractual Netting Arrangements	$ 116	$ 154
Additional Settlement Liability if Cross-Default Provision is Triggered	8	16

8. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy and Valuation Techniques

The accounting guidance for "Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. When quoted market prices are not available, pricing may be completed using comparable securities, dealer values, operating data and general market conditions to determine fair value. Valuation models utilize various inputs such as commodity, interest rate and, to a lesser degree, volatility and credit that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, market corroborated inputs (i.e. inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability.

For commercial activities, exchange-traded derivatives, namely futures contracts, are generally fair valued based on unadjusted quoted prices in active markets and are classified as Level 1. Level 2 inputs primarily consist of OTC broker quotes in moderately active or less active markets, as well as exchange-traded derivatives where there is insufficient market liquidity to warrant inclusion in Level 1. Management verifies price curves using these broker quotes and classifies these fair values within Level 2 when substantially all of the fair value can be corroborated. Management typically obtains multiple broker quotes, which are nonbinding in nature but are based on recent trades in the marketplace. When multiple broker quotes are obtained, the quoted bid and ask prices are averaged. In certain circumstances, a broker quote may be discarded if it is a clear outlier. Management uses a historical correlation analysis between the broker quoted location and the illiquid locations. If the points are highly correlated, these locations are included within Level 2 as well. Certain OTC and bilaterally executed derivative instruments are executed in less active markets with a lower availability of pricing information. Illiquid transactions, complex structured transactions, FTRs and counterparty credit risk may require nonmarket-based inputs. Some of these inputs may be internally developed or extrapolated and utilized to estimate fair value. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized as Level 3. The main driver of contracts being classified as Level 3 is the inability to substantiate energy price curves in the market. A portion of the Level 3 instruments have been economically hedged which limits potential earnings volatility.

Fair Value Measurements of Long-term Debt

The fair values of Long-term Debt are based on quoted market prices, without credit enhancements, for the same or similar issues and the current interest rates offered for instruments with similar maturities classified as Level 2 measurement inputs. These instruments are not marked-to-market. The estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

The book values and fair values of KPCo's Long-term Debt are summarized in the following table:

	June 30, 2021		December 31, 2020	
	Book Value	Fair Value	Book Value	Fair Value
	(in thousands)			
Long-term Debt	$ 1,102,869	$ 1,239,500	$ 992,650	$ 1,166,298

Fair Value Measurements of Financial Assets and Liabilities

The following tables set forth, by level within the fair value hierarchy, KPCo's financial assets and liabilities that were accounted for at fair value on a recurring basis. As required by the accounting guidance for "Fair Value Measurements and Disclosures," financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have not been any significant changes in management's valuation techniques.

Assets and Liabilities Measured at Fair Value on a Recurring Basis
June 30, 2021

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in thousands)		
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 5,145	$ 6,813	$ (5,506)	$ 6,452
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 6,278	$ 458	$ (6,451)	$ 285

December 31, 2020

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in thousands)		
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 3,669	$ 3,204	$ (3,698)	$ 3,175
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 3,655	$ 179	$ (3,602)	$ 232

(a) Amounts in "Other" column primarily represent counterparty netting of risk management and hedging contracts and associated cash collateral under the accounting guidance for "Derivatives and Hedging."
(b) Substantially comprised of power contracts.

The following tables set forth a reconciliation of changes in the fair value of net trading derivatives classified as Level 3 in the fair value hierarchy:

Three Months Ended June 30, 2021	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of March 31, 2021	$ 1,043
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	1,245
Settlements	(2,328)
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	6,395
Balance as of June 30, 2021	$ 6,355

Three Months Ended June 30, 2020	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of March 31, 2020	$ 1,250
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	4,646
Settlements	(5,664)
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	6,069
Balance as of June 30, 2020	$ 6,301

Six Months Ended June 30, 2021	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of December 31, 2020	$ 3,025
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	2,008
Settlements	(5,067)
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	6,389
Balance as of June 30, 2021	$ 6,355

Six Months Ended June 30, 2020	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of December 31, 2019	$ 5,702
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	4,035
Settlements	(9,744)
Transfers out of Level 3 (c)	130
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	6,178
Balance as of June 30, 2020	$ 6,301

(a) Included in revenues on KPCo's statements of income.
(b) Represents the change in fair value between the beginning of the reporting period and the settlement of the risk management commodity contract.
(c) Transfers are recognized based on their value at the beginning of the reporting period that the transfer occurred.
(d) Relates to the net gains (losses) of those contracts that are not reflected on KPCo's statements of income. These net gains (losses) are recorded as regulatory assets/liabilities or accounts payable.

The following tables quantify the significant unobservable inputs used in developing the fair value of Level 3 positions:

Significant Unobservable Inputs
June 30, 2021

	Fair Value		Valuation	Significant	Input/Range		
	Assets	Liabilities	Technique	Unobservable Input (a)	Low	High	Weighted Average (b)
	(in thousands)						
Energy Contracts	$ 50	$ 130	Discounted Cash Flow	Forward Market Price	$ 16.26	$ 55.49	$ 32.70
FTRs	6,763	328	Discounted Cash Flow	Forward Market Price	0.16	6.79	0.86
Total	$ 6,813	$ 458					

December 31, 2020

	Fair Value		Valuation	Significant	Input/Range		
	Assets	Liabilities	Technique	Unobservable Input (a)	Low	High	Weighted Average (b)
	(in thousands)						
Energy Contracts	$ 190	$ 121	Discounted Cash Flow	Forward Market Price	$ 10.84	$ 41.09	$ 25.08
FTRs	3,014	58	Discounted Cash Flow	Forward Market Price	0.17	4.18	1.03
Total	$ 3,204	$ 179					

(a) Represents market prices in dollars per MWh.
(b) The weighted average is the product of the forward market price of the underlying commodity and volume weighted by term.

The following table provides the measurement uncertainty of fair value measurements to increases (decreases) in significant unobservable inputs related to Energy Contracts and FTRs as of June 30, 2021 and December 31, 2020:

Uncertainty of Fair Value Measurements

Significant Unobservable Input	Position	Change in Input	Impact on Fair Value Measurement
Forward Market Price	Buy	Increase (Decrease)	Higher (Lower)
Forward Market Price	Sell	Increase (Decrease)	Lower (Higher)

9. INCOME TAXES

Effective Tax Rates (ETR)

KPCo's interim ETR reflects the estimated annual ETR for 2021 and 2020, adjusted for tax expense associated with certain discrete items.

KPCo includes the amortization of Excess ADIT not subject to normalization requirements in the annual estimated ETR when regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers over multiple interim periods. Certain regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers in a single period (e.g. by applying the Excess ADIT not subject to normalization requirements against an existing regulatory asset balance) and in these circumstances, KPCo recognizes the tax benefit discretely in the period recorded. The annual amount of Excess ADIT approved by KPCo's regulatory commissions may not impact the ETR ratably during each interim period due to the variability of pretax book income between interim periods and the application of an annual estimated ETR.

The ETR for KPCo is included in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
U.S. Federal Statutory Rate	21.0 %	21.0 %	21.0 %	21.0 %
Increase (decrease) due to:				
State Income Tax, net of Federal Benefit	(5.2)%	7.7 %	(2.9)%	(5.0)%
Tax Reform Excess ADIT Reversal	(69.8)%	13.6 %	(135.2)%	(30.2)%
Flow Through	(2.1)%	(0.4)%	(1.9)%	0.3 %
AFUDC Equity	(2.0)%	0.9 %	(1.5)%	(2.0)%
Discrete Tax Adjustments	— %	— %	— %	(3.0)%
Other	0.1 %	0.6 %	— %	0.1 %
Effective Income Tax Rate	(58.0)%	43.4 %	(120.5)%	(18.8)%

Federal and State Income Tax Audit Status

The statute of limitations for the IRS to examine KPCo and other AEP subsidiaries originally filed federal return has expired for tax years 2016 and earlier. In the third quarter of 2019, KPCo and other AEP subsidiaries elected to amend the 2014 and 2015 federal returns. In the first quarter of 2020, the IRS notified AEP that it was beginning an examination of these amended returns, including the net operating loss carryback to 2015 that originated in the 2017 return. As of June 30, 2021, the IRS has not challenged any items on these returns and the IRS is limited in their proposed adjustments to the amount AEP claimed on the amended returns. AEP has agreed to extend the statute of limitations on the 2017 tax return to December 31, 2022 to allow time for the audit to be completed and the Congressional Joint Committee on Taxation to approve the associated refund claim.

10. FINANCING ACTIVITIES

Long-term Debt

Long-term debt issued during the first six months of 2021 is shown in the following table:

Type of Issuance	Principal Amount (a) (in thousands)	Interest Rate (%)	Due Date
Other Long-term Debt	$ 150,000	Variable	2023

(a) Amounts indicated on the statements of cash flows are net of issuance costs and premium or discount and may not tie to the issuance amounts.

Long-term debt retired during the first six months of 2021 is shown in the following table:

Type of Retirement	Principal Amount (a) (in thousands)	Interest Rate (%)	Due Date
Senior Unsecured Notes	$ 40,000	7.25	2021

Dividend Restrictions

KPCo pays dividends to Parent provided funds are legally available. Various financing arrangements and regulatory requirements may impose certain restrictions on the ability of KPCo to transfer funds to Parent in the form of dividends.

All of the dividends declared by KPCo are subject to a Federal Power Act restriction that prohibits the payment of dividends out of capital accounts without regulatory approval; payment of dividends is allowed out of retained earnings only.

KPCo has credit agreements that contain a covenant that limit its debt to capitalization ratio to 67.5%. As of June 30, 2021, KPCo did not exceed its debt to capitalization limit. The method for calculating outstanding debt and capitalization is contractually-defined in the credit agreements.

The Federal Power Act restriction does not limit the ability of KPCo to pay dividends out of retained earnings.

Corporate Borrowing Program – AEP System

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of AEP's subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds AEP's utility subsidiaries. The AEP System Utility Money Pool operates in accordance with the terms and conditions of its agreement filed with the FERC. The amounts of outstanding borrowings from the Utility Money Pool as of June 30, 2021 and December 31, 2020 are included in Advances from Affiliates on KPCo's balance sheets. KPCo's Utility Money Pool activity and corresponding authorized borrowing limit for the six months ended June 30, 2021 are described in the following table:

Maximum Borrowings from the Utility Money Pool	Maximum Loans to the Utility Money Pool	Average Borrowings from the Utility Money Pool	Average Loans to the Utility Money Pool	Borrowings from the Utility Money Pool as of June 30, 2021	Authorized Short-Term Borrowing Limit
		(in thousands)			
$ 121,608	$ 43,730	$ 73,507	$ 43,730	$ 10,616	$ 180,000

Maximum, minimum and average interest rates for funds either loaned to or borrowed from the Utility Money Pool are summarized in the following table:

Six Months Ended June 30,	Maximum Interest Rate for Funds Borrowed from the Utility Money Pool	Minimum Interest Rate for Funds Borrowed from the Utility Money Pool	Maximum Interest Rate for Funds Loaned to the Utility Money Pool	Minimum Interest Rate for Funds Loaned to the Utility Money Pool	Average Interest Rate for Funds Borrowed from the Utility Money Pool	Average Interest Rate for Funds Loaned to the Utility Money Pool
2021	0.40 %	0.25 %	0.34 %	0.34 %	0.34 %	0.34 %
2020	2.70 %	0.33 %	2.08 %	1.80 %	1.83 %	1.81 %

Securitized Accounts Receivables – AEP Credit

Under an affiliated receivables sales arrangement, KPCo sells, without recourse, certain of its customer accounts receivable and accrued unbilled revenue balances to AEP Credit. KPCo is charged a fee for each sale that is based on AEP Credit's financing costs, administrative costs and uncollectible accounts experience from previous purchases of KPCo's customer accounts receivable. No allowance for uncollectible accounts is recognized within KPCo's financial statements for customer accounts receivable sold to AEP Credit, and any bad debt stemming from these receivables would be recognized by AEP Credit. The costs of customer accounts receivable sold are reported in Other Operation expense on KPCo's statements of income. KPCo manages and services its accounts receivable sold.

In March 2021, AEP Credit amended its receivables securitization agreement to extend trigger levels established in October 2020 and to also provide a step down approach to these levels as management continues to monitor the accounts receivable balances for KPCo in response to the COVID-19 pandemic. As of June 30, 2021, KPCo was in compliance with all requirements under the agreement. To the extent that KPCo is deemed ineligible under the agreement, KPCo would no longer participate in the receivables securitization agreement and KPCo would need to finance working capital through other funding mechanisms. As of June 30, 2021, KPCo has issued approximately \$150 million in long-term debt and borrowed approximately \$10.6 million from the Utility Money Pool with an authorized borrowing limit of \$180 million. Management believes KPCo has adequate liquidity under existing funding mechanisms, taking into consideration the adverse impact on cash flows, if KPCo would no longer participate in the securitization of accounts receivables. To the extent that future access to capital markets or cost of funding is adversely affected by COVID-19, it could reduce future net income and cash flows and impact financial condition.

AEP Credit's receivables securitization agreement provides a commitment of \$750 million from bank conduits to purchase receivables and expires in September 2022.

KPCo's amounts of accounts receivable and accrued unbilled revenues sold under the sale of receivables agreement were \$45.9 million and \$54.8 million as of June 30, 2021 and December 31, 2020, respectively.

The fees paid by KPCo to (credits received from) AEP Credit for customer accounts receivable sold for the three months ended June 30, 2021 and 2020 were \$(497) thousand and \$1 million, respectively, and for the six months ended June 30, 2021 and 2020 were \$(328) thousand and \$2 million, respectively. In 2020, an increase in allowance for doubtful accounts was recognized in response to the anticipated impact of COVID-19 on the collectability of accounts receivable, which caused an increase in fees paid by KPCo. In 2021, due to higher than expected collections of accounts receivables, allowance for doubtful accounts was adjusted resulting in the issuance of credits to offset the higher fees previously paid.

KPCo's proceeds on the sale of receivables to AEP Credit for the three months ended June 30, 2021 and 2020 were \$138.8 million and \$110 million, respectively, and for the six months ended June 30, 2021 and 2020 were \$292.5 million and \$252.5 million, respectively.

11. PROPERTY, PLANT AND EQUIPMENT

Asset Retirement Obligations (ARO)

KPCo records ARO in accordance with the accounting guidance for "Asset Retirement and Environmental Obligations" for the retirement of ash disposal facilities and asbestos removal.

The following is a reconciliation of the aggregate carrying amounts of ARO for KPCo:

ARO as of December 31, 2020	Accretion Expense	Liabilities Incurred	Liabilities Settled	Revisions in Cash Flow Estimates	ARO as of June 30, 2021
		(in thousands)			
$ 24,565	$ 537	$ —	$ (2,318)	$ (3,812)	$ 18,972

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenues from Contracts with Customers

The table below represents KPCo's revenues from contracts with customers, net of respective provisions for refund, by type of revenue:

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
	(in thousands)			
Retail Revenues:				
Residential Revenues	$ 61,009	$ 49,669	$ 138,326	$ 114,942
Commercial Revenues	38,034	31,144	76,226	66,390
Industrial Revenues	35,391	29,211	67,608	61,994
Other Retail Revenues	492	459	999	957
Total Retail Revenues	134,926	110,483	283,159	244,283
Wholesale Revenues:				
Generation Revenues (a)	7,334	3,027	14,623	6,294
Transmission Revenues (b)	5,458	5,708	10,920	11,433
Total Wholesale Revenues	12,792	8,735	25,543	17,727
Other Revenues from Contracts with Customers (a)	1,453	2,745	4,249	8,009
Total Revenues from Contracts with Customers	149,171	121,963	312,951	270,019
Other Revenues:				
Alternative Revenues	563	813	(1,274)	390
Total Other Revenues	563	813	(1,274)	390
Total Revenues	$ 149,734	$ 122,776	$ 311,677	$ 270,409

(a) Amounts include affiliated and nonaffiliated revenues.
(b) Amounts include affiliated and nonaffiliated revenues. The affiliated revenues were $2.3 million and $2.6 million for the three months ended June 30, 2021 and 2020, respectively, and $4.5 million and $5.3 million for the six months ended. June 30, 2021 and 2020, respectively.

Fixed Performance Obligations

The following table represents KPCo's remaining fixed performance obligations satisfied over time as of June 30, 2021. Fixed performance obligations primarily include wholesale transmission services, electricity sales for fixed amounts of energy and stand ready services into PJM's Reliability Pricing Model market. The amounts shown in the table below include affiliated and nonaffiliated revenues.

2021	2022-2023	2024-2025	After 2025	Total
		(in thousands)		
$ 13,692	$ 5,149	$ 2,870	$ 1,435	$ 23,146

Contract Assets and Liabilities

Contract assets are recognized when KPCo has a right to consideration that is conditional upon the occurrence of an event other than the passage of time, such as future performance under a contract. KPCo did not have material contract assets as of June 30, 2021 and December 31, 2020.

When KPCo receives consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, they recognize a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. KPCo's contract liabilities typically arise from advanced payments of services provided primarily with respect to joint use agreements for utility poles. KPCo did not have material contract liabilities as of June 30, 2021 and December 31, 2020.

Accounts Receivable from Contracts with Customers

Accounts receivable from contracts with customers are presented on KPCo's balance sheets within the Accounts Receivable - Customers line item. KPCo's balances for receivables from contracts that are not recognized in accordance with the accounting guidance for "Revenue from Contracts with Customers" included in Accounts Receivable - Customers were not material as of June 30, 2021 and December 31, 2020. See "Securitized Accounts Receivable - AEP Credit" section of Note 10 for additional information related to AEP Credit's securitized accounts receivable.

The amount of affiliated accounts receivable from contracts with customers included in Accounts Receivable - Affiliated Companies on KPCo's balance sheets were $7.3 million and $8.3 million, respectively, as of June 30, 2021 and December 31, 2020.

Kentucky Power Company

2021 Third Quarter Report

Financial Statements

KENTUCKY POWER
An AEP Company
BOUNDLESS ENERGY

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GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

Term	Meaning
AEP	American Electric Power Company, Inc., an investor-owned electric public utility holding company which includes American Electric Power Company, Inc. (Parent) and majority owned consolidated subsidiaries and consolidated affiliates.
AEP Credit	AEP Credit, Inc., a consolidated variable interest entity of AEP which securitizes accounts receivable and accrued utility revenues for affiliated electric utility companies.
AEP System	American Electric Power System, an electric system, owned and operated by AEP subsidiaries.
AEPSC	American Electric Power Service Corporation, an AEP service subsidiary providing management and professional services to AEP and its subsidiaries.
AFUDC	Allowance for Equity Funds Used During Construction.
AOCI	Accumulated Other Comprehensive Income.
APCo	Appalachian Power Company, an AEP electric utility subsidiary.
ASU	Accounting Standards Update.
CCR	Coal Combustion Residual.
COVID-19	Coronavirus 2019, a highly infectious respiratory disease. In March 2020, the World Health Organization declared COVID-19 a worldwide pandemic.
CWIP	Construction Work in Progress.
ELG	Effluent Limitation Guidelines.
Excess ADIT	Excess accumulated deferred income taxes.
FASB	Financial Accounting Standards Board.
FERC	Federal Energy Regulatory Commission.
FTR	Financial Transmission Right, a financial instrument that entitles the holder to receive compensation for certain congestion-related transmission charges that arise when the power grid is congested resulting in differences in locational prices.
GAAP	Accounting Principles Generally Accepted in the United States of America.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IRS	Internal Revenue Service.
KPCo	Kentucky Power Company, an AEP electric utility subsidiary.
KPSC	Kentucky Public Service Commission.
MTM	Mark-to-Market.
MWh	Megawatt-hour.
OPEB	Other Postretirement Benefits.
OTC	Over-the-counter.
Parent	American Electric Power Company, Inc., the equity owner of AEP subsidiaries within the AEP consolidation.
PJM	Pennsylvania – New Jersey – Maryland regional transmission organization.
Risk Management Contracts	Trading and non-trading derivatives, including those derivatives designated as cash flow and fair value hedges.
Tax Reform	On December 22, 2017, President Trump signed into law legislation referred to as the "Tax Cuts and Jobs Act" (the TCJA). The TCJA includes significant changes to the Internal Revenue Code of 1986, including a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.
WPCo	Wheeling Power Company, an AEP electric utility subsidiary.
WVPSC	Public Service Commission of West Virginia.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF INCOME
For the Three and Nine Months Ended September 30, 2021 and 2020
(in thousands)
(Unaudited)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
REVENUES				
Electric Generation, Transmission and Distribution	$ 163,133	$ 134,616	$ 469,081	$ 398,095
Sales to AEP Affiliates	2,658	2,747	7,885	9,265
Other Revenues	252	189	754	601
TOTAL REVENUES	166,043	137,552	477,720	407,961
EXPENSES				
Fuel and Other Consumables Used for Electric Generation	31,919	20,172	72,510	60,677
Purchased Electricity for Resale	7,406	6,261	39,305	23,326
Purchased Electricity from AEP Affiliates	27,112	23,941	73,985	58,182
Other Operation	31,295	25,360	91,585	68,621
Maintenance	15,905	13,180	51,207	53,196
Depreciation and Amortization	28,502	25,262	85,154	74,714
Taxes Other Than Income Taxes	6,984	7,028	20,999	21,049
TOTAL EXPENSES	149,123	121,204	434,745	359,765
OPERATING INCOME	16,920	16,348	42,975	48,196
Other Income (Expense):				
Other Income	535	202	1,218	831
Non-Service Cost Components of Net Periodic Benefit Cost	1,035	1,014	3,106	3,042
Interest Expense	(8,845)	(9,363)	(26,701)	(28,801)
INCOME BEFORE INCOME TAX BENEFIT	9,645	8,201	20,598	23,268
Income Tax Benefit	(11,038)	(1,880)	(24,233)	(4,713)
NET INCOME	$ 20,683	$ 10,081	$ 44,831	$ 27,981

The common stock of KPCo is wholly-owned by Parent.

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three and Nine Months Ended September 30, 2021 and 2020
(in thousands)
(Unaudited)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net Income	$ 20,683	$ 10,081	$ 44,831	$ 27,981
OTHER COMPREHENSIVE LOSS, NET OF TAXES				
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $(9) and $(7) for the Three Months Ended September 30, 2021 and 2020, Respectively, and $(27) and $(21) for the Nine Months Ended September 30, 2021 and 2020, Respectively	(34)	(27)	(102)	(80)
TOTAL COMPREHENSIVE INCOME	$ 20,649	$ 10,054	$ 44,729	$ 27,901

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CHANGES IN
COMMON SHAREHOLDER'S EQUITY
For the Nine Months Ended September 30, 2021 and 2020
(in thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2019	$ 50,450	$ 526,135	$ 204,806	$ 790	$ 782,181
ASU 2016-13 Adoption			48		48
Net Income			18,835		18,835
Other Comprehensive Loss				(27)	(27)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2020	50,450	526,135	223,689	763	801,037
Net Loss			(935)		(935)
Other Comprehensive Loss				(26)	(26)
TOTAL COMMON SHAREHOLDER'S EQUITY - JUNE 30, 2020	50,450	526,135	222,754	737	800,076
Net Income			10,081		10,081
Other Comprehensive Loss				(27)	(27)
TOTAL COMMON SHAREHOLDER'S EQUITY - SEPTEMBER 30, 2020	$ 50,450	$ 526,135	$ 232,835	$ 710	$ 810,130
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2020	$ 50,450	$ 526,135	$ 245,871	$ 878	$ 823,334
Net Income			13,851		13,851
Other Comprehensive Loss				(34)	(34)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2021	50,450	526,135	259,722	844	837,151
Net Income			10,297		10,297
Other Comprehensive Loss				(34)	(34)
TOTAL COMMON SHAREHOLDER'S EQUITY - JUNE 30, 2021	50,450	526,135	270,019	810	847,414
Net Income			20,683		20,683
Other Comprehensive Loss				(34)	(34)
TOTAL COMMON SHAREHOLDER'S EQUITY - SEPTEMBER 30, 2021	$ 50,450	$ 526,135	$ 290,702	$ 776	$ 868,063

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
ASSETS
September 30, 2021 and December 31, 2020
(in thousands)
(Unaudited)

	September 30, 2021	December 31, 2020
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,155	$ 1,533
Accounts Receivable:		
Customers	7,819	10,485
Affiliated Companies	21,071	21,019
Accrued Unbilled Revenues	16,508	18,918
Miscellaneous	111	80
Allowance for Uncollectible Accounts	(11)	(87)
Total Accounts Receivable	45,498	50,415
Fuel	7,696	22,487
Materials and Supplies	18,853	19,861
Risk Management Assets	5,758	3,152
Accrued Tax Benefits	12,313	468
Regulatory Asset for Under-Recovered Fuel Costs	5,740	—
Prepayments and Other Current Assets	5,728	3,034
TOTAL CURRENT ASSETS	102,741	100,950
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	1,229,655	1,231,387
Transmission	720,112	703,309
Distribution	985,257	955,501
Other Property, Plant and Equipment	133,205	120,965
Construction Work in Progress	126,312	83,008
Total Property, Plant and Equipment	3,194,541	3,094,170
Accumulated Depreciation and Amortization	1,094,426	1,052,273
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	2,100,115	2,041,897
OTHER NONCURRENT ASSETS		
Regulatory Assets	495,946	450,145
Long-term Risk Management Assets	—	23
Employee Benefits and Pension Assets	42,831	41,062
Operating Lease Assets	10,954	11,928
Deferred Charges and Other Noncurrent Assets	19,904	33,585
TOTAL OTHER NONCURRENT ASSETS	569,635	536,743
TOTAL ASSETS	$ 2,772,491	$ 2,679,590

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
September 30, 2021 and December 31, 2020
(Unaudited)

	September 30, 2021	December 31, 2020
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 13,811	$ 65,647
Accounts Payable:		
General	50,158	47,157
Affiliated Companies	27,219	24,862
Long-term Debt Due Within One Year – Nonaffiliated	125,000	40,000
Risk Management Liabilities	268	213
Customer Deposits	31,876	30,774
Accrued Taxes	24,122	36,191
Accrued Interest	5,906	6,399
Obligations Under Operating Leases	2,191	2,296
Regulatory Liability for Over-Recovered Fuel Costs	—	313
Other Current Liabilities	27,623	26,767
TOTAL CURRENT LIABILITIES	308,174	280,619
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	977,989	952,650
Long-term Risk Management Liabilities	—	19
Deferred Income Taxes	440,899	446,054
Regulatory Liabilities and Deferred Investment Tax Credits	139,067	133,243
Asset Retirement Obligations	17,868	21,544
Employee Benefits and Pension Obligations	7,527	7,970
Obligations Under Operating Leases	8,802	9,672
Deferred Credits and Other Noncurrent Liabilities	4,102	4,485
TOTAL NONCURRENT LIABILITIES	1,596,254	1,575,637
TOTAL LIABILITIES	1,904,428	1,856,256
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – Par Value – $50 Per Share:		
Authorized – 2,000,000 Shares		
Outstanding – 1,009,000 Shares	50,450	50,450
Paid-in Capital	526,135	526,135
Retained Earnings	290,702	245,871
Accumulated Other Comprehensive Income (Loss)	776	878
TOTAL COMMON SHAREHOLDER'S EQUITY	868,063	823,334
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 2,772,491	$ 2,679,590

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2021 and 2020
(in thousands)
(Unaudited)

	Nine Months Ended September 30, 2021	2020
OPERATING ACTIVITIES		
Net Income	$ 44,831	$ 27,981
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	85,154	74,714
Deferred Income Taxes	(13,538)	550
Allowance for Equity Funds Used During Construction	(1,202)	(766)
Mark-to-Market of Risk Management Contracts	(2,547)	444
Pension Contributions to Qualified Plan Trust	—	(2,775)
Property Taxes	14,486	14,444
Deferred Fuel Over/Under-Recovery, Net	(6,053)	2,332
Change in Regulatory Assets	(53,243)	(27,952)
Change in Other Noncurrent Assets	(11,268)	(9,203)
Change in Other Noncurrent Liabilities	1,521	(9,204)
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	5,414	7,323
Fuel, Materials and Supplies	15,895	2,901
Accounts Payable	2,363	(3,759)
Accrued Taxes, Net	(23,914)	(12,931)
Other Current Assets	(2,702)	(1,332)
Other Current Liabilities	1,461	(2,856)
Net Cash Flows from Operating Activities	56,658	59,911
INVESTING ACTIVITIES		
Construction Expenditures	(117,816)	(121,934)
Other Investing Activities	3,173	1,116
Net Cash Flows Used for Investing Activities	(114,643)	(120,818)
FINANCING ACTIVITIES		
Issuance of Long-term Debt – Nonaffiliated	149,974	124,619
Change in Advances from Affiliates, Net	(51,836)	(63,233)
Retirement of Long-term Debt – Nonaffiliated	(40,000)	—
Principal Payments for Finance Lease Obligations	(693)	(607)
Other Financing Activities	162	132
Net Cash Flows from Financing Activities	57,607	60,911
Net Increase (Decrease) in Cash and Cash Equivalents	(378)	4
Cash and Cash Equivalents at Beginning of Period	1,533	849
Cash and Cash Equivalents at End of Period	$ 1,155	$ 853
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 28,181	$ 28,753
Net Cash Paid (Received) for Income Taxes	1,991	(5,835)
Noncash Acquisitions Under Finance Leases	288	690
Construction Expenditures Included in Current Liabilities as of September 30,	21,049	17,201

See Condensed Notes to Condensed Financial Statements beginning on page 8.

INDEX OF CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING MATTERS

General

The unaudited condensed financial statements and footnotes were prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual financial statements.

In the opinion of management, the unaudited condensed interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair statement of the net income, financial position and cash flows for the interim periods. Net income for the three and nine months ended September 30, 2021 is not necessarily indicative of results that may be expected for the year ending December 31, 2021. The condensed financial statements are unaudited and should be read in conjunction with the audited 2020 financial statements and notes thereto, which are included in KPCo's 2020 Annual Report.

Subsequent Events

Management reviewed subsequent events through October 28, 2021, the date that the third quarter 2021 report was available to be issued.

2. NEW ACCOUNTING STANDARDS

During the FASB's standard-setting process and upon issuance of final standards, management reviews the new accounting literature to determine its relevance, if any, to KPCo's business. There are no new standards expected to have a material impact on KPCo's financial statements.

3. COMPREHENSIVE INCOME

Presentation of Comprehensive Income

The following tables provide the components of changes in AOCI and details of reclassifications from AOCI. The amortization of pension and OPEB AOCI components are included in the computation of net periodic pension and OPEB costs. See Note 6 - Benefit Plans for additional information.

Three Months Ended September 30, 2021	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of June 30, 2021	$ 810
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(59)
Amortization of Actuarial (Gains) Losses	16
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(43)
Income Tax (Expense) Benefit	(9)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(34)
Net Current Period Other Comprehensive Income (Loss)	(34)
Balance in AOCI as of September 30, 2021	$ 776

Three Months Ended September 30, 2020	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of June 30, 2020	$ 737
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(57)
Amortization of Actuarial (Gains) Losses	23
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(34)
Income Tax (Expense) Benefit	(7)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(27)
Net Current Period Other Comprehensive Income (Loss)	(27)
Balance in AOCI as of September 30, 2020	$ 710

Nine Months Ended September 30, 2021	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of December 31, 2020	$ 878
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(176)
Amortization of Actuarial (Gains) Losses	47
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(129)
Income Tax (Expense) Benefit	(27)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(102)
Net Current Period Other Comprehensive Income (Loss)	(102)
Balance in AOCI as of September 30, 2021	$ 776

Nine Months Ended September 30, 2020	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of December 31, 2019	$ 790
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(171)
Amortization of Actuarial (Gains) Losses	70
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(101)
Income Tax (Expense) Benefit	(21)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(80)
Net Current Period Other Comprehensive Income (Loss)	(80)
Balance in AOCI as of September 30, 2020	$ 710

4. RATE MATTERS

As discussed in KPCo's 2020 Annual Report, KPCo is involved in rate and regulatory proceedings at the FERC and the KPSC. The Rate Matters note within KPCo's 2020 Annual Report should be read in conjunction with this report to gain a complete understanding of material rate matters still pending that could impact net income, cash flows and possibly financial condition. The following discusses ratemaking developments in 2021 and updates KPCo's 2020 Annual Report.

Regulatory Assets Pending Final Regulatory Approval

Noncurrent Regulatory Assets	September 30, 2021	December 31, 2020
	(in thousands)	
Regulatory Assets Currently Earning a Return		
Kentucky Deferred Purchased Power Expenses	$ 45,949	$ 41,267
Regulatory Assets Currently Not Earning a Return		
Storm-Related Costs	53,092	10,708
Other Regulatory Assets Pending Final Regulatory Approval	724	2,065
Total Regulatory Assets Pending Final Regulatory Approval	$ 99,765	$ 54,040

If these costs are ultimately determined not to be recoverable, it could reduce future net income and cash flows and impact financial condition.

Storm-Related Costs

In December 2020, a snow storm impacted KPCo's service territory resulting in customer outages and damage to KPCo utility assets. In March 2021, KPCo filed an application seeking deferral authority of approximately $1 million related to the December 2020 storm.

In February 2021, a severe winter storm impacted KPCo's service territory resulting in customer outages and extensive damage to transmission and distribution infrastructure. Management currently estimates KPCo incurred incremental operations and maintenance expenses of $47.6 million related to the storm, of which $42.6 million has been deferred as a regulatory asset. Incremental capital expenditures are estimated to be $29 million.

In April, 2021 the KPSC approved KPCo's requests for deferral authority of the December 2020 and February 2021 storm-related costs. KPCo will seek recovery of the deferred storm costs in its next base rate case.

If any of these incremental storm costs are not recoverable, it could reduce future net income and cash flows and impact financial condition.

CCR/ELG Compliance Plan Filings

KPCo and WPCo each own a 50% interest in the Mitchell Plant. In December 2020 and February 2021, WPCo and KPCo filed requests with the WVPSC and KPSC, respectively, to obtain the regulatory approvals necessary to implement CCR and ELG compliance plans and seek recovery of the estimated $132 million investment for the Mitchell Plant that would allow the plant to continue operating beyond 2028. Within those requests, WPCo and KPCo also filed a $25 million alternative to implement only the CCR-related investments with the WVPSC and KPSC, respectively, which would allow the Mitchell Plant to continue operating only through 2028.

In July 2021, the KPSC issued an order approving the CCR only alternative and rejecting the full CCR and ELG compliance plan. In August 2021, the WVPSC approved the full CCR and ELG compliance plan for the WPCo share of the Mitchell Plant. In September 2021, WPCo submitted a filing with the WVPSC to reopen the CCR/ELG case that was approved by the WVPSC in August 2021. Due to the rejection by the KPSC of the KPCo share of the ELG investments, WPCo requested the WVPSC consider approving the construction and recovery of all ELG costs at the plant. In October 2021, the WVPSC affirmed its August 2021 order approving the construction of CCR/ELG investments and directed WPCo to proceed with CCR/ELG compliance plans that would allow the plant to continue operating beyond 2028. The WVPSC's order further states WPCo will not share capacity and energy from the plant with KPCo customers if those customers are not paying for ELG compliance costs, or for any new capital investment or continuing operations costs incurred, to allow the plant to operate beyond 2028 or prevent downgrades prior to 2028. The WVPSC also ordered that WPCo will be given the opportunity to recover, from its customers, the new capital and operating costs arising solely from the WVPSC's directive to operate the plant beyond 2028 if the WVPSC finds that the costs are reasonably and prudently incurred. In October 2021, an intervenor filed a petition for reconsideration at the WVPSC requesting clarification on certain aspects of the order, primarily the jurisdictional allocation of future operating expenses and plant costs.

As of September 30, 2021, KPCo's share of the Mitchell Plant's ELG investment balance in CWIP was $1.7 million. As of September 30, 2021, the net book value of KPCo's share of the Mitchell Plant, before cost of removal including CWIP and inventory, was $586.5 million.

If any of the ELG costs are not approved for recovery and/or the retirement date of the Mitchell Plant is accelerated to 2028 without commensurate cost recovery, it would reduce future net income and cash flows and impact financial condition.

Strategic Evaluation KPSC Hearings

In September 2021, the KPSC initiated a proceeding to investigate the service, rates and facilities of KPCo. An initial hearing was held in early October 2021 and KPCo's testimony addressed the following topics, as ordered by the KPSC: (a) how AEP's strategic evaluation of the Kentucky assets has impacted KPCo's operations, service, financial, planning and business decisions, including those related to distribution, transmission and generation function, (b) what actions KPCo has taken as a result of the announced strategic evaluation, (c) what decisions KPCo has made that it otherwise would not have absent a strategic evaluation, (d) which documents will be implicated should the strategic evaluation result in AEP's divestment of KPCo, and how those documents will affect KPCo and their customers (which documents may include, but are not limited to the Mitchell Operating Agreement, AEP East Transmission Owners' Agreement filed with the FERC, and any PJM governing documents) and (e) the follow-on impact to KPCo and its customers should it become its own PJM zone, including the interaction with the PJM base residual auction.

5. COMMITMENTS, GUARANTEES AND CONTINGENCIES

KPCo is subject to certain claims and legal actions arising in its ordinary course of business. In addition, KPCo's business activities are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation against KPCo cannot be predicted. Management accrues contingent liabilities only when management concludes that it is both probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. When management determines that it is not probable, but rather reasonably possible that a liability has been incurred at the date of the financial statements, management discloses such contingencies and the possible loss or range of loss if such estimate can be made. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent the maximum possible loss exposure. Circumstances change over time and actual results may vary significantly from estimates.

For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements. The Commitments, Guarantees and Contingencies note within KPCo's 2020 Annual Report should be read in conjunction with this report.

GUARANTEES

Liabilities for guarantees are recorded in accordance with the accounting guidance for "Guarantees." There is no collateral held in relation to any guarantees. In the event any guarantee is drawn, there is no recourse to third-parties unless specified below.

Indemnifications and Other Guarantees

Contracts

KPCo enters into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. As of September 30, 2021, there were no material liabilities recorded for any indemnifications.

AEPSC conducts power purchase and sale activity on behalf of APCo, I&M, KPCo and WPCo, who are jointly and severally liable for activity conducted on their behalf.

Master Lease Agreements

KPCo leases certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, KPCo is committed to pay the difference between the actual fair value and the residual value guarantee. Historically, at the end of the lease term the fair value has been in excess of the amount guaranteed. As of September 30, 2021, the maximum potential loss for these lease agreements was $1.7 million assuming the fair value of the equipment is zero at the end of the lease term.

CONTINGENCIES

Claims Challenging Transition of American Electric Power System Retirement Plan to Cash Balance Formula

The American Electric Power System Retirement Plan (the Plan) has received a letter written on behalf of four participants (the Claimants) making a claim for additional plan benefits and purporting to advance such claims on behalf of a class. When the Plan's benefit formula was changed in the year 2000, AEP provided a special provision for employees hired before January 1, 2001, allowing them to continue benefit accruals under the then benefit formula for a full 10 years alongside of the new cash balance benefit formula then being implemented. Employees who were hired on or after January 1, 2001 accrued benefits only under the new cash balance benefit formula. The Claimants have asserted claims that: (a) the Plan violates the requirements under the Employee Retirement Income Security Act (ERISA) intended to preclude back-loading the accrual of benefits to the end of a participant's career, (b) the Plan violates the age discrimination prohibitions of ERISA and the Age Discrimination in Employment Act and (c) the company failed to provide required notice regarding the changes to the Plan. AEP has responded to the Claimants providing a reasoned explanation for why each of their claims have been denied. The denial of those claims was appealed to the AEP System Retirement Plan Appeal Committee and the Committee upheld the denial of claims. Management will continue to defend against the claims. Management is unable to determine a range of potential losses that is reasonably possible of occurring.

6. BENEFIT PLANS

KPCo participates in an AEP sponsored qualified pension plan and two unfunded nonqualified pension plans. Substantially all of KPCo's employees are covered by the qualified plan or both the qualified and nonqualified pension plans. KPCo also participates in OPEB plans sponsored by AEP to provide health and life insurance benefits for retired employees.

Components of Net Periodic Benefit Cost

The following tables provide the components of KPCo's net periodic benefit cost (credit) for the plans:

	Pension Plans		OPEB	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Service Cost	$ 869	$ 780	$ 71	$ 75
Interest Cost	1,210	1,493	274	373
Expected Return on Plan Assets	(2,145)	(2,473)	(869)	(941)
Amortization of Prior Service Credit	—	—	(625)	(613)
Amortization of Net Actuarial Loss	880	823	—	60
Net Periodic Benefit Cost (Credit)	$ 814	$ 623	$ (1,149)	$ (1,046)

	Pension Plans		OPEB	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Service Cost	$ 2,608	$ 2,339	$ 212	$ 224
Interest Cost	3,630	4,478	822	1,120
Expected Return on Plan Assets	(6,436)	(7,418)	(2,609)	(2,822)
Amortization of Prior Service Credit	—	—	(1,874)	(1,839)
Amortization of Net Actuarial Loss	2,641	2,469	—	179
Net Periodic Benefit Cost (Credit)	$ 2,443	$ 1,868	$ (3,449)	$ (3,138)

Qualified Pension Contribution

For the qualified pension plan, discretionary contributions may be made to maintain the funded status of the plan. In the third quarter of 2020, KPCo made a $2.8 million discretionary contribution to the qualified pension plan.

7. DERIVATIVES AND HEDGING

OBJECTIVES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS

AEPSC is agent for and transacts on behalf of KPCo.

KPCo is exposed to certain market risks as a major power producer and participant in the electricity, natural gas, coal and emission allowance markets. These risks include commodity price risk, interest rate risk and credit risk. These risks represent the risk of loss that may impact KPCo due to changes in the underlying market prices or rates. Management utilizes derivative instruments to manage these risks.

STRATEGIES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS TO ACHIEVE OBJECTIVES

Risk Management Strategies

The strategy surrounding the use of derivative instruments primarily focuses on managing risk exposures, future cash flows and creating value utilizing both economic and formal hedging strategies. The risk management strategies also include the use of derivative instruments for trading purposes which focus on seizing market opportunities to create value driven by expected changes in the market prices of the commodities. To accomplish these objectives, KPCo primarily employs risk management contracts including physical and financial forward purchase-and-sale contracts and, to a lesser extent, OTC swaps and options. Not all risk management contracts meet the definition of a derivative under the accounting guidance for “Derivatives and Hedging.” Derivative risk management contracts elected normal under the normal purchases and normal sales scope exception are not subject to the requirements of this accounting guidance.

KPCo utilizes power, capacity, coal, natural gas, interest rate and, to a lesser extent, heating oil, gasoline and other commodity contracts to manage the risk associated with the energy business. KPCo utilizes interest rate derivative contracts in order to manage the interest rate exposure associated with its commodity portfolio. For disclosure purposes, such risks are grouped as “Commodity,” as these risks are related to energy risk management activities. KPCo may also utilize derivative contracts to manage interest rate risk associated with debt financing. For disclosure purposes, these risks are grouped as “Interest Rate.” The amount of risk taken is determined by the Commercial Operations and Finance groups in accordance with the established risk management policies as approved by the Finance Committee of the Board of Directors.

The following table represents the gross notional volume of KPCo’s outstanding derivative contracts:

Primary Risk Exposure	September 30, 2021	December 31, 2020	Unit of Measure
	(in thousands)		
Commodity:			
Power	11,699	8,249	MWhs
Heating Oil and Gasoline	302	270	Gallons

Cash Flow Hedging Strategies

KPCo utilizes cash flow hedges on certain derivative transactions for the purchase and sale of power ("Commodity") in order to manage the variable price risk related to forecasted purchases and sales. Management monitors the potential impacts of commodity price changes and, where appropriate, enters into derivative transactions to protect profit margins for a portion of future electricity sales and purchases. KPCo does not hedge all commodity price risk.

KPCo may utilize a variety of interest rate derivative transactions in order to manage interest rate risk exposure. KPCo may also utilize interest rate derivative contracts to manage interest rate exposure related to future borrowings of fixed-rate debt. KPCo does not hedge all interest rate exposure.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND THE IMPACT ON KPCo's FINANCIAL STATEMENTS

The accounting guidance for "Derivatives and Hedging" requires recognition of all qualifying derivative instruments as either assets or liabilities on the balance sheets at fair value. The fair values of derivative instruments accounted for using MTM accounting or hedge accounting are based on exchange prices and broker quotes. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes and other assumptions. In order to determine the relevant fair values of the derivative instruments, KPCo applies valuation adjustments for discounting, liquidity and credit quality.

Credit risk is the risk that a counterparty will fail to perform on the contract or fail to pay amounts due. Liquidity risk represents the risk that imperfections in the market will cause the price to vary from estimated fair value based upon prevailing market supply and demand conditions. Since energy markets are imperfect and volatile, there are inherent risks related to the underlying assumptions in models used to fair value risk management contracts. Unforeseen events may cause reasonable price curves to differ from actual price curves throughout a contract's term and at the time a contract settles. Consequently, there could be significant adverse or favorable effects on future net income and cash flows if market prices are not consistent with management's estimates of current market consensus for forward prices in the current period. This is particularly true for longer term contracts. Cash flows may vary based on market conditions, margin requirements and the timing of settlement of risk management contracts.

According to the accounting guidance for "Derivatives and Hedging," KPCo reflects the fair values of derivative instruments subject to netting agreements with the same counterparty net of related cash collateral. For certain risk management contracts, KPCo is required to post or receive cash collateral based on third-party contractual agreements and risk profiles. For the September 30, 2021 and December 31, 2020 balance sheets, KPCo netted \$136 thousand and \$96 thousand, respectively, of cash collateral received from third-parties against short-term and long-term risk management assets and \$3.1 million and \$0, respectively, of cash collateral paid to third-parties against short-term and long-term risk management liabilities.

The following tables represent the gross fair value of KPCo's derivative activity on the balance sheets:

Fair Value of Derivative Instruments
September 30, 2021

Balance Sheet Location	Risk Management Contracts – Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Current Risk Management Assets	$ 15,259	$ (9,501)	$ 5,758
Long-term Risk Management Assets	43	(43)	—
Total Assets	15,302	(9,544)	5,758
Current Risk Management Liabilities	12,765	(12,497)	268
Long-term Risk Management Liabilities	33	(33)	—
Total Liabilities	12,798	(12,530)	268
Total MTM Derivative Contract Net Assets	$ 2,504	$ 2,986	$ 5,490

December 31, 2020

Balance Sheet Location	Risk Management Contracts – Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Current Risk Management Assets	$ 6,751	$ (3,599)	$ 3,152
Long-term Risk Management Assets	139	(116)	23
Total Assets	6,890	(3,715)	3,175
Current Risk Management Liabilities	3,746	(3,533)	213
Long-term Risk Management Liabilities	105	(86)	19
Total Liabilities	3,851	(3,619)	232
Total MTM Derivative Contract Net Assets (Liabilities)	$ 3,039	$ (96)	$ 2,943

(a) Derivative instruments within this category are disclosed as gross. These instruments are subject to master netting agreements and are presented on the balance sheets on a net basis in accordance with the accounting guidance for "Derivatives and Hedging."
(b) Amounts include counterparty netting of risk management and hedging contracts and associated cash collateral in accordance with the accounting guidance for "Derivatives and Hedging."
(c) All derivative contracts subject to a master netting arrangement or similar agreement are offset in the statement of financial position.

The table below presents KPCo's activity of derivative risk management contracts:

Amount of Gain (Loss) Recognized on Risk Management Contracts

Location of Gain (Loss)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(in thousands)			
Electric Generation, Transmission and Distribution Revenues	$ (12)	$ 148	$ (12)	$ 170
Purchased Electricity for Resale	35	40	72	84
Other Operation	28	(16)	59	(44)
Maintenance	35	(24)	82	(75)
Regulatory Assets (a)	(1,955)	127	(3,226)	407
Regulatory Liabilities (a)	2,555	3,394	4,944	6,727
Total Gain on Risk Management Contracts	$ 686	$ 3,669	$ 1,919	$ 7,269

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment recorded as either current or noncurrent on the balance sheets.

Certain qualifying derivative instruments have been designated as normal purchase or normal sale contracts, as provided in the accounting guidance for "Derivatives and Hedging." Derivative contracts that have been designated as normal purchases or normal sales under that accounting guidance are not subject to MTM accounting treatment and are recognized on the statements of income on an accrual basis.

The accounting for the changes in the fair value of a derivative instrument depends on whether it qualifies for and has been designated as part of a hedging relationship and further, on the type of hedging relationship. Depending on the exposure, management designates a hedging instrument as a fair value hedge or a cash flow hedge.

For contracts that have not been designated as part of a hedging relationship, the accounting for changes in fair value depends on whether the derivative instrument is held for trading purposes. Unrealized and realized gains and losses on derivative instruments held for trading purposes are included in revenues on a net basis on KPCo's statements of income. Unrealized and realized gains and losses on derivative instruments not held for trading purposes are included in revenues or expenses on KPCo's statements of income depending on the relevant facts and circumstances. Certain derivatives that economically hedge future commodity risk are recorded in the same line item on the statements of income as that of the associated risk being hedged. However, unrealized and some realized gains and losses for both trading and non-trading derivative instruments are recorded as regulatory assets (for losses) or regulatory liabilities (for gains), in accordance with the accounting guidance for "Regulated Operations."

Accounting for Cash Flow Hedging Strategies

For cash flow hedges (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), KPCo initially reports the gain or loss on the derivative instrument as a component of Accumulated Other Comprehensive Income (Loss) on the balance sheets until the period the hedged item affects Net Income.

Realized gains and losses on derivative contracts for the purchase and sale of power designated as cash flow hedges are included in Total Revenues or Purchased Electricity for Resale on KPCo's statements of income, or in Regulatory Assets or Regulatory Liabilities on KPCo's balance sheets, depending on the specific nature of the risk being hedged. During the three and nine months ended September 30, 2021 and 2020, KPCo did not apply cash flow hedging to outstanding power derivatives.

KPCo reclassifies gains and losses on interest rate derivative hedges related to debt financings from Accumulated Other Comprehensive Income (Loss) on its balance sheets into Interest Expense on its statements of income in those periods in which hedged interest payments occur. During the three and nine months ended September 30, 2021 and 2020, KPCo did not apply cash flow hedging to outstanding interest rate derivatives.

There was no impact of cash flow hedges included in Accumulated Other Comprehensive Income (Loss) on KPCo's balance sheets as of September 30, 2021 and December 31, 2020.

The actual amounts that KPCo reclassifies from Accumulated Other Comprehensive Income (Loss) to Net Income can differ due to market price changes. As of September 30, 2021, KPCo is not hedging (with contracts subject to the accounting guidance for "Derivatives and Hedging") its exposure to variability in future cash flows related to forecasted transactions.

Credit Risk

Management mitigates credit risk in KPCo's wholesale marketing and trading activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis. Management uses credit agency ratings and current market-based qualitative and quantitative data as well as financial statements to assess the financial health of counterparties on an ongoing basis.

Master agreements are typically used to facilitate the netting of cash flows associated with a single counterparty and may include collateral requirements. Collateral requirements in the form of cash, letters of credit, surety bonds and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. Some master agreements include margining, which requires a counterparty to post cash or letters of credit in the event exposure exceeds the established threshold. The threshold represents an unsecured credit limit which may be supported by a parental/affiliate guaranty, as determined in accordance with AEP's credit policy. In addition, master agreements allow for termination and liquidation of all positions in the event of a default including failure or inability to post collateral when required.

Collateral Triggering Events

Credit Downgrade Triggers

A limited number of derivative contracts include collateral triggering events, which include a requirement to maintain certain credit ratings. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these collateral triggering events in contracts. KPCo has not experienced a downgrade below a specified credit rating threshold that would require the posting of additional collateral. As of September 30, 2021 and December 31, 2020, KPCo did not have derivative contracts with collateral triggering events in a net liability position.

Cross-Default Triggers

In addition, a majority of KPCo's non-exchange-traded commodity contracts contain cross-default provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-default provisions could be triggered if there was a non-performance event by Parent or the obligor under outstanding debt or a third-party obligation that is $50 million or greater. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-default provisions in the contracts. The following table represents: (a) the fair value of these derivative liabilities subject to cross-default provisions prior to consideration of contractual netting arrangements, (b) the amount this exposure has been reduced by cash collateral posted and (c) if a cross-default provision would have been triggered, the settlement amount that would be required after considering contractual netting arrangements:

	September 30, 2021	December 31, 2020
	(in thousands)	
Liabilities for Contracts with Cross-Default Provisions Prior to Contractual Netting Arrangements	$ 181	$ 154
Additional Settlement Liability if Cross-Default Provision is Triggered	8	16

8. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy and Valuation Techniques

The accounting guidance for "Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. When quoted market prices are not available, pricing may be completed using comparable securities, dealer values, operating data and general market conditions to determine fair value. Valuation models utilize various inputs such as commodity, interest rate and, to a lesser degree, volatility and credit that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, market corroborated inputs (i.e. inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability.

For commercial activities, exchange-traded derivatives, namely futures contracts, are generally fair valued based on unadjusted quoted prices in active markets and are classified as Level 1. Level 2 inputs primarily consist of OTC broker quotes in moderately active or less active markets, as well as exchange-traded derivatives where there is insufficient market liquidity to warrant inclusion in Level 1. Management verifies price curves using these broker quotes and classifies these fair values within Level 2 when substantially all of the fair value can be corroborated. Management typically obtains multiple broker quotes, which are nonbinding in nature but are based on recent trades in the marketplace. When multiple broker quotes are obtained, the quoted bid and ask prices are averaged. In certain circumstances, a broker quote may be discarded if it is a clear outlier. Management uses a historical correlation analysis between the broker quoted location and the illiquid locations. If the points are highly correlated, these locations are included within Level 2 as well. Certain OTC and bilaterally executed derivative instruments are executed in less active markets with a lower availability of pricing information. Illiquid transactions, complex structured transactions, FTRs and counterparty credit risk may require nonmarket-based inputs. Some of these inputs may be internally developed or extrapolated and utilized to estimate fair value. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized as Level 3. The main driver of contracts being classified as Level 3 is the inability to substantiate energy price curves in the market. A portion of the Level 3 instruments have been economically hedged which limits potential earnings volatility.

Fair Value Measurements of Long-term Debt

The fair values of Long-term Debt are based on quoted market prices, without credit enhancements, for the same or similar issues and the current interest rates offered for instruments with similar maturities classified as Level 2 measurement inputs. These instruments are not marked-to-market. The estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

The book values and fair values of KPCo's Long-term Debt are summarized in the following table:

	September 30, 2021		December 31, 2020	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
	(in thousands)			
Long-term Debt	$ 1,102,989	$ 1,236,313	$ 992,650	$ 1,166,298

Fair Value Measurements of Financial Assets and Liabilities

The following tables set forth, by level within the fair value hierarchy, KPCo's financial assets and liabilities that were accounted for at fair value on a recurring basis. As required by the accounting guidance for "Fair Value Measurements and Disclosures," financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have not been any significant changes in management's valuation techniques.

Assets and Liabilities Measured at Fair Value on a Recurring Basis
September 30, 2021

	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Assets:					
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 9,304	$ 5,999	$ (9,545)	$ 5,758
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 12,352	$ 447	$ (12,531)	$ 268

December 31, 2020

	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Assets:					
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 3,669	$ 3,204	$ (3,698)	$ 3,175
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 3,655	$ 179	$ (3,602)	$ 232

(a) Amounts in "Other" column primarily represent counterparty netting of risk management and hedging contracts and associated cash collateral under the accounting guidance for "Derivatives and Hedging."
(b) Substantially comprised of power contracts.

The following tables set forth a reconciliation of changes in the fair value of net trading derivatives classified as Level 3 in the fair value hierarchy:

Three Months Ended September 30, 2021	**Net Risk Management Assets (Liabilities) (in thousands)**
Balance as of June 30, 2021	$ 6,355
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	2,598
Settlements	(4,310)
Transfers out of Level 3 (c)	13
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	896
Balance as of September 30, 2021	$ 5,552

Three Months Ended September 30, 2020	**Net Risk Management Assets (Liabilities) (in thousands)**
Balance as of June 30, 2020	$ 6,301
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	3,151
Settlements	(4,633)
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	125
Balance as of September 30, 2020	$ 4,944

Nine Months Ended September 30, 2021	**Net Risk Management Assets (Liabilities) (in thousands)**
Balance as of December 31, 2020	$ 3,025
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	1,981
Settlements	(5,039)
Transfers out of Level 3 (c)	8
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	5,577
Balance as of September 30, 2021	$ 5,552

Nine Months Ended September 30, 2020	**Net Risk Management Assets (Liabilities) (in thousands)**
Balance as of December 31, 2019	$ 5,702
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	4,073
Settlements	(9,856)
Transfers out of Level 3 (c)	130
Changes in Fair Value Allocated to Regulated Jurisdictions (d)	4,895
Balance as of September 30, 2020	$ 4,944

(a) Included in revenues on KPCo’s statements of income.
(b) Represents the change in fair value between the beginning of the reporting period and the settlement of the risk management commodity contract.
(c) Transfers are recognized based on their value at the beginning of the reporting period that the transfer occurred.
(d) Relates to the net gains (losses) of those contracts that are not reflected on KPCo’s statements of income. These net gains (losses) are recorded as regulatory assets/liabilities or accounts payable.

The following tables quantify the significant unobservable inputs used in developing the fair value of Level 3 positions:

Significant Unobservable Inputs
September 30, 2021

	Fair Value		Valuation	Significant Unobservable	Input/Range		
	Assets	Liabilities	Technique	Input (a)	Low	High	Weighted Average (b)
	(in thousands)						
Energy Contracts	$ 44	$ 210	Discounted Cash Flow	Forward Market Price	$ 26.70	$ 87.14	$ 53.61
FTRs	5,955	237	Discounted Cash Flow	Forward Market Price	0.17	7.68	1.05
Total	$ 5,999	$ 447					

December 31, 2020

	Fair Value		Valuation	Significant Unobservable	Input/Range		
	Assets	Liabilities	Technique	Input (a)	Low	High	Weighted Average (b)
	(in thousands)						
Energy Contracts	$ 190	$ 121	Discounted Cash Flow	Forward Market Price	$ 10.84	$ 41.09	$ 25.08
FTRs	3,014	58	Discounted Cash Flow	Forward Market Price	0.17	4.18	1.03
Total	$ 3,204	$ 179					

(a) Represents market prices in dollars per MWh.
(b) The weighted average is the product of the forward market price of the underlying commodity and volume weighted by term.

The following table provides the measurement uncertainty of fair value measurements to increases (decreases) in significant unobservable inputs related to Energy Contracts and FTRs as of September 30, 2021 and December 31, 2020:

Uncertainty of Fair Value Measurements

Significant Unobservable Input	Position	Change in Input	Impact on Fair Value Measurement
Forward Market Price	Buy	Increase (Decrease)	Higher (Lower)
Forward Market Price	Sell	Increase (Decrease)	Lower (Higher)

9. INCOME TAXES

Effective Tax Rates (ETR)

KPCo's interim ETR reflects the estimated annual ETR for 2021 and 2020, adjusted for tax expense associated with certain discrete items.

KPCo includes the amortization of Excess ADIT not subject to normalization requirements in the annual estimated ETR when regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers over multiple interim periods. Certain regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers in a single period (e.g. by applying the Excess ADIT not subject to normalization requirements against an existing regulatory asset balance) and in these circumstances, KPCo recognizes the tax benefit discretely in the period recorded. The annual amount of Excess ADIT approved by KPCo's regulatory commissions may not impact the ETR ratably during each interim period due to the variability of pretax book income between interim periods and the application of an annual estimated ETR.

The ETR for KPCo is included in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
U.S. Federal Statutory Rate	21.0 %	21.0 %	21.0 %	21.0 %
Increase (decrease) due to:				
State Income Tax, net of Federal Benefit	(34.6)%	(5.0)%	(17.7)%	(5.0)%
Tax Reform Excess ADIT Reversal	(98.5)%	(30.2)%	(117.9)%	(30.2)%
Flow Through	(2.0)%	0.3 %	(1.9)%	0.3 %
AFUDC Equity	(0.7)%	(2.0)%	(1.1)%	(2.0)%
Discrete Tax Adjustments	— %	(7.1)%	— %	(4.4)%
Other	0.4 %	0.1 %	— %	— %
Effective Income Tax Rate	(114.4)%	(22.9)%	(117.6)%	(20.3)%

Federal and State Income Tax Audit Status

The statute of limitations for the IRS to examine KPCo and other AEP subsidiaries originally filed federal return has expired for tax years 2016 and earlier. In the third quarter of 2019, KPCo and other AEP subsidiaries elected to amend the 2014 through 2017 federal returns. In the first quarter of 2020, the IRS notified AEP that it was beginning an examination of these amended returns, including the net operating loss carryback to 2015 that originated in the 2017 return. As of September 30, 2021, the IRS has not challenged any items on these returns and the IRS is limited in their proposed adjustments to the amount AEP claimed on the amended returns. AEP has agreed to extend the statute of limitations on the 2017 tax return to December 31, 2022 to allow time for the audit to be completed and the Congressional Joint Committee on Taxation to approve the associated refund claim.

10. FINANCING ACTIVITIES

Long-term Debt

Long-term debt issued during the first nine months of 2021 is shown in the following table:

Type of Issuance	Principal Amount (a) (in thousands)	Interest Rate (%)	Due Date
Other Long-term Debt	$ 150,000	Variable	2023

(a) Amounts indicated on the statements of cash flows are net of issuance costs and premium or discount and may not tie to the issuance amounts.

Long-term debt retired during the first nine months of 2021 is shown in the following table:

Type of Retirement	Principal Amount (in thousands)	Interest Rate (%)	Due Date
Senior Unsecured Notes	$ 40,000	7.25	2021

Dividend Restrictions

KPCo pays dividends to Parent provided funds are legally available. Various financing arrangements and regulatory requirements may impose certain restrictions on the ability of KPCo to transfer funds to Parent in the form of dividends.

All of the dividends declared by KPCo are subject to a Federal Power Act restriction that prohibits the payment of dividends out of capital accounts without regulatory approval; payment of dividends is allowed out of retained earnings only.

KPCo has credit agreements that contain a covenant that limit its debt to capitalization ratio to 67.5%. As of September 30, 2021, KPCo did not exceed its debt to capitalization limit. The method for calculating outstanding debt and capitalization is contractually-defined in the credit agreements.

The Federal Power Act restriction does not limit the ability of KPCo to pay dividends out of retained earnings.

Corporate Borrowing Program – AEP System

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of AEP's subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds AEP's utility subsidiaries. The AEP System Utility Money Pool operates in accordance with the terms and conditions of its agreement filed with the FERC. The amounts of outstanding borrowings from the Utility Money Pool as of September 30, 2021 and December 31, 2020 are included in Advances from Affiliates on KPCo's balance sheets. KPCo's Utility Money Pool activity and corresponding authorized borrowing limit for the nine months ended September 30, 2021 are described in the following table:

Maximum Borrowings from the Utility Money Pool	Maximum Loans to the Utility Money Pool	Average Borrowings from the Utility Money Pool	Average Loans to the Utility Money Pool	Borrowings from the Utility Money Pool as of September 30, 2021	Authorized Short-Term Borrowing Limit
		(in thousands)			
$ 121,608	$ 43,730	$ 53,609	$ 22,427	$ 13,811	$ 180,000

Maximum, minimum and average interest rates for funds either loaned to or borrowed from the Utility Money Pool are summarized in the following table:

Nine Months Ended September 30,	Maximum Interest Rate for Funds Borrowed from the Utility Money Pool	Minimum Interest Rate for Funds Borrowed from the Utility Money Pool	Maximum Interest Rate for Funds Loaned to the Utility Money Pool	Minimum Interest Rate for Funds Loaned to the Utility Money Pool	Average Interest Rate for Funds Borrowed from the Utility Money Pool	Average Interest Rate for Funds Loaned to the Utility Money Pool
2021	0.40 %	0.02 %	0.34 %	0.03 %	0.32 %	0.33 %
2020	2.70 %	0.33 %	2.08 %	1.80 %	1.49 %	1.81 %

Securitized Accounts Receivables – AEP Credit

Under an affiliated receivables sales arrangement, KPCo sells, without recourse, certain of its customer accounts receivable and accrued unbilled revenue balances to AEP Credit. KPCo is charged a fee for each sale that is based on AEP Credit's financing costs, administrative costs and uncollectible accounts experience from previous purchases of KPCo's customer accounts receivable. No allowance for uncollectible accounts is recognized within KPCo's financial statements for customer accounts receivable sold to AEP Credit, and any bad debt stemming from these receivables would be recognized by AEP Credit. The costs of customer accounts receivable sold are reported in Other Operation expense on KPCo's statements of income. KPCo manages and services its accounts receivable sold.

AEP Credit's receivables securitization agreement provides a commitment of $750 million from bank conduits to purchase receivables and was amended in September 2021 to include a $125 million and a $625 million facility, which expire in September 2023 and 2024, respectively. As of September 30, 2021, KPCo was in compliance with all requirements under the agreement.

KPCo's amounts of accounts receivable and accrued unbilled revenues sold under the sale of receivables agreement were $43.6 million and $54.8 million as of September 30, 2021 and December 31, 2020, respectively.

The fees paid by KPCo to AEP Credit for customer accounts receivable sold for the three months ended September 30, 2021 and 2020 were $1.2 million and $2.4 million, respectively, and for the nine months ended September 30, 2021 and 2020 were $868 thousand and $4.4 million, respectively. In 2020, an increase in allowance for doubtful accounts was recognized in response to the anticipated impact of COVID-19 on the collectability of accounts receivable, which caused an increase in fees paid by KPCo. In 2021, due to higher than expected collections of accounts receivables, allowance for doubtful accounts was adjusted resulting in the issuance of credits to offset the higher fees previously paid and to lower subsequent fees paid.

KPCo's proceeds on the sale of receivables to AEP Credit for the three months ended September 30, 2021 and 2020 were $150.9 million and $123.4 million, respectively, and for the nine months ended September 30, 2021 and 2020 were $443.4 million and $375.9 million, respectively.

11. PROPERTY, PLANT AND EQUIPMENT

Asset Retirement Obligations (ARO)

KPCo records ARO in accordance with the accounting guidance for "Asset Retirement and Environmental Obligations" for the retirement of ash disposal facilities and asbestos removal.

The following is a reconciliation of the aggregate carrying amounts of ARO for KPCo:

ARO as of December 31, 2020	Accretion Expense	Liabilities Incurred	Liabilities Settled	Revisions in Cash Flow Estimates	ARO as of September 30, 2021
		(in thousands)			
$ 24,565	$ 757	$ —	$ (621)	$ (3,812)	$ 20,889

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenues from Contracts with Customers

The table below represents KPCo's revenues from contracts with customers, net of respective provisions for refund, by type of revenue:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(in thousands)			
Retail Revenues:				
Residential Revenues	$ 71,581	$ 59,767	$ 209,907	$ 174,709
Commercial Revenues	40,806	35,920	117,032	102,310
Industrial Revenues	34,614	28,167	102,222	90,161
Other Retail Revenues	486	450	1,485	1,407
Total Retail Revenues	147,487	124,304	430,646	368,587
Wholesale Revenues:				
Generation Revenues (a)	11,007	4,837	25,630	11,131
Transmission Revenues (b)	5,602	5,792	16,522	17,225
Total Wholesale Revenues	16,609	10,629	42,152	28,356
Other Revenues from Contracts with Customers (a)	2,167	2,495	6,416	10,504
Total Revenues from Contracts with Customers	166,263	137,428	479,214	407,447
Other Revenues:				
Alternative Revenues	(220)	124	(1,494)	514
Total Other Revenues	(220)	124	(1,494)	514
Total Revenues	$ 166,043	$ 137,552	$ 477,720	$ 407,961

(a) Amounts include affiliated and nonaffiliated revenues.
(b) Amounts include affiliated and nonaffiliated revenues. The affiliated revenues were $2.2 million and $2.7 million for the three months ended September 30, 2021 and 2020, respectively, and $6.7 million and $8 million for the nine months ended September 30, 2021 and 2020, respectively.

Fixed Performance Obligations

The following table represents KPCo's remaining fixed performance obligations satisfied over time as of September 30, 2021. Fixed performance obligations primarily include wholesale transmission services, electricity sales for fixed amounts of energy and stand ready services into PJM's Reliability Pricing Model market. The amounts shown in the table below include affiliated and nonaffiliated revenues.

2021	2022-2023	2024-2025	After 2025	Total
		(in thousands)		
$ 6,846	$ 5,149	$ 2,870	$ 1,435	$ 16,300

Contract Assets and Liabilities

Contract assets are recognized when KPCo has a right to consideration that is conditional upon the occurrence of an event other than the passage of time, such as future performance under a contract. KPCo did not have material contract assets as of September 30, 2021 and December 31, 2020.

When KPCo receives consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, they recognize a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. KPCo's contract liabilities typically arise from advanced payments of services provided primarily with respect to joint use agreements for utility poles. KPCo did not have material contract liabilities as of September 30, 2021 and December 31, 2020.

Accounts Receivable from Contracts with Customers

Accounts receivable from contracts with customers are presented on KPCo's balance sheets within the Accounts Receivable - Customers line item. KPCo's balances for receivables from contracts that are not recognized in accordance with the accounting guidance for "Revenue from Contracts with Customers" included in Accounts Receivable - Customers were not material as of September 30, 2021 and December 31, 2020. See "Securitized Accounts Receivable - AEP Credit" section of Note 10 for additional information related to AEP Credit's securitized accounts receivable.

The amount of affiliated accounts receivable from contracts with customers included in Accounts Receivable - Affiliated Companies on KPCo's balance sheets were \$7.2 million and \$8.3 million, respectively, as of September 30, 2021 and December 31, 2020.

13. SUBSEQUENT EVENTS

Disposition of KPCo and KTCo

In October 2021, AEP entered into a Stock Purchase Agreement to sell KPCo and AEP Kentucky Transco to Liberty Utilities Co., a subsidiary of Algonquin Power & Utilities Corp. (Liberty), for approximately a $2.85 billion enterprise value. The sale is subject to regulatory approvals from the FERC, the KPSC, clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and clearance from the Committee on Foreign Investment in the United States.

KPCo currently operates and owns a 50% interest in the 1,560 MW coal-fired Mitchell Power Plant (Mitchell Plant) with the remaining 50% owned by WPCo. The Stock Purchase Agreement is further contingent upon approval by the KPSC and the WVPSC of a new proposed Mitchell Plant Operating Agreement and Mitchell Plant Ownership Agreement between KPCo and WPCo pursuant to which WPCo will replace KPCo as the operator of the Mitchell Plant and KPCo employees at the Mitchell Plant will become employees of WPCo at closing of the transaction. Under the proposed Ownership Agreement, WPCo is obligated to purchase KPCo's 50% interest in the Mitchell Plant on December 31, 2028 unless KPCo and WPCo have agreed to retire the Mitchell Plant earlier or, absent such agreement, if WPCo elects prior to December 31, 2027 to retire the Mitchell Plant on December 31, 2028. The Ownership Agreement provides that the purchase price for KPCo's 50% ownership interest in the Mitchell Plant will be determined through the mutual agreement of WPCo and KPCo (subject to approval from the KPSC and WVPSC) or through a fair market valuation determination conducted by independent appraisals if KPCo and WPCo are unable to reach agreement as to the purchase price.

The sale is expected to close in the second quarter of 2022 with Liberty acquiring the assets and assuming the liabilities of KPCo and AEP Kentucky Transco, excluding pension and other post-retirement benefit plan assets and liabilities. AEP expects to provide customary transition services to Liberty for a period of time after closing of the transaction.

Kentucky Power Company

2022 First Quarter Report

Financial Statements

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GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

Term	Meaning
AEP	American Electric Power Company, Inc., an investor-owned electric public utility holding company which includes American Electric Power Company, Inc. (Parent) and majority owned consolidated subsidiaries and consolidated affiliates.
AEP Credit	AEP Credit, Inc., a consolidated variable interest entity of AEP which securitizes accounts receivable and accrued utility revenues for affiliated electric utility companies.
AEP System	American Electric Power System, an electric system, owned and operated by AEP subsidiaries.
AEPSC	American Electric Power Service Corporation, an AEP service subsidiary providing management and professional services to AEP and its subsidiaries.
AFUDC	Allowance for Equity Funds Used During Construction.
AOCI	Accumulated Other Comprehensive Income.
APCo	Appalachian Power Company, an AEP electric utility subsidiary.
CCR	Coal Combustion Residual.
CWIP	Construction Work in Progress.
ELG	Effluent Limitation Guidelines.
Excess ADIT	Excess accumulated deferred income taxes.
FASB	Financial Accounting Standards Board.
FERC	Federal Energy Regulatory Commission.
FTR	Financial Transmission Right, a financial instrument that entitles the holder to receive compensation for certain congestion-related transmission charges that arise when the power grid is congested resulting in differences in locational prices.
GAAP	Accounting Principles Generally Accepted in the United States of America.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IRS	Internal Revenue Service.
KPCo	Kentucky Power Company, an AEP electric utility subsidiary.
KPSC	Kentucky Public Service Commission.
KTCo	AEP Kentucky Transmission Company, Inc., a wholly-owned AEPTCo transmission subsidiary.
MTM	Mark-to-Market.
MWh	Megawatt-hour.
OPEB	Other Postretirement Benefits.
OTC	Over-the-counter.
Parent	American Electric Power Company, Inc., the equity owner of AEP subsidiaries within the AEP consolidation.
PJM	Pennsylvania – New Jersey – Maryland regional transmission organization.
Risk Management Contracts	Trading and non-trading derivatives, including those derivatives designated as cash flow and fair value hedges.
Tax Reform	On December 22, 2017, President Trump signed into law legislation referred to as the "Tax Cuts and Jobs Act" (the TCJA). The TCJA includes significant changes to the Internal Revenue Code of 1986, including a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.
WPCo	Wheeling Power Company, an AEP electric utility subsidiary.
WVPSC	Public Service Commission of West Virginia.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2022 and 2021
(in thousands)
(Unaudited)

	Three Months Ended March 31, 2022	2021
REVENUES		
Electric Generation, Transmission and Distribution	$ 176,497	$ 159,123
Sales to AEP Affiliates	5,118	2,597
Other Revenues	822	223
TOTAL REVENUES	182,437	161,943
EXPENSES		
Fuel and Other Consumables Used for Electric Generation	15,719	17,750
Purchased Electricity for Resale	36,057	21,114
Purchased Electricity from AEP Affiliates	24,450	22,101
Other Operation	32,155	32,986
Maintenance	14,430	19,377
Depreciation and Amortization	30,528	29,520
Taxes Other Than Income Taxes	6,759	7,021
TOTAL EXPENSES	160,098	149,869
OPERATING INCOME	22,339	12,074
Other Income (Expense):		
Interest Income	4	4
Allowance for Equity Funds Used During Construction	377	276
Non-Service Cost Components of Net Periodic Benefit Cost	1,622	1,035
Interest Expense	(9,165)	(8,953)
INCOME BEFORE INCOME TAX BENEFIT	15,177	4,436
Income Tax Benefit	(10,744)	(9,415)
NET INCOME	$ 25,921	$ 13,851

The common stock of KPCo is wholly-owned by Parent.

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended March 31, 2022 and 2021
(in thousands)
(Unaudited)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Net Income	$ 25,921	$ 13,851
OTHER COMPREHENSIVE LOSS, NET OF TAXES		
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $(10) and $(9) in 2022 and 2021, Respectively	(39)	(34)
TOTAL COMPREHENSIVE INCOME	$ 25,882	$ 13,817

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY
For the Three Months Ended March 31, 2022 and 2021
(in thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2020	$ 50,450	$ 526,135	$ 245,871	$ 878	$ 823,334
Net Income			13,851		13,851
Other Comprehensive Loss				(34)	(34)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2021	$ 50,450	$ 526,135	$ 259,722	$ 844	$ 837,151
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2021	$ 50,450	$ 526,135	$ 296,021	$ 1,749	$ 874,355
Net Income			25,921		25,921
Other Comprehensive Loss				(39)	(39)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2022	$ 50,450	$ 526,135	$ 321,942	$ 1,710	$ 900,237

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
ASSETS
March 31, 2022 and December 31, 2021
(in thousands)
(Unaudited)

	March 31, 2022	December 31, 2021
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,973	$ 763
Accounts Receivable:		
Customers	55,084	16,281
Affiliated Companies	23,152	25,578
Accrued Unbilled Revenues	20,735	16,647
Miscellaneous	112	57
Allowance for Uncollectible Accounts	(871)	(3)
Total Accounts Receivable	98,212	58,560
Fuel	16,679	10,090
Materials and Supplies	20,727	20,515
Risk Management Assets	1,456	5,986
Regulatory Asset for Under-Recovered Fuel Costs	15,552	8,216
Margin Deposits	1,448	14,229
Prepayments and Other Current Assets	2,055	3,490
TOTAL CURRENT ASSETS	159,102	121,849
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	1,232,391	1,231,494
Transmission	772,026	760,359
Distribution	1,030,201	1,017,406
Other Property, Plant and Equipment	137,560	137,554
Construction Work in Progress	102,565	95,093
Total Property, Plant and Equipment	3,274,743	3,241,906
Accumulated Depreciation and Amortization	1,117,433	1,104,492
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	2,157,310	2,137,414
OTHER NONCURRENT ASSETS		
Regulatory Assets	477,173	476,457
Employee Benefits and Pension Assets	61,403	60,333
Operating Lease Assets	10,147	10,748
Deferred Charges and Other Noncurrent Assets	28,509	33,848
TOTAL OTHER NONCURRENT ASSETS	577,232	581,386
TOTAL ASSETS	$ 2,893,644	$ 2,840,649

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
March 31, 2022 and December 31, 2021
(Unaudited)

	March 31, 2022	December 31, 2021
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 93,939	$ 47,895
Accounts Payable:		
General	56,989	52,837
Affiliated Companies	31,806	42,223
Long-term Debt Due Within One Year – Nonaffiliated	200,000	200,000
Risk Management Liabilities	30	51
Customer Deposits	34,186	32,432
Accrued Taxes	32,239	45,243
Accrued Interest	6,256	5,685
Obligations Under Operating Leases	2,072	2,173
Other Current Liabilities	26,816	21,384
TOTAL CURRENT LIABILITIES	484,333	449,923
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	903,190	903,105
Deferred Income Taxes	436,166	437,152
Regulatory Liabilities and Deferred Investment Tax Credits	132,412	140,506
Asset Retirement Obligations	17,276	16,399
Employee Benefits and Pension Obligations	8,546	8,064
Obligations Under Operating Leases	8,105	8,614
Deferred Credits and Other Noncurrent Liabilities	3,379	2,531
TOTAL NONCURRENT LIABILITIES	1,509,074	1,516,371
TOTAL LIABILITIES	1,993,407	1,966,294
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – Par Value – $50 Per Share:		
Authorized – 2,000,000 Shares		
Outstanding – 1,009,000 Shares	50,450	50,450
Paid-in Capital	526,135	526,135
Retained Earnings	321,942	296,021
Accumulated Other Comprehensive Income (Loss)	1,710	1,749
TOTAL COMMON SHAREHOLDER'S EQUITY	900,237	874,355
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 2,893,644	$ 2,840,649

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2022 and 2021
(in thousands)
(Unaudited)

	Three Months Ended March 31, 2022	2021
OPERATING ACTIVITIES		
Net Income	$ 25,921	$ 13,851
Adjustments to Reconcile Net Income to Net Cash Flows from (Used for) Operating Activities:		
Depreciation and Amortization	30,528	29,520
Deferred Income Taxes	(10,224)	(4,323)
Allowance for Equity Funds Used During Construction	(377)	(276)
Mark-to-Market of Risk Management Contracts	4,509	1,873
Property Taxes	5,391	5,279
Deferred Fuel Over/Under-Recovery, Net	(7,336)	(2,779)
Change in Regulatory Assets	(3,502)	(44,779)
Change in Other Noncurrent Assets	(3,372)	(4,799)
Change in Other Noncurrent Liabilities	(2,404)	2,475
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	(39,499)	2,611
Fuel, Materials and Supplies	(6,776)	(527)
Margin Deposits	12,782	(20)
Accounts Payable	(4,251)	44,306
Accrued Taxes, Net	(12,238)	(13,742)
Other Current Assets	685	546
Other Current Liabilities	7,528	(1,618)
Net Cash Flows from (Used for) Operating Activities	(2,635)	27,598
INVESTING ACTIVITIES		
Construction Expenditures	(41,950)	(37,010)
Other Investing Activities	1,015	279
Net Cash Flows Used for Investing Activities	(40,935)	(36,731)
FINANCING ACTIVITIES		
Change in Advances from Affiliates, Net	46,044	8,752
Principal Payments for Finance Lease Obligations	(230)	(218)
Other Financing Activities	(34)	117
Net Cash Flows from Financing Activities	45,780	8,651
Net Increase (Decrease) in Cash and Cash Equivalents	2,210	(482)
Cash and Cash Equivalents at Beginning of Period	763	1,533
Cash and Cash Equivalents at End of Period	$ 2,973	$ 1,051
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 8,594	$ 8,829
Net Cash Paid for Income Taxes	—	156
Noncash Acquisitions Under Finance Leases	77	46
Construction Expenditures Included in Current Liabilities as of March 31,	25,246	32,351

See Condensed Notes to Condensed Financial Statements beginning on page 8.

INDEX OF CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING MATTERS

General

The unaudited condensed financial statements and footnotes were prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual financial statements.

In the opinion of management, the unaudited condensed interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair statement of the net income, financial position and cash flows for the interim periods. Net income for the three months ended March 31, 2022 is not necessarily indicative of results that may be expected for the year ending December 31, 2022. The condensed financial statements are unaudited and should be read in conjunction with the audited 2021 financial statements and notes thereto, which are included in KPCo's 2021 Annual Report.

AEP System Tax Allocation

KPCo joins in the filing of a consolidated tax return. Historically, the allocation of the AEP System's current consolidated federal income tax to the AEP System companies allocated the benefit of current tax loss of the parent company (Parent Company Loss Benefit) to the AEP System subsidiaries through a reduction of current tax expense. In 2022, AEP and subsidiaries changed accounting for the Parent Company Loss Benefit from a reduction of current tax expense to an allocation through equity. The impact of this change is immaterial to KPCo's financial statements.

Disposition of KPCo and KTCo

In October 2021, AEP entered into a Stock Purchase Agreement to sell KPCo and KTCo to Liberty Utilities Co., a subsidiary of Algonquin Power & Utilities Corp. (Liberty), for approximately a $2.85 billion enterprise value. The sale is subject to regulatory approvals from the FERC and KPSC. Clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and clearance from the Committee on Foreign Investment in the United States has been received.

Proposed Operations and Maintenance Agreement and Plant Ownership Agreement

KPCo currently operates and owns a 50% undivided interest in the 1,560 MW coal-fired Mitchell Plant with the remaining 50% owned by WPCo. The Stock Purchase Agreement is further contingent upon the issuance by the KPSC, WVPSC and FERC of orders regarding a new proposed Mitchell Plant Operations and Maintenance Agreement and Mitchell Plant Ownership Agreement between KPCo and WPCo.

In November 2021, AEP made filings with the KPSC, WVPSC and FERC seeking approval of a proposed Mitchell Plant Operations and Maintenance Agreement and Mitchell Plant Ownership Agreement, pursuant to which WPCo would replace KPCo as the operator of the Mitchell Plant and KPCo employees at the Mitchell Plant would become employees of WPCo. Under this originally proposed Ownership Agreement, WPCo is obligated to purchase KPCo's 50% undivided interest in the Mitchell Plant on December 31, 2028 unless KPCo and WPCo have agreed to retire the Mitchell Plant earlier or, absent such agreement, if WPCo elects prior to December 31, 2027 to retire the Mitchell Plant on December 31, 2028. The Ownership Agreement provides that the purchase price for KPCo's 50% ownership interest in the Mitchell Plant will be determined through the mutual agreement of WPCo and KPCo (subject to approval from the KPSC and WVPSC) or through a fair market valuation determination conducted by independent appraisals, with offsets for estimated decommissioning costs and the cost of ELG investments made by WPCo, if KPCo and WPCo are unable to reach agreement as to the purchase price.

In January 2022, intervenor testimony was filed with the KPSC, recommending the KPSC either reject the new proposed Mitchell Plant Ownership Agreement or approve the agreement with certain modifications including a revision to the buyout provision that would set WPCo's Mitchell Plant purchase price at the greater of fair market value or net book value. The intervenor testimony also recommends the KPSC reject the proposed Mitchell Plant

Operations and Maintenance Agreement, which the testimony stated should be modified to remove references to the Mitchell Plant Ownership Agreement. In February 2022, AEP filed rebuttal testimony with the KPSC opposing the intervenor testimony filed in January 2022. AEP's rebuttal testimony also discusses an alternative proposal to the fair market value provision included in the proposed Mitchell Plant Ownership Agreement. Under the alternative proposal, KPCo's and WPCo's interest in the Mitchell Plant would be divided by unit if the plant is not retired before the end of 2028 and a mutual agreement cannot be reached on a buyout price. Under the alternative proposal, mutual agreement on the buyout price or unit disposition would need to be finalized by May 2025, with a division of plant ownership by unit effective January 1, 2029, unless otherwise agreed. In March 2022, a hearing was held on the agreements with the KPSC. Following the hearing, KPCo amended its November 2021 filing with a new version of the Mitchell Plant Ownership Agreement that provided further details about the alternative proposal. As amended, the proposed Mitchell Plant Ownership Agreement creates procedures, subject to all required regulatory approvals, that provide the option for WPCo and KPCo to negotiate a sale of KPCo's interest in the Mitchell Plant to WPCo, split the Mitchell Plant units with additional agreements for KPCo to utilize WPCo's ELG assets, if necessary, or to agree on the procedures and timetable to retire one or both units. As amended, the proposed Mitchell Plant Ownership Agreement replaced certain aspects of the originally proposed agreement including the buyout provision at fair market value. A hearing on the amended filing was held on March 30, 2022. A decision from the KPSC is expected in the second quarter of 2022.

For the filing at the WVPSC, intervenor testimony filed in March 2022 and briefs filed in April 2022 recommended various clarifying modifications to the Mitchell Ownership Agreement and the Mitchell Operations and Maintenance Agreement. A decision from the WVPSC is expected in the second quarter of 2022.

The KPSC and WVPSC intervened in the FERC proceeding and have recommended that FERC dismiss or reject AEP's request, or defer ruling on AEP's request until both the retail commissions have rendered decisions. In February 2022, AEP filed a motion to withdraw its filing with the FERC, noting that AEP intends to re-file its request after the KPSC and WVPSC have reviewed the agreements.

Transfer of Ownership

In December 2021, Liberty, KPCo and KTCo sought approval from the FERC under Section 203 of the Federal Power Act for the sale. In February 2022, several intervenors in the case filed protests related to whether the sale will negatively impact the wholesale transmission and generation rates of applicants. In April 2022, the FERC issued a deficiency letter stating that the Section 203 application is deficient and that additional information is required to process it. Liberty, KPCo and KTCo plan to respond to provide additional information in response to the letter. An order from the FERC is expected on the matter in the second quarter of 2022.

In January 2022, KPCo and Liberty filed a joint application requesting the KPSC authorize the transfer of ownership of KPCo to Liberty. In February 2022, certain intervenors filed testimony recommending that the KPSC not approve the transfer of ownership. If, however, the KPSC does approve the transfer, these intervenors recommend that the KPSC require AEP to compensate KPCo customers $578 million for alleged future increased costs and higher rates that the intervenors claim will exist under Liberty's ownership. AEP disagrees with the recommendation and filed rebuttal testimony in March 2022. AEP has committed to fund, through a reduction in Liberty's purchase price, $20 million of Liberty's commitment to provide $40 million of benefits to KPCo customers in bill reductions to help offset fuel costs. Intervenors also recommended imposing certain conditions on Liberty, including conditions related to recovering certain costs, inter-company agreement filing requirements, KPCo's capital structure and future generation resource planning processes and analyses. In addition, certain intervenors argue that the commission should not approve the new proposed Mitchell Plant Ownership Agreement and Mitchell Plant Operations and Maintenance Agreement, and that deciding the request to transfer ownership of KPCo should be separated from approval of the Mitchell agreements even though such approval is a condition to the transaction closing. AEP also disagrees with this argument. A hearing was held with the KPSC in March 2022. In April 2022, certain intervenors filed briefs with the KPSC in support of their original recommendations, including both recommendations for and against approval of the transfer of KPCo to Liberty. A final order is expected in the second quarter of 2022.

Subject to receipt of regulatory approval and resolution of the Mitchell ownership and operating issues disclosed above, the sale is expected to close in the second quarter of 2022 with Liberty acquiring the assets and assuming the liabilities of KPCo and KTCo, excluding pension and other post-retirement benefit plan assets and liabilities. AEP expects to provide customary transition services to Liberty for a period of time after closing of the transaction.

Subsequent Events

Management reviewed subsequent events through April 28, 2022, the date that the first quarter 2022 report was available to be issued.

2. NEW ACCOUNTING STANDARDS

During the FASB's standard-setting process and upon issuance of final standards, management reviews the new accounting literature to determine its relevance, if any, to KPCo's business. There are no new standards expected to have a material impact on KPCo's financial statements.

3. COMPREHENSIVE INCOME

Presentation of Comprehensive Income

The following tables provide the components of changes in AOCI and details of reclassifications from AOCI. The amortization of pension and OPEB AOCI components are included in the computation of net periodic pension and OPEB costs. See Note 6 - Benefit Plans for additional information.

Three Months Ended March 31, 2022	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of December 31, 2021	$ 1,749
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(59)
Amortization of Actuarial (Gains) Losses	10
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(49)
Income Tax (Expense) Benefit	(10)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(39)
Net Current Period Other Comprehensive Income (Loss)	(39)
Balance in AOCI as of March 31, 2022	$ 1,710

Three Months Ended March 31, 2021	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of December 31, 2020	$ 878
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(59)
Amortization of Actuarial (Gains) Losses	16
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(43)
Income Tax (Expense) Benefit	(9)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(34)
Net Current Period Other Comprehensive Income (Loss)	(34)
Balance in AOCI as of March 31, 2021	$ 844

4. RATE MATTERS

As discussed in KPCo's 2021 Annual Report, KPCo is involved in rate and regulatory proceedings at the FERC and the KPSC. The Rate Matters note within KPCo's 2021 Annual Report should be read in conjunction with this report to gain a complete understanding of material rate matters still pending that could impact net income, cash flows and possibly financial condition. The following discusses ratemaking developments in 2022 and updates KPCo's 2021 Annual Report.

Regulatory Assets Pending Final Regulatory Approval

Noncurrent Regulatory Assets	March 31, 2022	December 31, 2021
	(in thousands)	
Regulatory Assets Currently Earning a Return		
Kentucky Deferred Purchased Power Expenses	$ 49,116	$ 47,528
Regulatory Assets Currently Not Earning a Return		
Storm-Related Costs	56,506	56,506
Other Regulatory Assets Pending Final Regulatory Approval	1,085	893
Total Regulatory Assets Pending Final Regulatory Approval	$ 106,707	$ 104,927

If these costs are ultimately determined not to be recoverable, it could reduce future net income and cash flows and impact financial condition.

Mitchell Plant

KPCo and WPCo each own a 50% interest in the 1,560 MW coal-fired the Mitchell Plant. In December 2020 and February 2021, WPCo and KPCo filed requests with the WVPSC and KPSC, respectively, to obtain the regulatory approvals necessary to implement CCR and ELG compliance plans and seek recovery of the estimated $132 million investment for the Mitchell Plant that would allow the plant to continue operating beyond 2028. Within those requests, WPCo and KPCo also filed a $25 million alternative to implement only the CCR-related investments with the WVPSC and KPSC, respectively, which would allow the Mitchell Plant to continue operating only through 2028.

In July 2021, the KPSC issued an order approving the CCR only alternative and rejecting the full CCR and ELG compliance plan. In August 2021, the WVPSC approved the full CCR and ELG compliance plan for the WPCo share of the Mitchell Plant. In September 2021, WPCo submitted a filing with the WVPSC to reopen the CCR/ELG case that was approved by the WVPSC in August 2021. Due to the rejection by the KPSC of the KPCo share of the ELG investments, WPCo requested the WVPSC consider approving the construction and recovery of all ELG costs at the plant. In October 2021, the WVPSC affirmed its August 2021 order approving the construction of CCR/ELG investments and directed WPCo to proceed with CCR/ELG compliance plans that would allow the plant to continue operating beyond 2028. The WVPSC's order further states WPCo will not share capacity and energy from the plant with KPCo customers if those customers are not paying for ELG compliance costs, or for any new capital investment or continuing operations costs incurred, to allow the plant to operate beyond 2028 or prevent downgrades prior to 2028. The WVPSC also ordered that WPCo will be given the opportunity to recover, from its customers, the new capital and operating costs arising solely from the WVPSC's directive to operate the plant beyond 2028 if the WVPSC finds that the costs are reasonably and prudently incurred. In October and November 2021, intervenors filed petitions for reconsideration at the WVPSC requesting clarification on certain aspects of the order, primarily the jurisdictional allocation of future operating expenses and plant costs.

In November 2021, AEP made filings with the KPSC, WVPSC and FERC seeking approval of a proposed Mitchell Plant Operations and Maintenance Agreement and Mitchell Plant Ownership Agreement between KPCo and WPCo pursuant to which WPCo would replace KPCo as the operator of the Mitchell Plant. In February 2022, AEP filed a motion to withdraw its filing with the FERC, noting that AEP intends to re-file its request after the KPSC and WVPSC have reviewed the agreements. See "Disposition of KPCo and KTCo" section of Note 1 for additional information.

As of March 31, 2022, KPCo's share of the Mitchell Plant's ELG investment balance in CWIP was $4.1 million. As of March 31, 2022, the net book value of KPCo's share of the Mitchell Plant, before cost of removal including CWIP and inventory, was $584.9 million.

If any of the ELG costs are not approved for recovery and/or the retirement date of the Mitchell Plant is accelerated to 2028 without commensurate cost recovery, it would reduce future net income and cash flows and impact financial condition.

5. COMMITMENTS, GUARANTEES AND CONTINGENCIES

KPCo is subject to certain claims and legal actions arising in its ordinary course of business. In addition, KPCo's business activities are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation against KPCo cannot be predicted. Management accrues contingent liabilities only when management concludes that it is both probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. When management determines that it is not probable, but rather reasonably possible that a liability has been incurred at the date of the financial statements, management discloses such contingencies and the possible loss or range of loss if such estimate can be made. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent the maximum possible loss exposure. Circumstances change over time and actual results may vary significantly from estimates.

For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements. The Commitments, Guarantees and Contingencies note within KPCo's 2021 Annual Report should be read in conjunction with this report.

GUARANTEES

Liabilities for guarantees are recorded in accordance with the accounting guidance for "Guarantees." There is no collateral held in relation to any guarantees. In the event any guarantee is drawn, there is no recourse to third-parties unless specified below.

Indemnifications and Other Guarantees

Contracts

KPCo enters into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. As of March 31, 2022, there were no material liabilities recorded for any indemnifications.

AEPSC conducts power purchase and sale activity on behalf of APCo, I&M, KPCo and WPCo, who are jointly and severally liable for activity conducted on their behalf.

Master Lease Agreements

KPCo leases certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, KPCo is committed to pay the difference between the actual fair value and the residual value guarantee. Historically, at the end of the lease term the fair value has been in excess of the amount guaranteed. As of March 31, 2022, the maximum potential loss for these lease agreements was $1.6 million assuming the fair value of the equipment is zero at the end of the lease term.

CONTINGENCIES

Claims Challenging Transition of American Electric Power System Retirement Plan to Cash Balance Formula

Four participants in The American Electric Power System Retirement Plan (the Plan) filed a class action complaint in December 2021 in the U.S. District Court for the Southern District of Ohio against AEPSC and the Plan. When the Plan's benefit formula was changed in the year 2000, AEP provided a special provision for employees hired before January 1, 2001, allowing them to continue benefit accruals under the then benefit formula for a full 10 years alongside of the new cash balance benefit formula then being implemented. Employees who were hired on or after January 1, 2001 accrued benefits only under the new cash balance benefit formula. The Plaintiffs assert a number of claims on behalf of themselves and the purported class, including that: (a) the Plan violates the requirements under the Employee Retirement Income Security Act (ERISA) intended to preclude back-loading the accrual of benefits to the end of a participant's career, (b) the Plan violates the age discrimination prohibitions of ERISA and the Age Discrimination in Employment Act and (c) AEP failed to provide required notice regarding the changes to the Plan. Among other relief, the Complaint seeks reformation of the Plan to provide additional benefits and the recovery of plan benefits for former employees under such reformed plan. The Plaintiffs previously had submitted claims for additional plan benefits to AEP, which were denied. On February 15, 2022, AEPSC and the Plan filed a motion to dismiss the complaint for failure to state a claim. AEP will continue to defend against the claims. Management is unable to determine a range of potential losses that is reasonably possible of occurring.

6. BENEFIT PLANS

KPCo participates in an AEP sponsored qualified pension plan and two unfunded nonqualified pension plans. Substantially all of KPCo's employees are covered by the qualified plan or both the qualified and nonqualified pension plans. KPCo also participates in OPEB plans sponsored by AEP to provide health and life insurance benefits for retired employees.

Components of Net Periodic Benefit Cost

The following table provides the components of KPCo's net periodic benefit cost (credit) for the plans:

	Pension Plans		OPEB	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2022	2021	2022	2021
	(in thousands)			
Service Cost	$ 791	$ 869	$ 52	$ 71
Interest Cost	1,288	1,210	261	274
Expected Return on Plan Assets	(2,400)	(2,146)	(1,060)	(870)
Amortization of Prior Service Credit	—	—	(630)	(625)
Amortization of Net Actuarial Loss	536	881	—	—
Net Periodic Benefit Cost (Credit)	$ 215	$ 814	$ (1,377)	$ (1,150)

7. DERIVATIVES AND HEDGING

OBJECTIVES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS

AEPSC is agent for and transacts on behalf of KPCo.

KPCo is exposed to certain market risks as a major power producer and participant in the electricity, natural gas, coal and emission allowance markets. These risks include commodity price risk, interest rate risk and credit risk. These risks represent the risk of loss that may impact KPCo due to changes in the underlying market prices or rates. Management utilizes derivative instruments to manage these risks.

STRATEGIES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS TO ACHIEVE OBJECTIVES

Risk Management Strategies

The strategy surrounding the use of derivative instruments primarily focuses on managing risk exposures, future cash flows and creating value utilizing both economic and formal hedging strategies. The risk management strategies also include the use of derivative instruments for trading purposes which focus on seizing market opportunities to create value driven by expected changes in the market prices of the commodities. To accomplish these objectives, KPCo primarily employs risk management contracts including physical and financial forward purchase-and-sale contracts and, to a lesser extent, OTC swaps and options. Not all risk management contracts meet the definition of a derivative under the accounting guidance for "Derivatives and Hedging." Derivative risk management contracts elected normal under the normal purchases and normal sales scope exception are not subject to the requirements of this accounting guidance.

KPCo utilizes power, capacity, coal, natural gas, interest rate and, to a lesser extent, heating oil, gasoline and other commodity contracts to manage the risk associated with the energy business. KPCo utilizes interest rate derivative contracts in order to manage the interest rate exposure associated with its commodity portfolio. For disclosure purposes, such risks are grouped as "Commodity," as these risks are related to energy risk management activities. KPCo may also utilize derivative contracts to manage interest rate risk associated with debt financing. For disclosure purposes, these risks are grouped as "Interest Rate." The amount of risk taken is determined by the Commercial Operations and Finance groups in accordance with the established risk management policies as approved by the Finance Committee of the Board of Directors.

The following table represents the gross notional volume of KPCo's outstanding derivative contracts:

Primary Risk Exposure	March 31, 2022	December 31, 2021	Unit of Measure
	(in thousands)		
Commodity:			
Power	2,795	6,927	MWhs
Heating Oil and Gasoline	222	305	Gallons

Cash Flow Hedging Strategies

KPCo utilizes cash flow hedges on certain derivative transactions for the purchase and sale of power ("Commodity") in order to manage the variable price risk related to forecasted purchases and sales. Management monitors the potential impacts of commodity price changes and, where appropriate, enters into derivative transactions to protect profit margins for a portion of future electricity sales and purchases. KPCo does not hedge all commodity price risk.

KPCo may utilize a variety of interest rate derivative transactions in order to manage interest rate risk exposure. KPCo may also utilize interest rate derivative contracts to manage interest rate exposure related to future borrowings of fixed-rate debt. KPCo does not hedge all interest rate exposure.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND THE IMPACT ON KPCo's FINANCIAL STATEMENTS

The accounting guidance for "Derivatives and Hedging" requires recognition of all qualifying derivative instruments as either assets or liabilities on the balance sheets at fair value. The fair values of derivative instruments accounted for using MTM accounting or hedge accounting are based on exchange prices and broker quotes. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes and assumptions. In order to determine the relevant fair values of the derivative instruments, KPCo applies valuation adjustments for discounting, liquidity and credit quality.

Credit risk is the risk that a counterparty will fail to perform on the contract or fail to pay amounts due. Liquidity risk represents the risk that imperfections in the market will cause the price to vary from estimated fair value based upon prevailing market supply and demand conditions. Since energy markets are imperfect and volatile, there are inherent risks related to the underlying assumptions in models used to fair value risk management contracts. Unforeseen events may cause reasonable price curves to differ from actual price curves throughout a contract's term and at the time a contract settles. Consequently, there could be significant adverse or favorable effects on future net income and cash flows if market prices are not consistent with management's estimates of current market consensus for forward prices in the current period. This is particularly true for longer term contracts. Cash flows may vary based on market conditions, margin requirements and the timing of settlement of risk management contracts.

According to the accounting guidance for "Derivatives and Hedging," KPCo reflects the fair values of derivative instruments subject to netting agreements with the same counterparty net of related cash collateral. For certain risk management contracts, KPCo is required to post or receive cash collateral based on third-party contractual agreements and risk profiles. For the March 31, 2022 and December 31, 2021 balance sheets, KPCo netted $226 thousand and $95 thousand, respectively, of cash collateral received from third-parties against short-term and long-term risk management assets and $0 and $0, respectively, of cash collateral paid to third-parties against short-term and long-term risk management liabilities.

The following tables represent the gross fair value of KPCo's derivative activity on the balance sheets:

Fair Value of Derivative Instruments
March 31, 2022

Balance Sheet Location	Risk Management Contracts – Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Current Risk Management Assets	$ 2,349	$ (893)	$ 1,456
Long-term Risk Management Assets	87	(87)	—
Total Assets	2,436	(980)	1,456
Current Risk Management Liabilities	697	(667)	30
Long-term Risk Management Liabilities	87	(87)	—
Total Liabilities	784	(754)	30
Total MTM Derivative Contract Net Assets (Liabilities)	$ 1,652	$ (226)	$ 1,426

December 31, 2021

Balance Sheet Location	Risk Management Contracts – Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Current Risk Management Assets	$ 7,488	$ (1,502)	$ 5,986
Long-term Risk Management Assets	46	(46)	—
Total Assets	7,534	(1,548)	5,986
Current Risk Management Liabilities	1,458	(1,407)	51
Long-term Risk Management Liabilities	46	(46)	—
Total Liabilities	1,504	(1,453)	51
Total MTM Derivative Contract Net Assets (Liabilities)	$ 6,030	$ (95)	$ 5,935

(a) Derivative instruments within this category are disclosed as gross. These instruments are subject to master netting agreements and are presented on the balance sheets on a net basis in accordance with the accounting guidance for "Derivatives and Hedging."
(b) Amounts include counterparty netting of risk management and hedging contracts and associated cash collateral in accordance with the accounting guidance for "Derivatives and Hedging."
(c) All derivative contracts subject to a master netting arrangement or similar agreement are offset in the statement of financial position.

The table below presents KPCo's activity of derivative risk management contracts:

Amount of Gain (Loss) Recognized on
Risk Management Contracts

Location of Gain (Loss)	Three Months Ended March 31, 2022	2021
	(in thousands)	
Electric Generation, Transmission and Distribution Revenues	$ 2	$ (1)
Purchased Electricity for Resale	59	15
Other Operation	16	8
Maintenance	21	21
Regulatory Assets (a)	(46)	(87)
Regulatory Liabilities (a)	1,566	818
Total Gain on Risk Management Contracts	$ 1,618	$ 774

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment recorded as either current or noncurrent on the balance sheets.

Certain qualifying derivative instruments have been designated as normal purchase or normal sale contracts, as provided in the accounting guidance for "Derivatives and Hedging." Derivative contracts that have been designated as normal purchases or normal sales under that accounting guidance are not subject to MTM accounting treatment and are recognized on the statements of income on an accrual basis.

The accounting for the changes in the fair value of a derivative instrument depends on whether it qualifies for and has been designated as part of a hedging relationship and further, on the type of hedging relationship. Depending on the exposure, management designates a hedging instrument as a fair value hedge or a cash flow hedge.

For contracts that have not been designated as part of a hedging relationship, the accounting for changes in fair value depends on whether the derivative instrument is held for trading purposes. Unrealized and realized gains and losses on derivative instruments held for trading purposes are included in revenues on a net basis on KPCo's statements of income. Unrealized and realized gains and losses on derivative instruments not held for trading purposes are included in revenues or expenses on KPCo's statements of income depending on the relevant facts and circumstances. Certain derivatives that economically hedge future commodity risk are recorded in the same line item on the statements of income as that of the associated risk being hedged. However, unrealized and some realized gains and losses for both trading and non-trading derivative instruments are recorded as regulatory assets (for losses) or regulatory liabilities (for gains), in accordance with the accounting guidance for "Regulated Operations."

Accounting for Cash Flow Hedging Strategies

For cash flow hedges (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), KPCo initially reports the gain or loss on the derivative instrument as a component of Accumulated Other Comprehensive Income (Loss) on the balance sheets until the period the hedged item affects Net Income.

Realized gains and losses on derivative contracts for the purchase and sale of power designated as cash flow hedges are included in Total Revenues or Purchased Electricity for Resale on KPCo's statements of income, or in Regulatory Assets or Regulatory Liabilities on KPCo's balance sheets, depending on the specific nature of the risk being hedged. During the three months ended March 31, 2022 and 2021, KPCo did not apply cash flow hedging to outstanding power derivatives.

KPCo reclassifies gains and losses on interest rate derivative hedges related to debt financings from Accumulated Other Comprehensive Income (Loss) on its balance sheets into Interest Expense on its statements of income in those periods in which hedged interest payments occur. During the three months ended March 31, 2022 and 2021, KPCo did not apply cash flow hedging to outstanding interest rate derivatives.

There was no impact of cash flow hedges included in Accumulated Other Comprehensive Income (Loss) on KPCo's balance sheets as of March 31, 2022 and December 31, 2021.

The actual amounts that KPCo reclassifies from Accumulated Other Comprehensive Income (Loss) to Net Income can differ due to market price changes. As of March 31, 2022, KPCo is not hedging (with contracts subject to the accounting guidance for "Derivatives and Hedging") its exposure to variability in future cash flows related to forecasted transactions.

Credit Risk

Management mitigates credit risk in KPCo's wholesale marketing and trading activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis. Management uses credit agency ratings and current market-based qualitative and quantitative data as well as financial statements to assess the financial health of counterparties on an ongoing basis.

Master agreements are typically used to facilitate the netting of cash flows associated with a single counterparty and may include collateral requirements. Collateral requirements in the form of cash, letters of credit, surety bonds and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. Some master agreements include margining, which requires a counterparty to post cash or letters of credit in the event exposure exceeds the established threshold. The threshold represents an unsecured credit limit which may be supported by a parental/affiliate guaranty, as determined in accordance with AEP's credit policy. In addition, master agreements allow for termination and liquidation of all positions in the event of a default including failure or inability to post collateral when required.

Collateral Triggering Events

Credit Downgrade Triggers

A limited number of derivative contracts include collateral triggering events, which include a requirement to maintain certain credit ratings. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these collateral triggering events in contracts. KPCo has not experienced a downgrade below a specified credit rating threshold that would require the posting of additional collateral. As of March 31, 2022 and December 31, 2021, KPCo did not have derivative contracts with collateral triggering events in a net liability position.

Cross-Acceleration Triggers

Certain interest rate derivative contracts contain cross-acceleration provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-acceleration provisions could be triggered if there was a non-performance event by KPCo under any of their outstanding debt of at least $50 million and the lender on that debt has accelerated the entire repayment obligation. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-acceleration provisions in contracts. KPCo had no derivative contracts with cross-acceleration provisions in a net liability position as of March 31, 2022 and December 31, 2021, respectively. There was no cash collateral posted as of March 31, 2022 and December 31, 2021. If a cross-acceleration provision would have been triggered, settlement at fair value would have been required. KPCo had no derivative contracts with cross-acceleration provisions outstanding as of March 31, 2022 and December 31, 2021.

Cross-Default Triggers

In addition, a majority of KPCo's non-exchange-traded commodity contracts contain cross-default provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-default provisions could be triggered if there was a non-performance event by Parent or the obligor under outstanding debt or a third-party obligation that is $50 million or greater. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-default provisions in the contracts. KPCo had derivative liabilities subject to cross-default provisions in a net liability position of $30 thousand and $51 thousand and no cash collateral posted as of March 31, 2022 and December 31, 2021, respectively, after considering contractual netting arrangements. If a cross-default provision would have been triggered, settlement at fair value would have been required.

8. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy and Valuation Techniques

The accounting guidance for "Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. When quoted market prices are not available, pricing may be completed using comparable securities, dealer values, operating data and general market conditions to determine fair value. Valuation models utilize various inputs such as commodity, interest rate and, to a lesser degree, volatility and credit that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, market corroborated inputs (i.e. inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability.

For commercial activities, exchange-traded derivatives, namely futures contracts, are generally fair valued based on unadjusted quoted prices in active markets and are classified as Level 1. Level 2 inputs primarily consist of OTC broker quotes in moderately active or less active markets, as well as exchange-traded derivatives where there is insufficient market liquidity to warrant inclusion in Level 1. Management verifies price curves using these broker quotes and classifies these fair values within Level 2 when substantially all of the fair value can be corroborated. Management typically obtains multiple broker quotes, which are nonbinding in nature but are based on recent trades in the marketplace. When multiple broker quotes are obtained, the quoted bid and ask prices are averaged. In certain circumstances, a broker quote may be discarded if it is a clear outlier. Management uses a historical correlation analysis between the broker quoted location and the illiquid locations. If the points are highly correlated, these locations are included within Level 2 as well. Certain OTC and bilaterally executed derivative instruments are executed in less active markets with a lower availability of pricing information. Illiquid transactions, complex structured transactions, FTRs and counterparty credit risk may require nonmarket-based inputs. Some of these inputs may be internally developed or extrapolated and utilized to estimate fair value. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized as Level 3. The main driver of contracts being classified as Level 3 is the inability to substantiate energy price curves in the market. A portion of the Level 3 instruments have been economically hedged which limits potential earnings volatility.

Fair Value Measurements of Long-term Debt

The fair values of Long-term Debt are based on quoted market prices, without credit enhancements, for the same or similar issues and the current interest rates offered for instruments with similar maturities classified as Level 2 measurement inputs. These instruments are not marked-to-market. The estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

The book values and fair values of KPCo's Long-term Debt are summarized in the following table:

	March 31, 2022		**December 31, 2021**	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
		(in thousands)		
Long-term Debt	$ 1,103,190	$ 1,146,301	$ 1,103,105	$ 1,224,664

Fair Value Measurements of Financial Assets and Liabilities

The following tables set forth, by level within the fair value hierarchy, KPCo's financial assets and liabilities that were accounted for at fair value on a recurring basis. As required by the accounting guidance for "Fair Value Measurements and Disclosures," financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have not been any significant changes in management's valuation techniques.

Assets and Liabilities Measured at Fair Value on a Recurring Basis
March 31, 2022

	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Assets:					
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 902	$ 1,534	$ (980)	$ 1,456
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 631	$ 153	$ (754)	$ 30

December 31, 2021

	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Assets:					
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 1,096	$ 6,439	$ (1,549)	$ 5,986
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 937	$ 568	$ (1,454)	$ 51

(a) Amounts in "Other" column primarily represent counterparty netting of risk management and hedging contracts and associated cash collateral under the accounting guidance for "Derivatives and Hedging."
(b) Substantially comprised of power contracts.

The following tables set forth a reconciliation of changes in the fair value of net trading derivatives classified as Level 3 in the fair value hierarchy:

Three Months Ended March 31, 2022	**Net Risk Management Assets (Liabilities)**
	(in thousands)
Balance as of December 31, 2021	$ 5,871
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	1,021
Settlements	(5,960)
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	449
Balance as of March 31, 2022	$ 1,381

Three Months Ended March 31, 2021	**Net Risk Management Assets (Liabilities)**
	(in thousands)
Balance as of December 31, 2020	$ 3,025
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	887
Settlements	(2,738)
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	(131)
Balance as of March 31, 2021	$ 1,043

(a) Included in revenues on KPCo's statements of income.
(b) Represents the change in fair value between the beginning of the reporting period and the settlement of the risk management commodity contract.
(c) Relates to the net gains (losses) of those contracts that are not reflected on KPCo's statements of income. These changes in fair value are recorded as regulatory liabilities for net gains and as regulatory assets for net losses.

The following tables quantify the significant unobservable inputs used in developing the fair value of Level 3 positions:

Significant Unobservable Inputs
March 31, 2022

	Fair Value		Valuation	Significant Unobservable	Input/Range		
	Assets	Liabilities	Technique	Input (a)	Low	High	Weighted Average (b)
	(in thousands)						
Energy Contracts	$ —	$ 30	Discounted Cash Flow	Forward Market Price	$ 44.99	$ 66.21	$ 55.42
FTRs	1,534	123	Discounted Cash Flow	Forward Market Price	(0.04)	10.51	1.03
Total	$ 1,534	$ 153					

December 31, 2021

	Fair Value		Valuation	Significant Unobservable	Input/Range		
	Assets	Liabilities	Technique	Input (a)	Low	High	Weighted Average (b)
	(in thousands)						
Energy Contracts	$ —	$ 51	Discounted Cash Flow	Forward Market Price	$ 32.20	$ 56.54	$ 44.77
FTRs	6,439	517	Discounted Cash Flow	Forward Market Price	(1.44)	22.19	1.74
Total	$ 6,439	$ 568					

(a) Represents market prices in dollars per MWh.
(b) The weighted average is the product of the forward market price of the underlying commodity and volume weighted by term.

The following table provides the measurement uncertainty of fair value measurements to increases (decreases) in significant unobservable inputs related to Energy Contracts and FTRs as of March 31, 2022 and December 31, 2021:

Uncertainty of Fair Value Measurements

Significant Unobservable Input	Position	Change in Input	Impact on Fair Value Measurement
Forward Market Price	Buy	Increase (Decrease)	Higher (Lower)
Forward Market Price	Sell	Increase (Decrease)	Lower (Higher)

9. INCOME TAXES

Effective Tax Rates (ETR)

KPCo's interim ETR reflects the estimated annual ETR for 2022 and 2021, adjusted for tax expense associated with certain discrete items.

KPCo includes the amortization of Excess ADIT not subject to normalization requirements in the annual estimated ETR when regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers over multiple interim periods. Certain regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers in a single period (e.g. by applying the Excess ADIT not subject to normalization requirements against an existing regulatory asset balance) and in these circumstances, KPCo recognizes the tax benefit discretely in the period recorded. The annual amount of Excess ADIT approved by KPCo's regulatory commissions may not impact the ETR ratably during each interim period due to the variability of pretax book income between interim periods and the application of an annual estimated ETR.

The ETR for KPCo is included in the following table:

	Three Months Ended March 31,	
	2022	**2021**
U.S. Federal Statutory Rate	21.0 %	21.0 %
Increase (decrease) due to:		
State Income Tax, net of Federal Benefit	(0.9)%	0.4 %
Tax Reform Excess ADIT Reversal	(89.7)%	(231.0)%
Flow Through	0.1 %	(1.7)%
AFUDC Equity	(1.4)%	(0.9)%
Other	0.1 %	— %
Effective Income Tax Rate	(70.8)%	(212.2)%

Federal Income Tax Audit Status

In the third quarter of 2019, KPCo and other AEP subsidiaries elected to amend the 2014 through 2017 federal returns. In the first quarter of 2020, the IRS notified KPCo and other AEP subsidiaries that it was beginning an examination of these amended returns, including the net operating loss carryback to 2015 that originated in the 2017 return. As of March 31, 2022, the IRS has not issued any proposed adjustment and has accepted the 2014 amended return as filed. KPCo and other AEP subsidiaries has agreed to extend the statute of limitations on the 2017 tax return to December 31, 2022 to allow time for the audit to be completed and the Congressional Joint Committee on Taxation to approve the associated refund claim.

10. FINANCING ACTIVITIES

Long-term Debt

KPCo did not have any long-term debt issuances or retirements during the first three months of 2022.

Dividend Restrictions

KPCo pays dividends to Parent provided funds are legally available. Various financing arrangements and regulatory requirements may impose certain restrictions on the ability of KPCo to transfer funds to Parent in the form of dividends.

All of the dividends declared by KPCo are subject to a Federal Power Act restriction that prohibits the payment of dividends out of capital accounts without regulatory approval; payment of dividends is allowed out of retained earnings only.

KPCo has credit agreements that contain a covenant that limit its debt to capitalization ratio to 67.5%. As of March 31, 2022, KPCo did not exceed its debt to capitalization limit. The method for calculating outstanding debt and capitalization is contractually-defined in the credit agreements.

The Federal Power Act restriction does not limit the ability of KPCo to pay dividends out of retained earnings.

Corporate Borrowing Program – AEP System

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of AEP's subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds AEP's utility subsidiaries. The AEP System Utility Money Pool operates in accordance with the terms and conditions of its agreement filed with the FERC. The amounts of outstanding borrowings from the Utility Money Pool as of March 31, 2022 and December 31, 2021 are included in Advances from Affiliates on KPCo's balance sheets. KPCo's Utility Money Pool activity and corresponding authorized borrowing limit for the three months ended March 31, 2022 are described in the following table:

Maximum Borrowings from the Utility Money Pool	Average Borrowings from the Utility Money Pool	Borrowings from the Utility Money Pool as of March 31, 2022	Authorized Short-Term Borrowing Limit
	(in thousands)		
$ 97,366	$ 61,135	$ 93,939	$ 180,000

Maximum, minimum and average interest rates for funds borrowed from the Utility Money Pool are summarized in the following table:

Three Months Ended March 31,	Maximum Interest Rate for Funds Borrowed from the Utility Money Pool	Minimum Interest Rate for Funds Borrowed from the Utility Money Pool	Average Interest Rate for Funds Borrowed from the Utility Money Pool
2022	1.00 %	0.10 %	0.67 %
2021	0.40 %	0.25 %	0.31 %

Securitized Accounts Receivables – AEP Credit

Under an affiliated receivables sales arrangement, KPCo sold, without recourse, certain of its customer accounts receivable and accrued unbilled revenue balances to AEP Credit. KPCo was charged a fee for each sale that is based on AEP Credit's financing costs, administrative costs and uncollectible accounts experience from previous purchases of KPCo's customer accounts receivable. The costs of customer accounts receivable sold are reported in Other Operation expense on KPCo's statements of income. In January 2022, due to the pending sale to Liberty, KPCo terminated selling accounts receivable to AEP Credit. As result of the termination, in the first quarter of 2022, KPCo began recording an allowance for uncollectible accounts on its balance sheet for those receivables no longer sold to AEP Credit.

KPCo's amounts of accounts receivable and accrued unbilled revenues sold under the sale of receivables agreement were $423 thousand and $53.3 million as of March 31, 2022 and December 31, 2021, respectively.

The fees paid by KPCo to AEP Credit for customer accounts receivable sold for the three months ended March 31, 2022 and 2021 were $295 thousand and $169 thousand, respectively.

KPCo's proceeds on the sale of receivables to AEP Credit for the three months ended March 31, 2022 and 2021 were $65.6 million and $153.7 million, respectively.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenues from Contracts with Customers

The table below represents KPCo's revenues from contracts with customers, net of respective provisions for refund, by type of revenue:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
	(in thousands)	
Retail Revenues:		
Residential Revenues	$ 81,690	$ 77,317
Commercial Revenues	44,071	38,192
Industrial Revenues	39,650	32,217
Other Retail Revenues	538	507
Total Retail Revenues	165,949	148,233
Wholesale Revenues:		
Generation Revenues (a)	4,618	7,289
Transmission Revenues (b)	7,851	5,462
Total Wholesale Revenues	12,469	12,751
Other Revenues from Contracts with Customers (a)	3,819	2,796
Total Revenues from Contracts with Customers	182,237	163,780
Other Revenues:		
Alternative Revenues	198	(1,837)
Other Revenues	2	—
Total Other Revenues	200	(1,837)
Total Revenues	$ 182,437	$ 161,943

(a) Amounts include affiliated and nonaffiliated revenues.
(b) Amounts include affiliated and nonaffiliated revenues. The affiliated revenues were $4.7 million and $2.2 million for the three months ended March 31, 2022 and 2021, respectively.

Fixed Performance Obligations

The following table represents KPCo's remaining fixed performance obligations satisfied over time as of March 31, 2022. Fixed performance obligations primarily include wholesale transmission services, electricity sales for fixed amounts of energy and stand ready services into PJM's Reliability Pricing Model market. The amounts shown in the table below include affiliated and nonaffiliated revenues.

2022	2023-2024	2025-2026	After 2026	Total
(in thousands)				
$ 23,247	$ 2,870	$ 2,870	$ 1,435	$ 30,422

Contract Assets and Liabilities

Contract assets are recognized when KPCo has a right to consideration that is conditional upon the occurrence of an event other than the passage of time, such as future performance under a contract. KPCo did not have material contract assets as of March 31, 2022 and December 31, 2021, respectively.

When KPCo receives consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, they recognize a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. KPCo's contract liabilities typically arise from advanced payments of services provided primarily with respect to joint use agreements for utility poles. KPCo did not have material contract liabilities as of March 31, 2022 and December 31, 2021, respectively.

Accounts Receivable from Contracts with Customers

Accounts receivable from contracts with customers are presented on KPCo's balance sheets within the Accounts Receivable - Customers line item. KPCo's balances for receivables from contracts that are not recognized in accordance with the accounting guidance for "Revenue from Contracts with Customers" included in Accounts Receivable - Customers were not material as of March 31, 2022 and December 31, 2021. See "Securitized Accounts Receivable - AEP Credit" section of Note 10 for additional information related to AEP Credit's securitized accounts receivable.

The amount of affiliated accounts receivable from contracts with customers included in Accounts Receivable - Affiliated Companies on KPCo's balance sheets were \$9.5 million and \$9.1 million, respectively, as of March 31, 2022 and December 31, 2021.

Kentucky Power Company

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GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

Term	Meaning
AEP	American Electric Power Company, Inc., an investor-owned electric public utility holding company which includes American Electric Power Company, Inc. (Parent) and majority owned consolidated subsidiaries and consolidated affiliates.
AEP Credit	AEP Credit, Inc., a consolidated variable interest entity of AEP which securitizes accounts receivable and accrued utility revenues for affiliated electric utility companies.
AEP System	American Electric Power System, an electric system, owned and operated by AEP subsidiaries.
AEPSC	American Electric Power Service Corporation, an AEP service subsidiary providing management and professional services to AEP and its subsidiaries.
AFUDC	Allowance for Equity Funds Used During Construction.
AOCI	Accumulated Other Comprehensive Income.
APCo	Appalachian Power Company, an AEP electric utility subsidiary.
CCR	Coal Combustion Residual.
CWIP	Construction Work in Progress.
ELG	Effluent Limitation Guidelines.
Excess ADIT	Excess accumulated deferred income taxes.
FASB	Financial Accounting Standards Board.
FERC	Federal Energy Regulatory Commission.
FTR	Financial Transmission Right, a financial instrument that entitles the holder to receive compensation for certain congestion-related transmission charges that arise when the power grid is congested resulting in differences in locational prices.
GAAP	Accounting Principles Generally Accepted in the United States of America.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IRS	Internal Revenue Service.
KPCo	Kentucky Power Company, an AEP electric utility subsidiary.
KPSC	Kentucky Public Service Commission.
KTCo	AEP Kentucky Transmission Company, Inc., a wholly-owned AEPTCo transmission subsidiary.
MTM	Mark-to-Market.
MWh	Megawatt-hour.
OPEB	Other Postretirement Benefits.
OTC	Over-the-counter.
Parent	American Electric Power Company, Inc., the equity owner of AEP subsidiaries within the AEP consolidation.
PJM	Pennsylvania – New Jersey – Maryland regional transmission organization.
Risk Management Contracts	Trading and non-trading derivatives, including those derivatives designated as cash flow and fair value hedges.
Tax Reform	On December 22, 2017, President Trump signed into law legislation referred to as the “Tax Cuts and Jobs Act” (the TCJA). The TCJA includes significant changes to the Internal Revenue Code of 1986, including a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.
WPCo	Wheeling Power Company, an AEP electric utility subsidiary.
WVPSC	Public Service Commission of West Virginia.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF INCOME
For the Three and Six Months Ended June 30, 2022 and 2021
(in thousands)
(Unaudited)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
REVENUES				
Electric Generation, Transmission and Distribution	$ 176,353	$ 146,825	$ 352,850	$ 305,948
Sales to AEP Affiliates	7,980	2,630	13,098	5,227
Other Revenues	193	279	1,015	502
TOTAL REVENUES	184,526	149,734	366,963	311,677
EXPENSES				
Fuel and Other Consumables Used for Electric Generation	26,970	22,841	42,689	40,591
Purchased Electricity for Resale	32,434	10,785	68,491	31,899
Purchased Electricity from AEP Affiliates	25,573	24,772	50,023	46,873
Other Operation	29,666	27,304	61,821	60,290
Maintenance	16,421	15,925	30,851	35,302
Depreciation and Amortization	30,130	27,132	60,658	56,652
Taxes Other Than Income Taxes	6,591	6,994	13,350	14,015
TOTAL EXPENSES	167,785	135,753	327,883	285,622
OPERATING INCOME	16,741	13,981	39,080	26,055
Other Income (Expense):				
Other Income	20	403	401	683
Non-Service Cost Components of Net Periodic Benefit Cost	1,623	1,036	3,245	2,071
Interest Expense	(10,850)	(8,903)	(20,015)	(17,856)
INCOME BEFORE INCOME TAX BENEFIT	7,534	6,517	22,711	10,953
Income Tax Benefit	(5,633)	(3,780)	(16,377)	(13,195)
NET INCOME	$ 13,167	$ 10,297	$ 39,088	$ 24,148

The common stock of KPCo is wholly-owned by Parent.

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three and Six Months Ended June 30, 2022 and 2021
(in thousands)
(Unaudited)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net Income	$ 13,167	$ 10,297	$ 39,088	$ 24,148
OTHER COMPREHENSIVE LOSS, NET OF TAXES				
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $(11) and $(9) for the Three Months Ended June 30, 2022 and 2021, Respectively, and $(21) and $(18) for the Six Months Ended June 30, 2022 and 2021, Respectively	(40)	(34)	(79)	(68)
TOTAL COMPREHENSIVE INCOME	$ 13,127	$ 10,263	$ 39,009	$ 24,080

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY
For the Six Months Ended June 30, 2022 and 2021
(in thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2020	$ 50,450	$ 526,135	$ 245,871	$ 878	$ 823,334
Net Income			13,851		13,851
Other Comprehensive Loss				(34)	(34)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2021	50,450	526,135	259,722	844	837,151
Net Income			10,297		10,297
Other Comprehensive Loss				(34)	(34)
TOTAL COMMON SHAREHOLDER'S EQUITY - JUNE 30, 2021	$ 50,450	$ 526,135	$ 270,019	$ 810	$ 847,414
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2021	$ 50,450	$ 526,135	$ 296,021	$ 1,749	$ 874,355
Net Income			25,921		25,921
Other Comprehensive Loss				(39)	(39)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2022	50,450	526,135	321,942	1,710	900,237
Net Income			13,167		13,167
Other Comprehensive Loss				(40)	(40)
TOTAL COMMON SHAREHOLDER'S EQUITY - JUNE 30, 2022	$ 50,450	$ 526,135	$ 335,109	$ 1,670	$ 913,364

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
ASSETS
June 30, 2022 and December 31, 2021
(in thousands)
(Unaudited)

	June 30, 2022	December 31, 2021
CURRENT ASSETS		
Cash and Cash Equivalents	$ 20,967	$ 763
Accounts Receivable:		
Customers	59,941	16,281
Affiliated Companies	24,482	25,578
Accrued Unbilled Revenues	27,750	16,647
Miscellaneous	83	57
Allowance for Uncollectible Accounts	(995)	(3)
Total Accounts Receivable	111,261	58,560
Fuel	14,611	10,090
Materials and Supplies	22,808	20,515
Risk Management Assets	13,572	5,986
Regulatory Asset for Under-Recovered Fuel Costs	18,761	8,216
Margin Deposits	335	14,229
Prepayments and Other Current Assets	12,100	3,490
TOTAL CURRENT ASSETS	214,415	121,849
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	1,232,406	1,231,494
Transmission	779,817	760,359
Distribution	1,039,676	1,017,406
Other Property, Plant and Equipment	154,872	137,554
Construction Work in Progress	118,999	95,093
Total Property, Plant and Equipment	3,325,770	3,241,906
Accumulated Depreciation and Amortization	1,134,594	1,104,492
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	2,191,176	2,137,414
OTHER NONCURRENT ASSETS		
Regulatory Assets	478,093	476,457
Employee Benefits and Pension Assets	62,474	60,333
Operating Lease Assets	750	10,748
Deferred Charges and Other Noncurrent Assets	26,952	33,848
TOTAL OTHER NONCURRENT ASSETS	568,269	581,386
TOTAL ASSETS	$ 2,973,860	$ 2,840,649

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
June 30, 2022 and December 31, 2021
(Unaudited)

	June 30, 2022	December 31, 2021
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 140,778	$ 47,895
Accounts Payable:		
General	64,084	52,837
Affiliated Companies	33,849	42,223
Long-term Debt Due Within One Year – Nonaffiliated	415,000	200,000
Customer Deposits	37,994	32,432
Accrued Taxes	32,995	45,243
Accrued Interest	6,695	5,685
Obligations Under Operating Leases	162	2,173
Other Current Liabilities	27,551	21,435
TOTAL CURRENT LIABILITIES	759,108	449,923
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	688,316	903,105
Deferred Income Taxes	451,279	437,152
Regulatory Liabilities and Deferred Investment Tax Credits	132,170	140,506
Asset Retirement Obligations	17,139	16,399
Employee Benefits and Pension Obligations	8,140	8,064
Obligations Under Operating Leases	624	8,614
Deferred Credits and Other Noncurrent Liabilities	3,720	2,531
TOTAL NONCURRENT LIABILITIES	1,301,388	1,516,371
TOTAL LIABILITIES	2,060,496	1,966,294
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – Par Value – $50 Per Share:		
Authorized – 2,000,000 Shares		
Outstanding – 1,009,000 Shares	50,450	50,450
Paid-in Capital	526,135	526,135
Retained Earnings	335,109	296,021
Accumulated Other Comprehensive Income (Loss)	1,670	1,749
TOTAL COMMON SHAREHOLDER'S EQUITY	913,364	874,355
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 2,973,860	$ 2,840,649

See Condensed Notes to Condensed Financial Statements beginning on page 8.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2022 and 2021
(in thousands)
(Unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
OPERATING ACTIVITIES		
Net Income	$ 39,088	$ 24,148
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	60,658	56,652
Deferred Income Taxes	(6,552)	(12,123)
Allowance for Equity Funds Used During Construction	(398)	(671)
Mark-to-Market of Risk Management Contracts	(7,636)	(3,224)
Property Taxes	10,074	9,900
Deferred Fuel Over/Under-Recovery, Net	(10,544)	(967)
Change in Regulatory Assets	(6,290)	(49,463)
Change in Other Noncurrent Assets	1,623	(8,554)
Change in Other Noncurrent Liabilities	5,742	1,171
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	(52,395)	1,100
Fuel, Materials and Supplies	(6,769)	3,136
Margin Deposits	13,894	(214)
Accounts Payable	5,542	11,291
Accrued Taxes, Net	(18,442)	(11,890)
Other Current Assets	(2,483)	1,545
Other Current Liabilities	1,957	(1,024)
Net Cash Flows from Operating Activities	27,069	20,813
INVESTING ACTIVITIES		
Construction Expenditures	(105,302)	(76,465)
Proceeds from Sales of Assets	7,820	372
Other Investing Activities	327	118
Net Cash Flows Used for Investing Activities	(97,155)	(75,975)
FINANCING ACTIVITIES		
Issuance of Long-term Debt – Nonaffiliated	(36)	150,000
Change in Advances from Affiliates, Net	92,883	(55,031)
Retirement of Long-term Debt – Nonaffiliated	—	(40,000)
Principal Payments for Finance Lease Obligations	(2,563)	(447)
Other Financing Activities	6	162
Net Cash Flows from Financing Activities	90,290	54,684
Net Increase (Decrease) in Cash and Cash Equivalents	20,204	(478)
Cash and Cash Equivalents at Beginning of Period	763	1,533
Cash and Cash Equivalents at End of Period	$ 20,967	$ 1,055
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 18,225	$ 19,325
Net Cash Paid (Received) for Income Taxes	(1,210)	2,196
Noncash Acquisitions Under Finance Leases	126	233
Construction Expenditures Included in Current Liabilities as of June 30,	25,991	22,864

See Condensed Notes to Condensed Financial Statements beginning on page 8.

INDEX OF CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING MATTERS

General

The unaudited condensed financial statements and footnotes were prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual financial statements.

In the opinion of management, the unaudited condensed interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair statement of the net income, financial position and cash flows for the interim periods. Net income for the three and six months ended June 30, 2022 is not necessarily indicative of results that may be expected for the year ending December 31, 2022. The condensed financial statements are unaudited and should be read in conjunction with the audited 2021 financial statements and notes thereto, which are included in KPCo's 2021 Annual Report.

AEP System Tax Allocation

KPCo joins in the filing of a consolidated tax return. Historically, the allocation of the AEP System's current consolidated federal income tax to the AEP System companies allocated the benefit of current tax loss of the parent company (Parent Company Loss Benefit) to the AEP System subsidiaries through a reduction of current tax expense. In the first quarter of 2022, AEP and subsidiaries changed accounting for the Parent Company Loss Benefit from a reduction of current tax expense to an allocation through equity. The impact of this change was immaterial to KPCo's financial statements.

Disposition of KPCo and KTCo

In October 2021, AEP entered into a Stock Purchase Agreement to sell KPCo and KTCo to Liberty Utilities Co., a subsidiary of Algonquin Power & Utilities Corp. (Liberty), for approximately a $2.85 billion enterprise value. In May 2022, the KPSC approved the transfer of KPCo to Liberty subject to certain conditions contingent upon the closing of the sale. Clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and clearance from the Committee on Foreign Investment in the United States has also been received. The sale remains subject to FERC approval and to the satisfaction or waiver of the Stock Purchase Agreement condition precedent requiring the issuance of orders by the KPSC, WVPSC and FERC approving a new proposed Mitchell Plant Operations and Maintenance Agreement and Mitchell Plant Ownership Agreement between KPCo and WPCo.

Mitchell Plant Operations and Maintenance Agreement and Ownership Agreement

KPCo currently operates and owns a 50% undivided interest in the 1,560 MW coal-fired Mitchell Plant with the remaining 50% owned by WPCo. As of June 30, 2022, the net book value of KPCo's share of the Mitchell Plant, before cost of removal including CWIP and inventory, was $584 million.

In November 2021, AEP made filings with the KPSC, WVPSC and FERC seeking approval of a new proposed Mitchell Plant Operations and Maintenance Agreement and Mitchell Plant Ownership Agreement. In February 2022, AEP filed a motion to withdraw its filing with the FERC. The KPSC and WVPSC issued orders addressing AEP's filings in May 2022 and July 2022. Those orders approved agreements that differ in material respects. In July 2022, KPCo and WPCo made filings with the KPSC and WVPSC, respectively, informing the respective commissions that until consistent new agreements are approved by the two state jurisdictions and the FERC, the new proposed agreements cannot be entered into by KPCo and WPCo. The existing Mitchell Plant agreement remains in place in accordance with its terms as the document governing operations and the contractual relationship between the two owners, including CCR and ELG investments in accordance with each state commission's directives.

FERC Proceedings

In December 2021, Liberty, KPCo and KTCo requested FERC approval of the sale under Section 203 of the Federal Power Act. In February 2022, several intervenors in the case filed protests related to whether the sale will negatively impact the wholesale transmission rates of applicants. In April 2022, the FERC issued a deficiency letter stating that the Section 203 application is deficient and that additional information is required to process it. In May 2022, Liberty, KPCo and KTCo supplemented the application and in June 2022, the FERC issued an order formally notifying AEP that it was exercising its ability to take up to an additional 180 days to act on the application. An order from the FERC is expected on the matter in the third quarter of 2022.

KPSC Proceedings

In May 2022, the KPSC approved the transfer of KPCo to Liberty subject to conditions contingent upon the closing of the sale, including establishment of regulatory liabilities to subsidize retail customer transmission and distribution expenses, a fuel adjustment clause bill credit, and a three-year Big Sandy decommissioning rider rate holiday during which KPCo's carrying charge is reduced by fifty percent. The accounting implications for these items will be evaluated by KPCo upon closing of the transaction.

Subject to receipt of FERC authorization under Section 203 of the Federal Power Act and satisfaction or waiver of certain conditions precedent in the Stock Purchase Agreement, including the approval of the proposed new Mitchell agreements mentioned above, the sale is expected to close in the third quarter of 2022 with Liberty acquiring the assets and assuming the liabilities of KPCo and KTCo, excluding pension and other post-retirement benefit plan assets and liabilities. AEP expects to provide customary transition services to Liberty for a period of time after closing of the transaction.

In June 2022, KPCo entered into agreements to purchase assets under lease, terminating remaining lease obligations prior to the original maturity date. As a result of the early terminations, current obligations under operating and finance leases of $1.9 million and $583 thousand, respectively, and noncurrent obligations under operating and finance leases of $7.2 million and $1.4 million, respectively, were relieved from KPCo's balance sheet.

Subsequent Events

Management reviewed subsequent events through July 27, 2022, the date that the second quarter 2022 report was available to be issued.

2. NEW ACCOUNTING STANDARDS

During the FASB's standard-setting process and upon issuance of final standards, management reviews the new accounting literature to determine its relevance, if any, to KPCo's business. There are no new standards expected to have a material impact on KPCo's financial statements.

3. COMPREHENSIVE INCOME

Presentation of Comprehensive Income

The following tables provide the components of changes in AOCI and details of reclassifications from AOCI. The amortization of pension and OPEB AOCI components are included in the computation of net periodic pension and OPEB costs. See Note 6 - Benefit Plans for additional information.

Three Months Ended June 30, 2022	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of March 31, 2022	$ 1,710
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(60)
Amortization of Actuarial (Gains) Losses	9
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(51)
Income Tax (Expense) Benefit	(11)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(40)
Net Current Period Other Comprehensive Income (Loss)	(40)
Balance in AOCI as of June 30, 2022	$ 1,670

Three Months Ended June 30, 2021	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of March 31, 2021	$ 844
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(58)
Amortization of Actuarial (Gains) Losses	15
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(43)
Income Tax (Expense) Benefit	(9)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(34)
Net Current Period Other Comprehensive Income (Loss)	(34)
Balance in AOCI as of June 30, 2021	$ 810

Six Months Ended June 30, 2022	Pension and OPEB (in thousands)
Balance in AOCI as of December 31, 2021	$ 1,749
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(119)
Amortization of Actuarial (Gains) Losses	19
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(100)
Income Tax (Expense) Benefit	(21)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(79)
Net Current Period Other Comprehensive Income (Loss)	(79)
Balance in AOCI as of June 30, 2022	$ 1,670

Six Months Ended June 30, 2021	Pension and OPEB (in thousands)
Balance in AOCI as of December 31, 2020	$ 878
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(117)
Amortization of Actuarial (Gains) Losses	31
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(86)
Income Tax (Expense) Benefit	(18)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(68)
Net Current Period Other Comprehensive Income (Loss)	(68)
Balance in AOCI as of June 30, 2021	$ 810

4. RATE MATTERS

As discussed in KPCo's 2021 Annual Report, KPCo is involved in rate and regulatory proceedings at the FERC and the KPSC. The Rate Matters note within KPCo's 2021 Annual Report should be read in conjunction with this report to gain a complete understanding of material rate matters still pending that could impact net income, cash flows and possibly financial condition. The following discusses ratemaking developments in 2022 and updates KPCo's 2021 Annual Report.

Regulatory Assets Pending Final Regulatory Approval

Noncurrent Regulatory Assets	June 30, 2022	December 31, 2021
	(in thousands)	
Regulatory Assets Currently Earning a Return		
Kentucky Deferred Purchased Power Expenses	$ 50,713	$ 47,528
Regulatory Assets Currently Not Earning a Return		
Storm-Related Costs	56,506	56,506
Other Regulatory Assets Pending Final Regulatory Approval	1,285	893
Total Regulatory Assets Pending Final Regulatory Approval	$ 108,504	$ 104,927

If these costs are ultimately determined not to be recoverable, it could reduce future net income and cash flows and impact financial condition.

CCR/ELG Compliance Plan Filings

KPCo and WPCo each own a 50% interest in the Mitchell Plant. As of June 30, 2022, the net book value of KPCo's share of the Mitchell Plant, before cost of removal including CWIP and inventory, was $584.2 million. In December 2020 and February 2021, WPCo and KPCo filed requests with the WVPSC and KPSC, respectively, to obtain the regulatory approvals necessary to implement CCR and ELG compliance plans and seek recovery of the estimated $132 million investment for the Mitchell Plant that would allow the plant to continue operating beyond 2028. Within those requests, WPCo and KPCo also filed a $25 million alternative to implement only the CCR-related investments with the WVPSC and KPSC, respectively, which would allow the Mitchell Plant to continue operating only through 2028.

In July 2021, the KPSC issued an order approving the CCR only alternative and rejecting the full CCR and ELG compliance plan. In May 2022, the KPSC approved recovery of the Kentucky jurisdictional share of ELG costs incurred at the Mitchell Plant prior to July 15, 2021.

In August 2021, the WVPSC approved the full CCR and ELG compliance plan for the WPCo share of the Mitchell Plant. In September 2021, WPCo submitted a filing with the WVPSC to reopen the CCR/ELG case that was approved by the WVPSC in August 2021. Due to the rejection by the KPSC of the KPCo share of the ELG investments, WPCo requested the WVPSC consider approving the construction and recovery of all ELG costs at the plant. In October 2021, the WVPSC affirmed its August 2021 order approving the construction of CCR/ELG investments and directed WPCo to proceed with CCR/ELG compliance plans that would allow the plant to continue operating beyond 2028. The WVPSC's order further states WPCo will not share capacity and energy from the plant with KPCo customers if those customers are not paying for ELG compliance costs, or for any new capital investment or continuing operations costs incurred, to allow the plant to operate beyond 2028 or prevent downgrades prior to 2028. The WVPSC also ordered that WPCo will be given the opportunity to recover, from its customers, the new capital and operating costs arising solely from the WVPSC's directive to operate the plant beyond 2028 if the WVPSC finds that the costs are reasonably and prudently incurred.

5. COMMITMENTS, GUARANTEES AND CONTINGENCIES

KPCo is subject to certain claims and legal actions arising in its ordinary course of business. In addition, KPCo's business activities are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation against KPCo cannot be predicted. Management accrues contingent liabilities only when management concludes that it is both probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. When management determines that it is not probable, but rather reasonably possible that a liability has been incurred at the date of the financial statements, management discloses such contingencies and the possible loss or range of loss if such estimate can be made. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent the maximum possible loss exposure. Circumstances change over time and actual results may vary significantly from estimates.

For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements. The Commitments, Guarantees and Contingencies note within KPCo's 2021 Annual Report should be read in conjunction with this report.

GUARANTEES

Liabilities for guarantees are recorded in accordance with the accounting guidance for "Guarantees." There is no collateral held in relation to any guarantees. In the event any guarantee is drawn, there is no recourse to third-parties unless specified below.

Indemnifications and Other Guarantees

Contracts

KPCo enters into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. As of June 30, 2022, there were no material liabilities recorded for any indemnifications.

AEPSC conducts power purchase and sale activity on behalf of APCo, I&M, KPCo and WPCo, who are jointly and severally liable for activity conducted on their behalf.

Master Lease Agreements

KPCo leases certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, KPCo is committed to pay the difference between the actual fair value and the residual value guarantee. Historically, at the end of the lease term the fair value has been in excess of the amount guaranteed. As of June 30, 2022, the maximum potential loss for these lease agreements was immaterial.

CONTINGENCIES

Claims Challenging Transition of American Electric Power System Retirement Plan to Cash Balance Formula

Four participants in The American Electric Power System Retirement Plan (the Plan) filed a class action complaint in December 2021 in the U.S. District Court for the Southern District of Ohio against AEPSC and the Plan. When the Plan's benefit formula was changed in the year 2000, AEP provided a special provision for employees hired before January 1, 2001, allowing them to continue benefit accruals under the then benefit formula for a full 10 years alongside of the new cash balance benefit formula then being implemented. Employees who were hired on or after January 1, 2001 accrued benefits only under the new cash balance benefit formula. The Plaintiffs assert a number of claims on behalf of themselves and the purported class, including that: (a) the Plan violates the requirements under the Employee Retirement Income Security Act (ERISA) intended to preclude back-loading the accrual of benefits to the end of a participant's career, (b) the Plan violates the age discrimination prohibitions of ERISA and the Age Discrimination in Employment Act and (c) AEP failed to provide required notice regarding the changes to the Plan. Among other relief, the Complaint seeks reformation of the Plan to provide additional benefits and the recovery of plan benefits for former employees under such reformed plan. The Plaintiffs previously had submitted claims for additional plan benefits to AEP, which were denied. On February 15, 2022, AEPSC and the Plan filed a motion to dismiss the complaint for failure to state a claim and briefing on the motion to dismiss has been completed. AEP will continue to defend against the claims. Management is unable to determine a range of potential losses that is reasonably possible of occurring.

6. BENEFIT PLANS

KPCo participates in an AEP sponsored qualified pension plan and two unfunded nonqualified pension plans. Substantially all of KPCo's employees are covered by the qualified plan or both the qualified and nonqualified pension plans. KPCo also participates in OPEB plans sponsored by AEP to provide health and life insurance benefits for retired employees.

Components of Net Periodic Benefit Cost

The following tables provide the components of KPCo's net periodic benefit cost (credit) for the plans:

	Pension Plans		OPEB	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Service Cost	$ 791	$ 870	$ 53	$ 70
Interest Cost	1,288	1,210	260	274
Expected Return on Plan Assets	(2,401)	(2,145)	(1,060)	(870)
Amortization of Prior Service Credit	—	—	(630)	(624)
Amortization of Net Actuarial Loss	536	880	—	—
Net Periodic Benefit Cost (Credit)	$ 214	$ 815	$ (1,377)	$ (1,150)

	Pension Plans		OPEB	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Service Cost	$ 1,582	$ 1,739	$ 105	$ 141
Interest Cost	2,576	2,420	521	548
Expected Return on Plan Assets	(4,801)	(4,291)	(2,120)	(1,740)
Amortization of Prior Service Credit	—	—	(1,260)	(1,249)
Amortization of Net Actuarial Loss	1,072	1,761	—	—
Net Periodic Benefit Cost (Credit)	$ 429	$ 1,629	$ (2,754)	$ (2,300)

7. DERIVATIVES AND HEDGING

OBJECTIVES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS

AEPSC is agent for and transacts on behalf of KPCo.

KPCo is exposed to certain market risks as a major power producer and participant in the electricity, natural gas, coal and emission allowance markets. These risks include commodity price risk, interest rate risk and credit risk. These risks represent the risk of loss that may impact KPCo due to changes in the underlying market prices or rates. Management utilizes derivative instruments to manage these risks.

STRATEGIES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS TO ACHIEVE OBJECTIVES

Risk Management Strategies

The strategy surrounding the use of derivative instruments primarily focuses on managing risk exposures, future cash flows and creating value utilizing both economic and formal hedging strategies. The risk management strategies also include the use of derivative instruments for trading purposes which focus on seizing market opportunities to create value driven by expected changes in the market prices of the commodities. To accomplish these objectives, KPCo primarily employs risk management contracts including physical and financial forward purchase-and-sale contracts and, to a lesser extent, OTC swaps and options. Not all risk management contracts meet the definition of a derivative under the accounting guidance for "Derivatives and Hedging." Derivative risk management contracts elected normal under the normal purchases and normal sales scope exception are not subject to the requirements of this accounting guidance.

KPCo utilizes power, capacity, coal, natural gas, interest rate and, to a lesser extent, heating oil, gasoline and other commodity contracts to manage the risk associated with the energy business. KPCo utilizes interest rate derivative contracts in order to manage the interest rate exposure associated with its commodity portfolio. For disclosure purposes, such risks are grouped as "Commodity," as these risks are related to energy risk management activities. KPCo may also utilize derivative contracts to manage interest rate risk associated with debt financing. For disclosure purposes, these risks are grouped as "Interest Rate." The amount of risk taken is determined by the Commercial Operations and Finance groups in accordance with the established risk management policies as approved by the Finance Committee of the Board of Directors.

The following table represents the gross notional volume of KPCo's outstanding derivative contracts:

Primary Risk Exposure	June 30, 2022	December 31, 2021	Unit of Measure
	(in thousands)		
Commodity:			
Power	7,644	6,927	MWhs
Heating Oil and Gasoline	242	305	Gallons

Cash Flow Hedging Strategies

KPCo utilizes cash flow hedges on certain derivative transactions for the purchase and sale of power ("Commodity") in order to manage the variable price risk related to forecasted purchases and sales. Management monitors the potential impacts of commodity price changes and, where appropriate, enters into derivative transactions to protect profit margins for a portion of future electricity sales and purchases. KPCo does not hedge all commodity price risk.

KPCo may utilize a variety of interest rate derivative transactions in order to manage interest rate risk exposure. KPCo may also utilize interest rate derivative contracts to manage interest rate exposure related to future borrowings of fixed-rate debt. KPCo does not hedge all interest rate exposure.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND THE IMPACT ON KPCo's FINANCIAL STATEMENTS

The accounting guidance for "Derivatives and Hedging" requires recognition of all qualifying derivative instruments as either assets or liabilities on the balance sheets at fair value. The fair values of derivative instruments accounted for using MTM accounting or hedge accounting are based on exchange prices and broker quotes. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes and assumptions. In order to determine the relevant fair values of the derivative instruments, KPCo applies valuation adjustments for discounting, liquidity and credit quality.

Credit risk is the risk that a counterparty will fail to perform on the contract or fail to pay amounts due. Liquidity risk represents the risk that imperfections in the market will cause the price to vary from estimated fair value based upon prevailing market supply and demand conditions. Since energy markets are imperfect and volatile, there are inherent risks related to the underlying assumptions in models used to fair value risk management contracts. Unforeseen events may cause reasonable price curves to differ from actual price curves throughout a contract's term and at the time a contract settles. Consequently, there could be significant adverse or favorable effects on future net income and cash flows if market prices are not consistent with management's estimates of current market consensus for forward prices in the current period. This is particularly true for longer term contracts. Cash flows may vary based on market conditions, margin requirements and the timing of settlement of risk management contracts.

According to the accounting guidance for "Derivatives and Hedging," KPCo reflects the fair values of derivative instruments subject to netting agreements with the same counterparty net of related cash collateral. For certain risk management contracts, KPCo is required to post or receive cash collateral based on third-party contractual agreements and risk profiles. For the June 30, 2022 and December 31, 2021 balance sheets, KPCo netted $214 thousand and $95 thousand, respectively, of cash collateral received from third-parties against short-term and long-term risk management assets and $0 and $0, respectively, of cash collateral paid to third-parties against short-term and long-term risk management liabilities.

The following tables represent the gross fair value of KPCo's derivative activity on the balance sheets:

Fair Value of Derivative Instruments
June 30, 2022

Balance Sheet Location	Risk Management Contracts – Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Current Risk Management Assets	$ 13,947	$ (375)	$ 13,572
Long-term Risk Management Assets	117	(117)	—
Total Assets	14,064	(492)	13,572
Current Risk Management Liabilities	166	(166)	—
Long-term Risk Management Liabilities	112	(112)	—
Total Liabilities	278	(278)	—
Total MTM Derivative Contract Net Assets (Liabilities)	$ 13,786	$ (214)	$ 13,572

December 31, 2021

Balance Sheet Location	Risk Management Contracts – Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Current Risk Management Assets	$ 7,488	$ (1,502)	$ 5,986
Long-term Risk Management Assets	46	(46)	—
Total Assets	7,534	(1,548)	5,986
Current Risk Management Liabilities	1,458	(1,407)	51
Long-term Risk Management Liabilities	46	(46)	—
Total Liabilities	1,504	(1,453)	51
Total MTM Derivative Contract Net Assets (Liabilities)	$ 6,030	$ (95)	$ 5,935

(a) Derivative instruments within this category are disclosed as gross. These instruments are subject to master netting agreements and are presented on the balance sheets on a net basis in accordance with the accounting guidance for "Derivatives and Hedging."
(b) Amounts include counterparty netting of risk management and hedging contracts and associated cash collateral in accordance with the accounting guidance for "Derivatives and Hedging."
(c) All derivative contracts subject to a master netting arrangement or similar agreement are offset in the statement of financial position.

The table below presents KPCo's activity of derivative risk management contracts:

Amount of Gain (Loss) Recognized on
Risk Management Contracts

Location of Gain (Loss)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
		(in thousands)		
Electric Generation, Transmission and Distribution Revenues	$ 2	$ 1	$ 4	$ —
Purchased Electricity for Resale	51	22	110	37
Other Operation	55	23	71	31
Maintenance	75	26	96	47
Regulatory Assets (a)	20	(1,184)	(26)	(1,271)
Regulatory Liabilities (a)	6,929	1,571	8,495	2,389
Total Gain on Risk Management Contracts	$ 7,132	$ 459	$ 8,750	$ 1,233

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment recorded as either current or noncurrent on the balance sheets.

Certain qualifying derivative instruments have been designated as normal purchase or normal sale contracts, as provided in the accounting guidance for "Derivatives and Hedging." Derivative contracts that have been designated as normal purchases or normal sales under that accounting guidance are not subject to MTM accounting treatment and are recognized on the statements of income on an accrual basis.

The accounting for the changes in the fair value of a derivative instrument depends on whether it qualifies for and has been designated as part of a hedging relationship and further, on the type of hedging relationship. Depending on the exposure, management designates a hedging instrument as a fair value hedge or a cash flow hedge.

For contracts that have not been designated as part of a hedging relationship, the accounting for changes in fair value depends on whether the derivative instrument is held for trading purposes. Unrealized and realized gains and losses on derivative instruments held for trading purposes are included in revenues on a net basis on KPCo's statements of income. Unrealized and realized gains and losses on derivative instruments not held for trading purposes are included in revenues or expenses on KPCo's statements of income depending on the relevant facts and circumstances. Certain derivatives that economically hedge future commodity risk are recorded in the same line item on the statements of income as that of the associated risk being hedged. However, unrealized and some realized gains and losses for both trading and non-trading derivative instruments are recorded as regulatory assets (for losses) or regulatory liabilities (for gains), in accordance with the accounting guidance for "Regulated Operations."

Accounting for Cash Flow Hedging Strategies

For cash flow hedges (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), KPCo initially reports the gain or loss on the derivative instrument as a component of Accumulated Other Comprehensive Income (Loss) on the balance sheets until the period the hedged item affects Net Income.

Realized gains and losses on derivative contracts for the purchase and sale of power designated as cash flow hedges are included in Total Revenues or Purchased Electricity for Resale on KPCo's statements of income, or in Regulatory Assets or Regulatory Liabilities on KPCo's balance sheets, depending on the specific nature of the risk being hedged. During the three and six months ended June 30, 2022 and 2021, KPCo did not apply cash flow hedging to outstanding power derivatives.

KPCo reclassifies gains and losses on interest rate derivative hedges related to debt financings from Accumulated Other Comprehensive Income (Loss) on its balance sheets into Interest Expense on its statements of income in those periods in which hedged interest payments occur. During the three and six months ended June 30, 2022 and 2021, KPCo did not apply cash flow hedging to outstanding interest rate derivatives.

There was no impact of cash flow hedges included in Accumulated Other Comprehensive Income (Loss) on KPCo's balance sheets as of June 30, 2022 and December 31, 2021.

The actual amounts that KPCo reclassifies from Accumulated Other Comprehensive Income (Loss) to Net Income can differ due to market price changes. As of June 30, 2022, KPCo is not hedging (with contracts subject to the accounting guidance for "Derivatives and Hedging") its exposure to variability in future cash flows related to forecasted transactions.

Credit Risk

Management mitigates credit risk in KPCo's wholesale marketing and trading activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis. Management uses credit agency ratings and current market-based qualitative and quantitative data as well as financial statements to assess the financial health of counterparties on an ongoing basis.

Master agreements are typically used to facilitate the netting of cash flows associated with a single counterparty and may include collateral requirements. Collateral requirements in the form of cash, letters of credit, surety bonds and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. Some master agreements include margining, which requires a counterparty to post cash or letters of credit in the event exposure exceeds the established threshold. The threshold represents an unsecured credit limit which may be supported by a parental/affiliate guaranty, as determined in accordance with AEP's credit policy. In addition, master agreements allow for termination and liquidation of all positions in the event of a default including failure or inability to post collateral when required.

Collateral Triggering Events

Credit Downgrade Triggers

A limited number of derivative contracts include collateral triggering events, which include a requirement to maintain certain credit ratings. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these collateral triggering events in contracts. KPCo has not experienced a downgrade below a specified credit rating threshold that would require the posting of additional collateral. As of June 30, 2022 and December 31, 2021, KPCo did not have derivative contracts with collateral triggering events in a net liability position.

Cross-Acceleration Triggers

Certain interest rate derivative contracts contain cross-acceleration provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-acceleration provisions could be triggered if there was a non-performance event by KPCo under any of their outstanding debt of at least $50 million and the lender on that debt has accelerated the entire repayment obligation. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-acceleration provisions in contracts. KPCo had no derivative contracts with cross-acceleration provisions in a net liability position as of June 30, 2022 and December 31, 2021, respectively. There was no cash collateral posted as of June 30, 2022 and December 31, 2021. If a cross-acceleration provision would have been triggered, settlement at fair value would have been required. KPCo had no derivative contracts with cross-acceleration provisions outstanding as of June 30, 2022 and December 31, 2021.

Cross-Default Triggers

In addition, a majority of KPCo's non-exchange-traded commodity contracts contain cross-default provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-default provisions could be triggered if there was a non-performance event by Parent or the obligor under outstanding debt or a third-party obligation that is $50 million or greater. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-default provisions in the contracts. KPCo had derivative liabilities subject to cross-default provisions in a net liability position of $0 thousand and $51 thousand and no cash collateral posted as of June 30, 2022 and December 31, 2021, respectively, after considering contractual netting arrangements. If a cross-default provision would have been triggered, settlement at fair value would have been required.

8. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy and Valuation Techniques

The accounting guidance for "Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. When quoted market prices are not available, pricing may be completed using comparable securities, dealer values, operating data and general market conditions to determine fair value. Valuation models utilize various inputs such as commodity, interest rate and, to a lesser degree, volatility and credit that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, market corroborated inputs (i.e. inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability.

For commercial activities, exchange-traded derivatives, namely futures contracts, are generally fair valued based on unadjusted quoted prices in active markets and are classified as Level 1. Level 2 inputs primarily consist of OTC broker quotes in moderately active or less active markets, as well as exchange-traded derivatives where there is insufficient market liquidity to warrant inclusion in Level 1. Management verifies price curves using these broker quotes and classifies these fair values within Level 2 when substantially all of the fair value can be corroborated. Management typically obtains multiple broker quotes, which are nonbinding in nature but are based on recent trades in the marketplace. When multiple broker quotes are obtained, the quoted bid and ask prices are averaged. In certain circumstances, a broker quote may be discarded if it is a clear outlier. Management uses a historical correlation analysis between the broker quoted location and the illiquid locations. If the points are highly correlated, these locations are included within Level 2 as well. Certain OTC and bilaterally executed derivative instruments are executed in less active markets with a lower availability of pricing information. Illiquid transactions, complex structured transactions, FTRs and counterparty credit risk may require nonmarket-based inputs. Some of these inputs may be internally developed or extrapolated and utilized to estimate fair value. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized as Level 3. The main driver of contracts being classified as Level 3 is the inability to substantiate energy price curves in the market. A portion of the Level 3 instruments have been economically hedged which limits potential earnings volatility.

Fair Value Measurements of Long-term Debt

The fair values of Long-term Debt are based on quoted market prices, without credit enhancements, for the same or similar issues and the current interest rates offered for instruments with similar maturities classified as Level 2 measurement inputs. These instruments are not marked-to-market. The estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

The book values and fair values of KPCo's Long-term Debt are summarized in the following table:

	June 30, 2022		December 31, 2021	
	Book Value	Fair Value	Book Value	Fair Value
	(in thousands)			
Long-term Debt	$ 1,103,316	$ 1,105,962	$ 1,103,105	$ 1,224,664

Fair Value Measurements of Financial Assets and Liabilities

The following tables set forth, by level within the fair value hierarchy, KPCo's financial assets and liabilities that were accounted for at fair value on a recurring basis. As required by the accounting guidance for "Fair Value Measurements and Disclosures," financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have not been any significant changes in management's valuation techniques.

Assets and Liabilities Measured at Fair Value on a Recurring Basis
June 30, 2022

	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Assets:					
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 352	$ 13,715	$ (495)	$ 13,572
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 115	$ 166	$ (281)	$ —

December 31, 2021

	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Assets:					
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 1,096	$ 6,439	$ (1,549)	$ 5,986
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 937	$ 568	$ (1,454)	$ 51

(a) Amounts in "Other" column primarily represent counterparty netting of risk management and hedging contracts and associated cash collateral under the accounting guidance for "Derivatives and Hedging."
(b) Substantially comprised of power contracts.

The following tables set forth a reconciliation of changes in the fair value of net trading derivatives classified as Level 3 in the fair value hierarchy:

Three Months Ended June 30, 2022	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of March 31, 2022	$ 1,381
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	1,330
Settlements	(2,712)
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	13,550
Balance as of June 30, 2022	$ 13,549

Three Months Ended June 30, 2021	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of March 31, 2021	$ 1,043
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	1,245
Settlements	(2,328)
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	6,395
Balance as of June 30, 2021	$ 6,355

Six Months Ended June 30, 2022	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of December 31, 2021	$ 5,871
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	2,801
Settlements	(8,672)
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	13,549
Balance as of June 30, 2022	$ 13,549

Six Months Ended June 30, 2021	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of December 31, 2020	$ 3,025
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	2,008
Settlements	(5,067)
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	6,389
Balance as of June 30, 2021	$ 6,355

(a) Included in revenues on KPCo’s statements of income.
(b) Represents the change in fair value between the beginning of the reporting period and the settlement of the risk management commodity contract.
(c) Relates to the net gains (losses) of those contracts that are not reflected on KPCo’s statements of income. These changes in fair value are recorded as regulatory liabilities for net gains and as regulatory assets for net losses.

The following tables quantify the significant unobservable inputs used in developing the fair value of Level 3 positions:

Significant Unobservable Inputs
June 30, 2022

	Fair Value		Valuation	Significant Unobservable	Input/Range		
	Assets	Liabilities	Technique	Input (a)	Low	High	Weighted Average (b)
	(in thousands)						
FTRs	$ 13,715	$ 166	Discounted Cash Flow	Forward Market Price	$ (3.67)	$ 19.89	$ 1.80

December 31, 2021

	Fair Value		Valuation	Significant Unobservable	Input/Range		
	Assets	Liabilities	Technique	Input (a)	Low	High	Weighted Average (b)
	(in thousands)						
Energy Contracts	$ —	$ 51	Discounted Cash Flow	Forward Market Price	$ 32.20	$ 56.54	$ 44.77
FTRs	6,439	517	Discounted Cash Flow	Forward Market Price	(1.44)	22.19	1.74
Total	$ 6,439	$ 568					

(a) Represents market prices in dollars per MWh.
(b) The weighted average is the product of the forward market price of the underlying commodity and volume weighted by term.

The following table provides the measurement uncertainty of fair value measurements to increases (decreases) in significant unobservable inputs related to Energy Contracts and FTRs as of June 30, 2022 and December 31, 2021:

Uncertainty of Fair Value Measurements

Significant Unobservable Input	Position	Change in Input	Impact on Fair Value Measurement
Forward Market Price	Buy	Increase (Decrease)	Higher (Lower)
Forward Market Price	Sell	Increase (Decrease)	Lower (Higher)

9. INCOME TAXES

Effective Tax Rates (ETR)

KPCo's interim ETR reflects the estimated annual ETR for 2022 and 2021, adjusted for tax expense associated with certain discrete items.

KPCo includes the amortization of Excess ADIT not subject to normalization requirements in the annual estimated ETR when regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers over multiple interim periods. Certain regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers in a single period (e.g. by applying the Excess ADIT not subject to normalization requirements against an existing regulatory asset balance) and in these circumstances, KPCo recognizes the tax benefit discretely in the period recorded. The annual amount of Excess ADIT approved by KPCo's regulatory commissions may not impact the ETR ratably during each interim period due to the variability of pretax book income between interim periods and the application of an annual estimated ETR.

The ETR for KPCo is included in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
U.S. Federal Statutory Rate	21.0 %	21.0 %	21.0 %	21.0 %
Increase (decrease) due to:				
State Income Tax, net of Federal Benefit	1.3 %	(5.2)%	(0.1)%	(2.9)%
Tax Reform Excess ADIT Reversal	(88.4)%	(69.8)%	(89.3)%	(135.2)%
Flow Through	0.8 %	(2.1)%	0.3 %	(1.9)%
AFUDC Equity	(0.4)%	(2.0)%	(1.1)%	(1.5)%
Discrete Tax Adjustments	(11.7)%	— %	(3.9)%	— %
Other	2.6 %	0.1 %	1.0 %	— %
Effective Income Tax Rate	(74.8)%	(58.0)%	(72.1)%	(120.5)%

Federal Income Tax Audit Status

The statute of limitations for the IRS to examine KPCo and AEP subsidiaries originally filed federal return has expired for tax years 2016 and earlier. In the third quarter of 2019, KPCo and AEP subsidiaries elected to amend the 2014 through 2017 federal returns. In the first quarter of 2020, the IRS notified KPCo and AEP subsidiaries that it was beginning an examination of these amended returns, including the net operating loss carryback to 2015 that originated in the 2017 return. As of December 31, 2021, the IRS has not issued any proposed adjustments and the IRS is limited in their proposed adjustments to the amount KPCo and AEP subsidiaries claimed on the amended returns. KPCo and AEP subsidiaries have agreed to extend the statute of limitations on the 2017 tax return to December 31, 2022 to allow time for the audit to be completed and the Congressional Joint Committee on Taxation to approve the associated refund claim.

KPCo and AEP subsidiaries file income tax returns in various state and local jurisdictions. These taxing authorities routinely examine the tax returns, and KPCo and AEP subsidiaries are currently under examination in several state and local jurisdictions. KPCo and AEP subsidiaries are no longer subject to state or local examinations by tax authorities for years before 2012. In addition, management is monitoring and continues to evaluate the potential impact of federal legislation and corresponding state conformity

10. FINANCING ACTIVITIES

Long-term Debt

KPCo did not have any long-term debt issuances or retirements during the first six months of 2022.

Dividend Restrictions

KPCo pays dividends to Parent provided funds are legally available. Various financing arrangements and regulatory requirements may impose certain restrictions on the ability of KPCo to transfer funds to Parent in the form of dividends.

All of the dividends declared by KPCo are subject to a Federal Power Act requirement that prohibits the payment of dividends out of capital accounts in certain circumstances; payment of dividends is generally allowed out of retained earnings.

KPCo has credit agreements that contain a covenant that limit its debt to capitalization ratio to 67.5%. As of June 30, 2022, KPCo did not exceed its debt to capitalization limit. The method for calculating outstanding debt and capitalization is contractually-defined in the credit agreements.

The Federal Power Act restriction does not limit the ability of KPCo to pay dividends out of retained earnings.

Corporate Borrowing Program – AEP System

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of AEP's subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds AEP's utility subsidiaries. The AEP System Utility Money Pool operates in accordance with the terms and conditions of its agreement filed with the FERC. The amounts of outstanding borrowings from the Utility Money Pool as of June 30, 2022 and December 31, 2021 are included in Advances from Affiliates on KPCo's balance sheets. KPCo's Utility Money Pool activity and corresponding authorized borrowing limit for the six months ended June 30, 2022 are described in the following table:

Maximum Borrowings from the Utility Money Pool	Average Borrowings from the Utility Money Pool	Borrowings from the Utility Money Pool as of June 30, 2022	Authorized Short-Term Borrowing Limit
	(in thousands)		
$ 140,778	$ 84,657	$ 140,778	$ 180,000

Maximum, minimum and average interest rates for funds either loaned to or borrowed from the Utility Money Pool are summarized in the following table:

Six Months Ended June 30,	Maximum Interest Rate for Funds Borrowed from the Utility Money Pool	Minimum Interest Rate for Funds Borrowed from the Utility Money Pool	Maximum Interest Rate for Funds Loaned to the Utility Money Pool	Minimum Interest Rate for Funds Loaned to the Utility Money Pool	Average Interest Rate for Funds Borrowed from the Utility Money Pool	Average Interest Rate for Funds Loaned to the Utility Money Pool
2022	2.11 %	0.10 %	— %	— %	1.07 %	— %
2021	0.40 %	0.25 %	0.34 %	0.34 %	0.34 %	0.34 %

Securitized Accounts Receivables – AEP Credit

Under an affiliated receivables sales arrangement, KPCo sold, without recourse, certain of its customer accounts receivable and accrued unbilled revenue balances to AEP Credit. KPCo was charged a fee for each sale that is based on AEP Credit's financing costs, administrative costs and uncollectible accounts experience from previous purchases of KPCo's customer accounts receivable. The costs of customer accounts receivable sold are reported in Other Operation expense on KPCo's statements of income. In January 2022, due to the pending sale to Liberty, KPCo ceased selling accounts receivable to AEP Credit. As a result, in the first quarter of 2022, KPCo began recording an allowance for uncollectible accounts on its balance sheet for those receivables no longer sold to AEP Credit.

KPCo's amounts of accounts receivable and accrued unbilled revenues sold under the sale of receivables agreement were $0 and $53.3 million as of June 30, 2022 and December 31, 2021, respectively.

The fees paid by KPCo to (credits received from) AEP Credit for customer accounts receivable sold for the three months ended June 30, 2022 and 2021 were $(232) thousand and $(497) thousand, respectively, and for the six months ended June 30, 2022 and 2021 were $63 thousand and $(328) thousand, respectively. In 2020, an increase in allowance for doubtful accounts was recognized in response to the anticipated impact of COVID-19 on the collectability of accounts receivable, which caused an increase in fees paid by KPCo. In 2021, due to higher than expected collections of accounts receivables, allowance for doubtful accounts was adjusted resulting in the issuance of credits to offset the higher fees previously paid. In 2022, as a result of KPCo's discontinued sale of receivables with AEP Credit, KPCo was issued a net credit upon final settlement of the allowance for doubtful accounts balance as collections of accounts receivable were higher than originally estimated.

KPCo's proceeds on the sale of receivables to AEP Credit for the three months ended June 30, 2022 and 2021 were $0 and $138.8 million, respectively, and for the six months ended June 30, 2022 and 2021 were $65.6 million and $292.5 million, respectively.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenues from Contracts with Customers

The table below represents KPCo's revenues from contracts with customers, net of respective provisions for refund, by type of revenue:

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(in thousands)			
Retail Revenues:				
Residential Revenues	$ 70,998	$ 61,009	$ 152,688	$ 138,326
Commercial Revenues	46,508	38,034	90,579	76,226
Industrial Revenues	45,034	35,391	84,684	67,608
Other Retail Revenues	512	492	1,050	999
Total Retail Revenues	163,052	134,926	329,001	283,159
Wholesale Revenues:				
Generation Revenues (a)	12,141	7,334	16,759	14,623
Transmission Revenues (b)	7,805	5,458	15,656	10,920
Total Wholesale Revenues	19,946	12,792	32,415	25,543
Other Revenues from Contracts with Customers (a)	2,423	1,453	6,242	4,249
Total Revenues from Contracts with Customers	185,421	149,171	367,658	312,951
Other Revenues:				
Alternative Revenues	(897)	563	(699)	(1,274)
Other Revenues	2	—	4	—
Total Other Revenues	(895)	563	(695)	(1,274)
Total Revenues	$ 184,526	$ 149,734	$ 366,963	$ 311,677

(a) Amounts include affiliated and nonaffiliated revenues.
(b) Amounts include affiliated and nonaffiliated revenues. The affiliated revenues were $4.8 million and $2.3 million for the three months ended June 30, 2022 and 2021, respectively, and $9.5 million and $4.5 million for the six months ended June 30, 2022 and 2021, respectively.

Fixed Performance Obligations

The following table represents KPCo's remaining fixed performance obligations satisfied over time as of June 30, 2022. Fixed performance obligations primarily include wholesale transmission services, electricity sales for fixed amounts of energy and stand ready services into PJM's Reliability Pricing Model market. The amounts shown in the table below include affiliated and nonaffiliated revenues.

2022	2023-2024	2025-2026	After 2026	Total
(in thousands)				
$ 15,816	$ 3,585	$ 2,870	$ 1,435	$ 23,706

Contract Assets and Liabilities

Contract assets are recognized when KPCo has a right to consideration that is conditional upon the occurrence of an event other than the passage of time, such as future performance under a contract. KPCo did not have material contract assets as of June 30, 2022 and December 31, 2021, respectively.

When KPCo receives consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, they recognize a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. KPCo's contract liabilities typically arise from advanced payments of services provided primarily with respect to joint use agreements for utility poles. KPCo did not have material contract liabilities as of June 30, 2022 and December 31, 2021, respectively.

Accounts Receivable from Contracts with Customers

Accounts receivable from contracts with customers are presented on KPCo's balance sheets within the Accounts Receivable - Customers line item. KPCo's balances for receivables from contracts that are not recognized in accordance with the accounting guidance for "Revenue from Contracts with Customers" included in Accounts Receivable - Customers were not material as of June 30, 2022 and December 31, 2021. See "Securitized Accounts Receivable - AEP Credit" section of Note 10 for additional information related to AEP Credit's securitized accounts receivable.

The amount of affiliated accounts receivable from contracts with customers included in Accounts Receivable - Affiliated Companies on KPCo's balance sheets were \$9.0 million and \$9.1 million, respectively, as of June 30, 2022 and December 31, 2021.

Kentucky Power Company

2022 Third Quarter Report

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GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

Term	Meaning
AEP	American Electric Power Company, Inc., an investor-owned electric public utility holding company which includes American Electric Power Company, Inc. (Parent) and majority owned consolidated subsidiaries and consolidated affiliates.
AEP Credit	AEP Credit, Inc., a consolidated variable interest entity of AEP which securitizes accounts receivable and accrued utility revenues for affiliated electric utility companies.
AEP System	American Electric Power System, an electric system, owned and operated by AEP subsidiaries.
AEPSC	American Electric Power Service Corporation, an AEP service subsidiary providing management and professional services to AEP and its subsidiaries.
AFUDC	Allowance for Equity Funds Used During Construction.
AOCI	Accumulated Other Comprehensive Income.
APCo	Appalachian Power Company, an AEP electric utility subsidiary.
CCR	Coal Combustion Residual.
CWIP	Construction Work in Progress.
ELG	Effluent Limitation Guidelines.
Excess ADIT	Excess accumulated deferred income taxes.
FASB	Financial Accounting Standards Board.
FERC	Federal Energy Regulatory Commission.
FTR	Financial Transmission Right, a financial instrument that entitles the holder to receive compensation for certain congestion-related transmission charges that arise when the power grid is congested resulting in differences in locational prices.
GAAP	Accounting Principles Generally Accepted in the United States of America.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IRA	On August 16, 2022 President Biden signed into law legislation commonly referred to as the “Inflation Reduction Act” (IRA).
IRS	Internal Revenue Service.
ITC	Investment Tax Credit.
KPCo	Kentucky Power Company, an AEP electric utility subsidiary.
KPSC	Kentucky Public Service Commission.
KTCo	AEP Kentucky Transmission Company, Inc., an affiliate of KPCo and a wholly-owned subsidiary of AEP.
MTM	Mark-to-Market.
MWh	Megawatt-hour.
OPEB	Other Postretirement Benefits.
OTC	Over-the-counter.
Parent	American Electric Power Company, Inc., the equity owner of AEP subsidiaries within the AEP consolidation.
PJM	Pennsylvania – New Jersey – Maryland regional transmission organization.
PTC	Production Tax Credit.
Risk Management Contracts	Trading and non-trading derivatives, including those derivatives designated as cash flow and fair value hedges.
Tax Reform	On December 22, 2017, President Trump signed into law legislation referred to as the “Tax Cuts and Jobs Act” (the TCJA). The TCJA includes significant changes to the Internal Revenue Code of 1986, including a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.

Term	Meaning
WPCo	Wheeling Power Company, an AEP electric utility subsidiary.
WVPSC	Public Service Commission of West Virginia.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF INCOME
For the Three and Nine Months Ended September 30, 2022 and 2021
(in thousands)
(Unaudited)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
REVENUES				
Electric Generation, Transmission and Distribution	$ 191,639	$ 163,133	$ 544,489	$ 469,081
Sales to AEP Affiliates	5,215	2,658	18,313	7,885
Other Revenues	310	252	1,325	754
TOTAL REVENUES	197,164	166,043	564,127	477,720
EXPENSES				
Purchased Electricity, Fuel and Other Consumables Used for Electric Generation	67,044	39,325	178,224	111,815
Purchased Electricity from AEP Affiliates	29,076	27,112	79,099	73,985
Other Operation	31,286	31,295	93,107	91,585
Maintenance	13,269	15,905	44,120	51,207
Depreciation and Amortization	31,458	28,502	92,116	85,154
Taxes Other Than Income Taxes	6,865	6,984	20,215	20,999
TOTAL EXPENSES	178,998	149,123	506,881	434,745
OPERATING INCOME	18,166	16,920	57,246	42,975
Other Income (Expense):				
Other Income	363	535	764	1,218
Non-Service Cost Components of Net Periodic Benefit Cost	1,622	1,035	4,867	3,106
Interest Expense	(11,713)	(8,845)	(31,728)	(26,701)
INCOME BEFORE INCOME TAX BENEFIT	8,438	9,645	31,149	20,598
Income Tax Benefit	(3,157)	(11,038)	(19,534)	(24,233)
NET INCOME	$ 11,595	$ 20,683	$ 50,683	$ 44,831

The common stock of KPCo is wholly-owned by Parent.

See Condensed Notes to Condensed Financial Statements beginning on page 9.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three and Nine Months Ended September 30, 2022 and 2021
(in thousands)
(Unaudited)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net Income	$ 11,595	$ 20,683	$ 50,683	$ 44,831
OTHER COMPREHENSIVE LOSS, NET OF TAXES				
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $(444) and $(9) for the Three Months Ended September 30, 2022 and 2021, Respectively, and $(465) and $(27) for the Nine Months Ended September 30, 2022 and 2021, Respectively	(1,670)	(34)	(1,749)	(102)
TOTAL COMPREHENSIVE INCOME	$ 9,925	$ 20,649	$ 48,934	$ 44,729

See Condensed Notes to Condensed Financial Statements beginning on page 9.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY
For the Nine Months Ended September 30, 2022 and 2021
(in thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2020	$ 50,450	$ 526,135	$ 245,871	$ 878	$ 823,334
Net Income			13,851		13,851
Other Comprehensive Loss				(34)	(34)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2021	50,450	526,135	259,722	844	837,151
Net Income			10,297		10,297
Other Comprehensive Loss				(34)	(34)
TOTAL COMMON SHAREHOLDER'S EQUITY - JUNE 30, 2021	50,450	526,135	270,019	810	847,414
Net Income			20,683		20,683
Other Comprehensive Loss				(34)	(34)
TOTAL COMMON SHAREHOLDER'S EQUITY - SEPTEMBER 30, 2021	$ 50,450	$ 526,135	$ 290,702	$ 776	$ 868,063
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2021	$ 50,450	$ 526,135	$ 296,021	$ 1,749	$ 874,355
Net Income			25,921		25,921
Other Comprehensive Loss				(39)	(39)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2022	50,450	526,135	321,942	1,710	900,237
Net Income			13,167		13,167
Other Comprehensive Loss				(40)	(40)
TOTAL COMMON SHAREHOLDER'S EQUITY - JUNE 30, 2022	50,450	526,135	335,109	1,670	913,364
Net Income			11,595		11,595
Other Comprehensive Loss				(1,670)	(1,670)
TOTAL COMMON SHAREHOLDER'S EQUITY - SEPTEMBER 30, 2022	$ 50,450	$ 526,135	$ 346,704	$ —	$ 923,289

See Condensed Notes to Condensed Financial Statements beginning on page 9.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
ASSETS
September 30, 2022 and December 31, 2021
(in thousands)
(Unaudited)

	September 30, 2022	December 31, 2021
CURRENT ASSETS		
Cash and Cash Equivalents	$ 4,350	$ 763
Accounts Receivable:		
Customers	56,331	16,281
Affiliated Companies	29,285	25,578
Accrued Unbilled Revenues	21,934	16,647
Miscellaneous	157	57
Allowance for Uncollectible Accounts	(883)	(3)
Total Accounts Receivable	106,824	58,560
Fuel	12,323	10,090
Materials and Supplies	24,361	20,515
Risk Management Assets	14,364	5,986
Accrued Tax Benefits	3,123	892
Regulatory Asset for Under-Recovered Fuel Costs	24,425	8,216
Margin Deposits	124	14,229
Prepayments and Other Current Assets	2,484	2,598
TOTAL CURRENT ASSETS	192,378	121,849
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	1,233,986	1,231,494
Transmission	782,291	760,359
Distribution	1,050,860	1,017,406
Other Property, Plant and Equipment	162,308	137,554
Construction Work in Progress	135,601	95,093
Total Property, Plant and Equipment	3,365,046	3,241,906
Accumulated Depreciation and Amortization	1,144,610	1,104,492
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	2,220,436	2,137,414
OTHER NONCURRENT ASSETS		
Regulatory Assets	495,939	476,457
Employee Benefits and Pension Assets	31,042	60,333
Operating Lease Assets	557	10,748
Deferred Charges and Other Noncurrent Assets	20,395	33,848
TOTAL OTHER NONCURRENT ASSETS	547,933	581,386
TOTAL ASSETS	$ 2,960,747	$ 2,840,649

See Condensed Notes to Condensed Financial Statements beginning on page 9.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
September 30, 2022 and December 31, 2021
(Unaudited)

	September 30, 2022	December 31, 2021
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 48,494	$ 47,895
Accounts Payable:		
General	62,094	52,837
Affiliated Companies	38,609	42,223
Long-term Debt Due Within One Year – Nonaffiliated	215,000	200,000
Customer Deposits	38,002	32,432
Accrued Taxes	24,937	45,243
Accrued Interest	7,977	5,685
Obligations Under Operating Leases	136	2,173
Other Current Liabilities	19,803	21,435
TOTAL CURRENT LIABILITIES	455,052	449,923
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	963,355	903,105
Deferred Income Taxes	457,146	437,152
Regulatory Liabilities and Deferred Investment Tax Credits	130,020	140,506
Asset Retirement Obligations	17,101	16,399
Employee Benefits and Pension Obligations	10,012	8,064
Obligations Under Operating Leases	471	8,614
Deferred Credits and Other Noncurrent Liabilities	4,301	2,531
TOTAL NONCURRENT LIABILITIES	1,582,406	1,516,371
TOTAL LIABILITIES	2,037,458	1,966,294
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – Par Value – $50 Per Share:		
Authorized – 2,000,000 Shares		
Outstanding – 1,009,000 Shares	50,450	50,450
Paid-in Capital	526,135	526,135
Retained Earnings	346,704	296,021
Accumulated Other Comprehensive Income (Loss)	—	1,749
TOTAL COMMON SHAREHOLDER'S EQUITY	923,289	874,355
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 2,960,747	$ 2,840,649

See Condensed Notes to Condensed Financial Statements beginning on page 9.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2022 and 2021
(in thousands)
(Unaudited)

	Nine Months Ended September 30, 2022	2021
OPERATING ACTIVITIES		
Net Income	$ 50,683	$ 44,831
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	92,116	85,154
Deferred Income Taxes	(12,650)	(13,538)
Allowance for Equity Funds Used During Construction	(646)	(1,202)
Mark-to-Market of Risk Management Contracts	(8,425)	(2,547)
Pension and Postemployment Benefit Reserves	32,042	(1,004)
Property Taxes	14,654	14,486
Deferred Fuel Over/Under-Recovery, Net	(16,209)	(6,053)
Change in Regulatory Assets	(28,525)	(53,243)
Change in Other Noncurrent Assets	1,827	(10,264)
Change in Other Noncurrent Liabilities	9,190	1,521
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	(47,805)	5,414
Fuel, Materials and Supplies	(6,031)	15,895
Margin Deposits	14,106	(202)
Accounts Payable	3,143	2,363
Accrued Taxes, Net	(22,537)	(23,914)
Other Current Assets	40	(2,500)
Other Current Liabilities	(3,530)	1,461
Net Cash Flows from Operating Activities	71,443	56,658
INVESTING ACTIVITIES		
Construction Expenditures	(149,041)	(117,816)
Proceeds from Sales of Assets	7,995	993
Other Investing Activities	417	2,180
Net Cash Flows Used for Investing Activities	(140,629)	(114,643)
FINANCING ACTIVITIES		
Issuance of Long-term Debt – Nonaffiliated	149,873	149,974
Change in Advances from Affiliates, Net	599	(51,836)
Retirement of Long-term Debt – Nonaffiliated	(75,000)	(40,000)
Principal Payments for Finance Lease Obligations	(2,705)	(693)
Other Financing Activities	6	162
Net Cash Flows from Financing Activities	72,773	57,607
Net Increase (Decrease) in Cash and Cash Equivalents	3,587	(378)
Cash and Cash Equivalents at Beginning of Period	763	1,533
Cash and Cash Equivalents at End of Period	$ 4,350	$ 1,155
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 28,635	$ 28,181
Net Cash Paid (Received) for Income Taxes	(2,234)	1,991
Noncash Acquisitions Under Finance Leases	126	288
Construction Expenditures Included in Current Liabilities as of September 30,	31,514	21,049

See Condensed Notes to Condensed Financial Statements beginning on page 9.

INDEX OF CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING MATTERS

General

The unaudited condensed financial statements and footnotes were prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual financial statements.

In the opinion of management, the unaudited condensed interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair statement of the net income, financial position and cash flows for the interim periods. Net income for the three and nine months ended September 30, 2022 is not necessarily indicative of results that may be expected for the year ending December 31, 2022. The condensed financial statements are unaudited and should be read in conjunction with the audited 2021 financial statements and notes thereto, which are included in KPCo's 2021 Annual Report.

AEP System Tax Allocation

KPCo joins in the filing of a consolidated tax return. Historically, the allocation of the AEP System's current consolidated federal income tax to the AEP System companies allocated the benefit of current tax loss of the parent company (Parent Company Loss Benefit) to the AEP System subsidiaries through a reduction of current tax expense. In the first quarter of 2022, AEP and subsidiaries changed accounting for the Parent Company Loss Benefit from a reduction of current tax expense to an allocation through equity. The impact of this change was immaterial to KPCo's financial statements.

Disposition of KPCo and KTCo

In October 2021, AEP entered into a Stock Purchase Agreement (SPA) to sell KPCo and KTCo to Liberty Utilities Co., a subsidiary of Algonquin Power & Utilities Corp. (Liberty), for approximately a $2.85 billion enterprise value. In May 2022, the KPSC approved the transfer of KPCo to Liberty subject to certain conditions contingent upon the closing of the sale. AEP has received clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the Committee on Foreign Investment in the United States. The sale remains subject to FERC approval under Section 203 of the Federal Power Act.

In September 2022, AEP, AEPTCo and Liberty entered into an amendment (Amendment) to the SPA which reduced the purchase price to approximately $2.646 billion and Liberty agreed to waive, upon FERC approval of the sale, the SPA condition precedent to closing requiring the issuance of regulatory orders approving a new proposed Mitchell Plant Operations and Maintenance Agreement and Mitchell Plant Ownership Agreement between KPCo and WPCo. The Amendment also provided that the closing shall not occur prior to January 4, 2023, unless mutually agreed to by AEP and Liberty.

Mitchell Plant Operations and Maintenance Agreement and Ownership Agreement

KPCo and WPCo each own a 50% undivided interest in the 1,560 MW coal-fired Mitchell Plant. As of September 30, 2022, the net book value of KPCo's share of the Mitchell Plant, before cost of removal including CWIP and inventory, was $576 million.

In November 2021, AEP made filings with the KPSC, WVPSC and FERC seeking approval of a new proposed Mitchell Plant Operations and Maintenance Agreement and Mitchell Plant Ownership Agreement. In February 2022, AEP filed a motion to withdraw its filing with the FERC. The KPSC and WVPSC issued orders addressing AEP's filings in May 2022 and July 2022. Those orders proposed materially different modifications to the Mitchell Plant agreements filed by AEP such that the new agreements could not be executed by the parties. In lieu of new agreements, in July 2022, KPCo and WPCo confirmed with the KPSC and WVPSC, respectively, that they will continue operating under the existing Mitchell Agreement, utilizing the Mitchell Agreement Operating Committee's authority under that agreement to issue appropriate resolutions so the parties can operate in accordance with each state commission's directives related to CCR and ELG investment.

In September 2022, pursuant to resolutions under the existing Mitchell Plant agreement, WPCo replaced KPCo as the Operator of Mitchell Plant and 467 Mitchell Plant employees and retirees became employees and retirees of WPCo. This arrangement resulted in a $29 million reduction in Employee Benefits and Pension Assets, a $3 million net increase in Employee Benefits and Pension Obligations due to funding status of the Pension and OPEB plans as it relates to the Mitchell employees and retirees. As of September 30, 2022 KPCo has received $2 million from WPCo and $24 million remains in Accounts Receivable – Affiliated Companies on the balance sheet related to this arrangement.

Transfer of Ownership

FERC Proceedings

In December 2021, Liberty, KPCo and KTCo requested FERC approval of the sale under Section 203 of the Federal Power Act. In February 2022, several intervenors in the case filed protests related to whether the sale will negatively impact the wholesale transmission rates of applicants. In April 2022, the FERC issued a deficiency letter stating that the Section 203 application is deficient and that additional information is required to process it. In May 2022, Liberty, KPCo and KTCo supplemented the application and in June 2022, the FERC issued an order formally notifying AEP that it was exercising its ability to take up to an additional 180 days to act on the application. An order from the FERC is expected in the fourth quarter of 2022.

KPSC Proceedings

In May 2022, the KPSC approved the transfer of KPCo to Liberty subject to conditions contingent upon the closing of the sale, including establishment of regulatory liabilities to subsidize retail customer transmission and distribution expenses, a fuel adjustment clause bill credit, and a three-year Big Sandy decommissioning rider rate holiday during which KPCo's carrying charge is reduced by 50%. The accounting implications for these items will be evaluated by KPCo upon closing of the transaction.

Subject to receipt of FERC authorization under Section 203 of the Federal Power Act, the sale is expected to close in January 2023 with Liberty acquiring the assets and assuming the liabilities of KPCo and KTCo, excluding pension and other post-retirement benefit plan assets and liabilities. AEP expects to provide customary transition services to Liberty for a period of time after closing of the transaction.

In June 2022, KPCo entered into agreements to purchase assets under lease, terminating remaining lease obligations prior to the original maturity date. As a result of the early terminations, current obligations under operating and finance leases of $1.9 million and $583 thousand, respectively, and noncurrent obligations under operating and finance leases of $7.2 million and $1.4 million, respectively, were relieved from KPCo's balance sheet in the second quarter of 2022.

Subsequent Events

Management reviewed subsequent events through October 27, 2022, the date that the third quarter 2022 report was available to be issued.

2. NEW ACCOUNTING STANDARDS

During the FASB's standard-setting process and upon issuance of final standards, management reviews the new accounting literature to determine its relevance, if any, to KPCo's business. There are no new standards expected to have a material impact on KPCo's financial statements.

3. COMPREHENSIVE INCOME

Presentation of Comprehensive Income

The following tables provide the components of changes in AOCI and details of reclassifications from AOCI. The amortization of pension and OPEB AOCI components are included in the computation of net periodic pension and OPEB costs. See Note 6 - Benefit Plans for additional information.

Three Months Ended September 30, 2022	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of June 30, 2022	$ 1,670
Change in Fair Value Recognized in AOCI	—
Pension and OPEB Adjustment Related to Plant Transfers	(2,114)
Income Tax (Expense) Benefit	(444)
Pension and OPEB Adjustment Related to Plant Transfers, Net of Income Tax (Expense) Benefit	(1,670)
Net Current Period Other Comprehensive Income (Loss)	(1,670)
Balance in AOCI as of September 30, 2022	$ —

Three Months Ended September 30, 2021	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of June 30, 2021	$ 810
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(59)
Amortization of Actuarial (Gains) Losses	16
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(43)
Income Tax (Expense) Benefit	(9)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(34)
Net Current Period Other Comprehensive Income (Loss)	(34)
Balance in AOCI as of September 30, 2021	$ 776

Nine Months Ended September 30, 2022	Pension and OPEB
	(in thousands)
Balance in AOCI as of December 31, 2021	$ 1,749
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(119)
Amortization of Actuarial (Gains) Losses	19
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(100)
Income Tax (Expense) Benefit	(21)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(79)
Pension and OPEB Adjustment Related to Plant Transfers	(2,114)
Income Tax (Expense) Benefit	(444)
Pension and OPEB Adjustment Related to Plant Transfers, Net of Income Tax (Expense) Benefit	(1,670)
Net Current Period Other Comprehensive Income (Loss)	(1,749)
Balance in AOCI as of September 30, 2022	$ —

Nine Months Ended September 30, 2021	Pension and OPEB
	(in thousands)
Balance in AOCI as of December 31, 2020	$ 878
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(176)
Amortization of Actuarial (Gains) Losses	47
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(129)
Income Tax (Expense) Benefit	(27)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(102)
Net Current Period Other Comprehensive Income (Loss)	(102)
Balance in AOCI as of September 30, 2021	$ 776

4. RATE MATTERS

As discussed in KPCo's 2021 Annual Report, KPCo is involved in rate and regulatory proceedings at the FERC and the KPSC. The Rate Matters note within KPCo's 2021 Annual Report should be read in conjunction with this report to gain a complete understanding of material rate matters still pending that could impact net income, cash flows and possibly financial condition. The following discusses ratemaking developments in 2022 and updates KPCo's 2021 Annual Report.

Regulatory Assets Pending Final Regulatory Approval

Noncurrent Regulatory Assets	September 30, 2022	December 31, 2021
	(in thousands)	
Regulatory Assets Currently Earning a Return		
Kentucky Deferred Purchased Power Expenses	$ 52,320	$ 47,528
Regulatory Assets Currently Not Earning a Return		
Storm-Related Costs	74,061	56,506
Other Regulatory Assets Pending Final Regulatory Approval	1,489	893
Total Regulatory Assets Pending Final Regulatory Approval	$ 127,870	$ 104,927

If these costs are ultimately determined not to be recoverable, it could reduce future net income and cash flows and impact financial condition.

CCR/ELG Compliance Plan Filings

KPCo and WPCo each own a 50% interest in the Mitchell Plant. As of September 30, 2022, the net book value of KPCo's share of the Mitchell Plant, before cost of removal including CWIP and inventory, was $575.6 million. In December 2020 and February 2021, WPCo and KPCo filed requests with the WVPSC and KPSC, respectively, to obtain the regulatory approvals necessary to implement CCR and ELG compliance plans and seek recovery of the estimated $132 million investment for the Mitchell Plant that would allow the plant to continue operating beyond 2028. Within those requests, WPCo and KPCo also filed a $25 million alternative to implement only the CCR-related investments with the WVPSC and KPSC, respectively, which would allow the Mitchell Plant to continue operating only through 2028.

In July 2021, the KPSC issued an order approving the CCR only alternative and rejecting the full CCR and ELG compliance plan. In May 2022, the KPSC approved recovery of the Kentucky jurisdictional share of ELG costs incurred at the Mitchell Plant prior to July 15, 2021.

In August 2021, the WVPSC approved the full CCR and ELG compliance plan for the WPCo share of the Mitchell Plant. In September 2021, WPCo submitted a filing with the WVPSC to reopen the CCR/ELG case that was approved by the WVPSC in August 2021. Due to the rejection by the KPSC of the KPCo share of the ELG investments, WPCo requested the WVPSC consider approving the construction and recovery of all ELG costs at the plant. In October 2021, the WVPSC affirmed its August 2021 order approving the construction of CCR/ELG investments and directed WPCo to proceed with CCR/ELG compliance plans that would allow the plant to continue operating beyond 2028. The WVPSC also ordered that WPCo will be given the opportunity to recover, from its customers, the ELG and new capital and operating costs arising solely from the WVPSC's directive to operate the plant beyond 2028 if the WVPSC finds that the costs are reasonably and prudently incurred. The WVPSC's order further states that unless KPCo pays for its share of costs for ELG improvements and costs necessary to continue operations beyond 2028, the benefit of the capacity and energy made possible by those improvements and operating Mitchell Plant beyond 2028 should benefit only West Virginia jurisdictional customers who have shared in paying for those costs.

Storm-Related Costs

In June 2022, KPCo's service territory was impacted by strong winds from severe storms resulting in system damages and power outages. In July 2022, KPCo's service territory was impacted again by severe storms, which caused flash flooding, resulting in additional system damages and power outages. In August 2022, KPCo filed an application with the KPSC requesting deferral authority for $18 million of incremental operation and maintenance costs related to these storms. In September 2022, the KPSC issued an order granting deferral authority. KPCo intends to seek recovery of the deferral in a future base rate case. If any of these incremental storm costs are not recoverable, it could reduce future net income and cash flows and impact financial condition.

Deferred Purchased Power Expenses

In September 2022, the KPSC initiated a proceeding to investigate the appropriate amortization period and recovery mechanism for the deferral of Kentucky Deferred Purchased Power Expenses related to the Rockport Plant Unit Power Agreement, as well as KPCo's ability to use the level of non-fuel, non-environmental Rockport UPA expense included in base rates to earn its authorized ROE in 2023 since the KPCo UPA ends in December 2022. KPCo has requested the KPSC approve the terms related to each of the foregoing items as reflected in the settlement agreement in the 2017 Kentucky Base Rate Case, including recovery of the Kentucky Deferred Purchased Power Expenses over five years through a rider beginning in December 2022. KPCo expects a decision from the KPSC in the fourth quarter of 2022. If any of these amounts are not recoverable, it could reduce future net income and cash flows and impact financial condition.

5. COMMITMENTS, GUARANTEES AND CONTINGENCIES

KPCo is subject to certain claims and legal actions arising in its ordinary course of business. In addition, KPCo's business activities are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation against KPCo cannot be predicted. Management accrues contingent liabilities only when management concludes that it is both probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. When management determines that it is not probable, but rather reasonably possible that a liability has been incurred at the date of the financial statements, management discloses such contingencies and the possible loss or range of loss if such estimate can be made. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent the maximum possible loss exposure. Circumstances change over time and actual results may vary significantly from estimates.

For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements. The Commitments, Guarantees and Contingencies note within KPCo's 2021 Annual Report should be read in conjunction with this report.

GUARANTEES

Liabilities for guarantees are recorded in accordance with the accounting guidance for "Guarantees." There is no collateral held in relation to any guarantees. In the event any guarantee is drawn, there is no recourse to third-parties unless specified below.

Indemnifications and Other Guarantees

Contracts

KPCo enters into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. As of September 30, 2022, there were no material liabilities recorded for any indemnifications.

AEPSC conducts power purchase and sale activity on behalf of APCo, I&M, KPCo and WPCo, who are jointly and severally liable for activity conducted on their behalf.

CONTINGENCIES

Claims Challenging Transition of American Electric Power System Retirement Plan to Cash Balance Formula

Four participants in The American Electric Power System Retirement Plan (the Plan) filed a class action complaint in December 2021 in the U.S. District Court for the Southern District of Ohio against AEPSC and the Plan. When the Plan's benefit formula was changed in the year 2000, AEP provided a special provision for employees hired before January 1, 2001, allowing them to continue benefit accruals under the then benefit formula for a full 10 years alongside of the new cash balance benefit formula then being implemented. Employees who were hired on or after January 1, 2001 accrued benefits only under the new cash balance benefit formula. The plaintiffs assert a number of claims on behalf of themselves and the purported class, including that: (a) the Plan violates the requirements under the Employee Retirement Income Security Act (ERISA) intended to preclude back-loading the accrual of benefits to the end of a participant's career, (b) the Plan violates the age discrimination prohibitions of ERISA and the Age Discrimination in Employment Act and (c) AEP failed to provide required notice regarding the changes to the Plan. Among other relief, the Complaint seeks reformation of the Plan to provide additional benefits and the recovery of plan benefits for former employees under such reformed plan. The plaintiffs previously had submitted claims for additional plan benefits to AEP, which were denied. On February 15, 2022, AEPSC and the Plan filed a motion to dismiss the complaint for failure to state a claim. On August 16, 2022, the district court granted the motion to dismiss the complaint without prejudice. The plaintiffs have filed a motion for leave to file an amended complaint. AEP will continue to defend against the claims. Management is unable to determine a range of potential losses that is reasonably possible of occurring.

6. BENEFIT PLANS

KPCo participates in an AEP sponsored qualified pension plan and two unfunded nonqualified pension plans. Substantially all of KPCo's employees are covered by the qualified plan or both the qualified and nonqualified pension plans. KPCo also participates in OPEB plans sponsored by AEP to provide health and life insurance benefits for retired employees.

Components of Net Periodic Benefit Cost

The following tables provide the components of KPCo's net periodic benefit cost (credit) for the plans:

	Pension Plans		OPEB	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)			
Service Cost	$ 791	$ 869	$ 52	$ 71
Interest Cost	1,289	1,210	260	274
Expected Return on Plan Assets	(2,401)	(2,145)	(1,060)	(869)
Amortization of Prior Service Credit	—	—	(629)	(625)
Amortization of Net Actuarial Loss	536	880	—	—
Net Periodic Benefit Cost (Credit)	$ 215	$ 814	$ (1,377)	$ (1,149)

	Pension Plans		OPEB	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)			
Service Cost	$ 2,373	$ 2,608	$ 157	$ 212
Interest Cost	3,865	3,630	781	822
Expected Return on Plan Assets	(7,202)	(6,436)	(3,180)	(2,609)
Amortization of Prior Service Credit	—	—	(1,889)	(1,874)
Amortization of Net Actuarial Loss	1,608	2,641	—	—
Net Periodic Benefit Cost (Credit)	$ 644	$ 2,443	$ (4,131)	$ (3,449)

7. DERIVATIVES AND HEDGING

OBJECTIVES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS

AEPSC is agent for and transacts on behalf of KPCo.

KPCo is exposed to certain market risks as a major power producer and participant in the electricity, natural gas, coal and emission allowance markets. These risks include commodity price risk, interest rate risk and credit risk. These risks represent the risk of loss that may impact KPCo due to changes in the underlying market prices or rates. Management utilizes derivative instruments to manage these risks.

STRATEGIES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS TO ACHIEVE OBJECTIVES

Risk Management Strategies

The strategy surrounding the use of derivative instruments primarily focuses on managing risk exposures, future cash flows and creating value utilizing both economic and formal hedging strategies. The risk management strategies also include the use of derivative instruments for trading purposes which focus on seizing market opportunities to create value driven by expected changes in the market prices of the commodities. To accomplish these objectives, KPCo primarily employs risk management contracts including physical and financial forward purchase-and-sale contracts and, to a lesser extent, OTC swaps and options. Not all risk management contracts meet the definition of a derivative under the accounting guidance for "Derivatives and Hedging." Derivative risk management contracts elected normal under the normal purchases and normal sales scope exception are not subject to the requirements of this accounting guidance.

KPCo utilizes power, capacity, coal, natural gas, interest rate and, to a lesser extent, heating oil, gasoline and other commodity contracts to manage the risk associated with the energy business. KPCo utilizes interest rate derivative contracts in order to manage the interest rate exposure associated with its commodity portfolio. For disclosure purposes, such risks are grouped as "Commodity," as these risks are related to energy risk management activities. KPCo may also utilize derivative contracts to manage interest rate risk associated with debt financing. For disclosure purposes, these risks are grouped as "Interest Rate." The amount of risk taken is determined by the Commercial Operations and Finance groups in accordance with the established risk management policies as approved by the Finance Committee of the Board of Directors.

The following table represents the gross notional volume of KPCo's outstanding derivative contracts:

Primary Risk Exposure	September 30, 2022	December 31, 2021	Unit of Measure
	(in thousands)		
Commodity:			
Power	5,547	6,927	MWhs
Heating Oil and Gasoline	262	305	Gallons

Cash Flow Hedging Strategies

KPCo utilizes cash flow hedges on certain derivative transactions for the purchase and sale of power ("Commodity") in order to manage the variable price risk related to forecasted purchases and sales. Management monitors the potential impacts of commodity price changes and, where appropriate, enters into derivative transactions to protect profit margins for a portion of future electricity sales and purchases. KPCo does not hedge all commodity price risk.

KPCo may utilize a variety of interest rate derivative transactions in order to manage interest rate risk exposure. KPCo may also utilize interest rate derivative contracts to manage interest rate exposure related to future borrowings of fixed-rate debt. KPCo does not hedge all interest rate exposure.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND THE IMPACT ON KPCo's FINANCIAL STATEMENTS

The accounting guidance for "Derivatives and Hedging" requires recognition of all qualifying derivative instruments as either assets or liabilities on the balance sheets at fair value. The fair values of derivative instruments accounted for using MTM accounting or hedge accounting are based on exchange prices and broker quotes. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes and assumptions. In order to determine the relevant fair values of the derivative instruments, KPCo applies valuation adjustments for discounting, liquidity and credit quality.

Credit risk is the risk that a counterparty will fail to perform on the contract or fail to pay amounts due. Liquidity risk represents the risk that imperfections in the market will cause the price to vary from estimated fair value based upon prevailing market supply and demand conditions. Since energy markets are imperfect and volatile, there are inherent risks related to the underlying assumptions in models used to fair value risk management contracts. Unforeseen events may cause reasonable price curves to differ from actual price curves throughout a contract's term and at the time a contract settles. Consequently, there could be significant adverse or favorable effects on future net income and cash flows if market prices are not consistent with management's estimates of current market consensus for forward prices in the current period. This is particularly true for longer term contracts. Cash flows may vary based on market conditions, margin requirements and the timing of settlement of risk management contracts.

According to the accounting guidance for "Derivatives and Hedging," KPCo reflects the fair values of derivative instruments subject to netting agreements with the same counterparty net of related cash collateral. For certain risk management contracts, KPCo is required to post or receive cash collateral based on third-party contractual agreements and risk profiles. The netted cash collateral from third-parties against short-term and long-term risk management assets and netted cash collateral paid to third-parties against short-term and long-term risk management liabilities were immaterial for KPCo as of September 30, 2022 and December 31, 2021.

The following tables represent the gross fair value of KPCo's derivative activity on the balance sheets. Unless shown as a separate line on the balance sheets due to materiality, Current Risk Management Assets are included in Prepayments and Other Current Assets, Long-term Risk Management Assets are included in Deferred Charges and Other Noncurrent Assets, Current Risk Management Liabilities are included in Other Current Liabilities and Long-term Risk Management Liabilities are included in Deferred Credits and Other Noncurrent Liabilities on the balance sheets.

Fair Value of Derivative Instruments
September 30, 2022

Balance Sheet Location	Risk Management Contracts – Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Current Risk Management Assets	$ 14,351	$ 13	$ 14,364
Long-term Risk Management Assets	—	19	19
Total Assets	14,351	32	14,383
Current Risk Management Liabilities	9	—	9
Long-term Risk Management Liabilities	14	—	14
Total Liabilities	23	—	23
Total MTM Derivative Contract Net Assets (d)	$ 14,328	$ 32	$ 14,360

December 31, 2021

Balance Sheet Location	Risk Management Contracts – Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Current Risk Management Assets	$ 7,488	$ (1,502)	$ 5,986
Long-term Risk Management Assets	46	(46)	—
Total Assets	7,534	(1,548)	5,986
Current Risk Management Liabilities	1,458	(1,407)	51
Long-term Risk Management Liabilities	46	(46)	—
Total Liabilities	1,504	(1,453)	51
Total MTM Derivative Contract Net Assets (Liabilities)	$ 6,030	$ (95)	$ 5,935

(a) Derivative instruments within this category are disclosed as gross. These instruments are subject to master netting agreements and are presented on the balance sheets on a net basis in accordance with the accounting guidance for "Derivatives and Hedging."
(b) Amounts include counterparty netting of risk management and hedging contracts and associated cash collateral in accordance with the accounting guidance for "Derivatives and Hedging."
(c) All derivative contracts subject to a master netting arrangement or similar agreement are offset in the statement of financial position.
(d) Increase in amounts as of September 30, 2022 are primarily due to increases in commodity prices for power and natural gas and an increase in value of FTRs.

The table below presents KPCo's activity of derivative risk management contracts:

Amount of Gain (Loss) Recognized on Risk Management Contracts

Location of Gain (Loss)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	(in thousands)			
Electric Generation, Transmission and Distribution Revenues	$ 3	$ (12)	$ 7	$ (12)
Purchased Electricity for Resale	34	35	144	72
Other Operation	36	28	107	59
Maintenance	102	35	198	82
Regulatory Assets (a)	1	(1,955)	(25)	(3,226)
Regulatory Liabilities (a)	5,813	2,555	14,308	4,944
Total Gain on Risk Management Contracts	$ 5,989	$ 686	$ 14,739	$ 1,919

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment recorded as either current or noncurrent on the balance sheets.

Certain qualifying derivative instruments have been designated as normal purchase or normal sale contracts, as provided in the accounting guidance for "Derivatives and Hedging." Derivative contracts that have been designated as normal purchases or normal sales under that accounting guidance are not subject to MTM accounting treatment and are recognized on the statements of income on an accrual basis.

The accounting for the changes in the fair value of a derivative instrument depends on whether it qualifies for and has been designated as part of a hedging relationship and further, on the type of hedging relationship. Depending on the exposure, management designates a hedging instrument as a fair value hedge or a cash flow hedge.

For contracts that have not been designated as part of a hedging relationship, the accounting for changes in fair value depends on whether the derivative instrument is held for trading purposes. Unrealized and realized gains and losses on derivative instruments held for trading purposes are included in revenues on a net basis on KPCo's statements of income. Unrealized and realized gains and losses on derivative instruments not held for trading purposes are included in revenues or expenses on KPCo's statements of income depending on the relevant facts and circumstances. Certain derivatives that economically hedge future commodity risk are recorded in the same line item on the statements of income as that of the associated risk being hedged. However, unrealized and some realized gains and losses for both trading and non-trading derivative instruments are recorded as regulatory assets (for losses) or regulatory liabilities (for gains), in accordance with the accounting guidance for "Regulated Operations."

Accounting for Cash Flow Hedging Strategies

For cash flow hedges (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), KPCo initially reports the gain or loss on the derivative instrument as a component of Accumulated Other Comprehensive Income (Loss) on the balance sheets until the period the hedged item affects Net Income.

Realized gains and losses on derivative contracts for the purchase and sale of power designated as cash flow hedges are included in Total Revenues or Purchased Electricity for Resale on KPCo's statements of income, or in Regulatory Assets or Regulatory Liabilities on KPCo's balance sheets, depending on the specific nature of the risk being hedged. During the three and nine months ended September 30, 2022 and 2021, KPCo did not apply cash flow hedging to outstanding power derivatives.

KPCo reclassifies gains and losses on interest rate derivative hedges related to debt financings from Accumulated Other Comprehensive Income (Loss) on its balance sheets into Interest Expense on its statements of income in those periods in which hedged interest payments occur. During the three and nine months ended September 30, 2022 and 2021, KPCo did not apply cash flow hedging to outstanding interest rate derivatives.

There was no impact of cash flow hedges included in Accumulated Other Comprehensive Income (Loss) on KPCo's balance sheets as of September 30, 2022 and December 31, 2021.

The actual amounts that KPCo reclassifies from Accumulated Other Comprehensive Income (Loss) to Net Income can differ due to market price changes. As of September 30, 2022, KPCo is not hedging (with contracts subject to the accounting guidance for "Derivatives and Hedging") its exposure to variability in future cash flows related to forecasted transactions.

Credit Risk

Management mitigates credit risk in KPCo's wholesale marketing and trading activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis. Management uses credit agency ratings and current market-based qualitative and quantitative data as well as financial statements to assess the financial health of counterparties on an ongoing basis.

Master agreements are typically used to facilitate the netting of cash flows associated with a single counterparty and may include collateral requirements. Collateral requirements in the form of cash, letters of credit, surety bonds and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. Some master agreements include margining, which requires a counterparty to post cash or letters of credit in the event exposure exceeds the established threshold. The threshold represents an unsecured credit limit which may be supported by a parental/affiliate guaranty, as determined in accordance with AEP's credit policy. In addition, master agreements allow for termination and liquidation of all positions in the event of a default including failure or inability to post collateral when required.

Collateral Triggering Events

Credit Downgrade Triggers

A limited number of derivative contracts include collateral triggering events, which include a requirement to maintain certain credit ratings. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these collateral triggering events in contracts. KPCo has not experienced a downgrade below a specified credit rating threshold that would require the posting of additional collateral. As of September 30, 2022 and December 31, 2021, KPCo did not have derivative contracts with collateral triggering events in a net liability position.

Cross-Acceleration Triggers

Certain interest rate derivative contracts contain cross-acceleration provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-acceleration provisions could be triggered if there was a non-performance event by KPCo under any of their outstanding debt of at least $50 million and the lender on that debt has accelerated the entire repayment obligation. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-acceleration provisions in contracts. KPCo had no derivative contracts with cross-acceleration provisions in a net liability position as of September 30, 2022 and December 31, 2021, respectively. There was no cash collateral posted as of September 30, 2022 and December 31, 2021. If a cross-acceleration provision would have been triggered, settlement at fair value would have been required. KPCo had no derivative contracts with cross-acceleration provisions outstanding as of September 30, 2022 and December 31, 2021.

Cross-Default Triggers

In addition, a majority of KPCo's non-exchange-traded commodity contracts contain cross-default provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-default provisions could be triggered if there was a non-performance event by Parent or the obligor under outstanding debt or a third-party obligation that is $50 million or greater. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-default provisions in the contracts. KPCo had derivative liabilities subject to cross-default provisions in a net liability position of $0 thousand and $51 thousand and no cash collateral posted as of September 30, 2022 and December 31, 2021, respectively, after considering contractual netting arrangements. If a cross-default provision would have been triggered, settlement at fair value would have been required.

8. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy and Valuation Techniques

The accounting guidance for "Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. When quoted market prices are not available, pricing may be completed using comparable securities, dealer values, operating data and general market conditions to determine fair value. Valuation models utilize various inputs such as commodity, interest rate and, to a lesser degree, volatility and credit that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, market corroborated inputs (i.e. inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability.

For commercial activities, exchange-traded derivatives, namely futures contracts, are generally fair valued based on unadjusted quoted prices in active markets and are classified as Level 1. Level 2 inputs primarily consist of OTC broker quotes in moderately active or less active markets, as well as exchange-traded derivatives where there is insufficient market liquidity to warrant inclusion in Level 1. Management verifies price curves using these broker quotes and classifies these fair values within Level 2 when substantially all of the fair value can be corroborated. Management typically obtains multiple broker quotes, which are nonbinding in nature but are based on recent trades in the marketplace. When multiple broker quotes are obtained, the quoted bid and ask prices are averaged. In certain circumstances, a broker quote may be discarded if it is a clear outlier. Management uses a historical correlation analysis between the broker quoted location and the illiquid locations. If the points are highly correlated, these locations are included within Level 2 as well. Certain OTC and bilaterally executed derivative instruments are executed in less active markets with a lower availability of pricing information. Illiquid transactions, complex structured transactions, FTRs and counterparty credit risk may require nonmarket-based inputs. Some of these inputs may be internally developed or extrapolated and utilized to estimate fair value. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized as Level 3. The main driver of contracts being classified as Level 3 is the inability to substantiate energy price curves in the market. A portion of the Level 3 instruments have been economically hedged which limits potential earnings volatility.

Fair Value Measurements of Long-term Debt

The fair values of Long-term Debt are based on quoted market prices, without credit enhancements, for the same or similar issues and the current interest rates offered for instruments with similar maturities classified as Level 2 measurement inputs. These instruments are not marked-to-market. The estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

The book values and fair values of KPCo's Long-term Debt are summarized in the following table:

	September 30, 2022		December 31, 2021	
	Book Value	Fair Value	Book Value	Fair Value
	(in thousands)			
Long-term Debt	$ 1,178,355	$ 1,139,434	$ 1,103,105	$ 1,224,664

Fair Value Measurements of Financial Assets and Liabilities

The following tables set forth, by level within the fair value hierarchy, KPCo's financial assets and liabilities that were accounted for at fair value on a recurring basis. As required by the accounting guidance for "Fair Value Measurements and Disclosures," financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have not been any significant changes in management's valuation techniques.

Assets and Liabilities Measured at Fair Value on a Recurring Basis
September 30, 2022

	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Assets:					
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 160	$ 14,430	$ (207)	$ 14,383
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 160	$ 102	$ (239)	$ 23

December 31, 2021

	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Assets:					
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 1,096	$ 6,439	$ (1,549)	$ 5,986
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 937	$ 568	$ (1,454)	$ 51

(a) Amounts in "Other" column primarily represent counterparty netting of risk management and hedging contracts and associated cash collateral under the accounting guidance for "Derivatives and Hedging."
(b) Substantially comprised of power contracts.

The following tables set forth a reconciliation of changes in the fair value of net trading derivatives classified as Level 3 in the fair value hierarchy:

Three Months Ended September 30, 2022	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of June 30, 2022	$ 13,549
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	1,120
Settlements	(5,307)
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	4,966
Balance as of September 30, 2022	$ 14,328

Three Months Ended September 30, 2021	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of June 30, 2021	$ 6,355
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	2,598
Settlements	(4,310)
Transfers out of Level 3 (c)	13
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	896
Balance as of September 30, 2021	$ 5,552

Nine Months Ended September 30, 2022	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of December 31, 2021	$ 5,871
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	2,801
Settlements	(8,672)
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	14,328
Balance as of September 30, 2022	$ 14,328

Nine Months Ended September 30, 2021	Net Risk Management Assets (Liabilities) (in thousands)
Balance as of December 31, 2020	$ 3,025
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	1,981
Settlements	(5,039)
Transfers out of Level 3 (c)	8
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	5,577
Balance as of September 30, 2021	$ 5,552

(a) Included in revenues on KPCo’s statements of income.
(b) Represents the change in fair value between the beginning of the reporting period and the settlement of the risk management commodity contract.
(c) Relates to the net gains (losses) of those contracts that are not reflected on KPCo’s statements of income. These changes in fair value are recorded as regulatory liabilities for net gains and as regulatory assets for net losses.

The following tables quantify the significant unobservable inputs used in developing the fair value of Level 3 positions:

Significant Unobservable Inputs
September 30, 2022

	Fair Value		Valuation	Significant Unobservable	Input/Range		
	Assets	**Liabilities**	**Technique**	**Input (a)**	**Low**	**High**	**Weighted Average (b)**
	(in thousands)						
FTRs	$ 14,430	$ 102	Discounted Cash Flow	Forward Market Price	$ (2.65)	$ 18.87	$ 2.62

December 31, 2021

	Fair Value		Valuation	Significant Unobservable	Input/Range		
	Assets	**Liabilities**	**Technique**	**Input (a)**	**Low**	**High**	**Weighted Average (b)**
	(in thousands)						
Energy Contracts	$ —	$ 51	Discounted Cash Flow	Forward Market Price	$ 32.20	$ 56.54	$ 44.77
FTRs	6,439	517	Discounted Cash Flow	Forward Market Price	(1.44)	22.19	1.74
Total	$ 6,439	$ 568					

(a) Represents market prices in dollars per MWh.
(b) The weighted average is the product of the forward market price of the underlying commodity and volume weighted by term.

The following table provides the measurement uncertainty of fair value measurements to increases (decreases) in significant unobservable inputs related to Energy Contracts and FTRs as of September 30, 2022 and December 31, 2021:

Uncertainty of Fair Value Measurements

Significant Unobservable Input	Position	Change in Input	Impact on Fair Value Measurement
Forward Market Price	Buy	Increase (Decrease)	Higher (Lower)
Forward Market Price	Sell	Increase (Decrease)	Lower (Higher)

9. INCOME TAXES

Effective Tax Rates (ETR)

KPCo's interim ETR reflects the estimated annual ETR for 2022 and 2021, adjusted for tax expense associated with certain discrete items.

KPCo includes the amortization of Excess ADIT not subject to normalization requirements in the annual estimated ETR when regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers over multiple interim periods. Certain regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers in a single period (e.g. by applying the Excess ADIT not subject to normalization requirements against an existing regulatory asset balance) and in these circumstances, KPCo recognizes the tax benefit discretely in the period recorded. The annual amount of Excess ADIT approved by KPCo's regulatory commissions may not impact the ETR ratably during each interim period due to the variability of pretax book income between interim periods and the application of an annual estimated ETR.

The ETR for KPCo is included in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
U.S. Federal Statutory Rate	21.0 %	21.0 %	21.0 %	21.0 %
Increase (decrease) due to:				
State Income Tax, net of Federal Benefit	(8.8)%	(34.6)%	(2.5)%	(17.7)%
Tax Reform Excess ADIT Reversal	(44.1)%	(98.5)%	(77.0)%	(117.9)%
Flow Through	(1.6)%	(2.0)%	(0.2)%	(1.9)%
AFUDC Equity	(1.6)%	(0.7)%	(1.2)%	(1.1)%
Discrete Tax Adjustments	— %	— %	(2.8)%	— %
Other	(2.3)%	0.4 %	— %	— %
Effective Income Tax Rate	(37.4)%	(114.4)%	(62.7)%	(117.6)%

Federal and State Income Tax Audit Status

The statute of limitations for the IRS to examine KPCo and other AEP subsidiaries originally filed federal return has expired for tax years 2016 and earlier. In the third quarter of 2019, KPCo and other AEP subsidiaries elected to amend the 2014 through 2017 federal returns. In the first quarter of 2020, the IRS notified KPCo and other AEP subsidiaries that it was beginning an examination of these amended returns, including the net operating loss carryback to 2015 that originated in the 2017 return. As of September 30, 2022, the IRS has accepted the 2014-2016 amended tax returns as filed which completes the IRS audit of these tax years. Additionally, KPCo and other AEP subsidiaries have received and agreed to two proposed adjustments on the 2017 tax return, which were immaterial. KPCo and other AEP subsidiaries have agreed to extend the statute of limitations on the 2017 and 2018 tax return to December 31, 2023 to allow time for the audit to be completed and the Congressional Joint Committee on Taxation to approve the associated refund claim.

KPCo and other AEP subsidiaries file income tax returns in various state and local jurisdictions. These taxing authorities routinely examine the tax returns, and KPCo and other AEP subsidiaries are currently under examination in several state and local jurisdictions. Generally, the statutes of limitations have expired for tax years prior to 2017. In addition, management is monitoring and continues to evaluate the potential impact of federal legislation and corresponding state conformity.

Federal Legislation

On August 16, 2022, President Biden signed H.R. 5376 into law, commonly known as the Inflation Reduction Act of 2022 or IRA. Most notably this budget reconciliation legislation creates a 15% minimum tax on adjusted financial statement income (Corporate Alternative Minimum Tax or CAMT), extends and increases the value of PTCs and ITCs, adds a nuclear and clean hydrogen PTC, an energy storage ITC and allows the sale or transfer of tax credits to third parties for cash. With the exception of PTCs and ITCs, this legislation is prospective and has no material impact on the current period financial statements. As significant guidance from Treasury and the IRS is expected on the tax provisions in the IRA, KPCo and other AEP subsidiaries will continue to monitor any issued guidance and evaluate the impact on future net income, cash flows and financial condition.

10. FINANCING ACTIVITIES

Long-term Debt

Long-term debt issued and retired during the first nine months of 2022 are shown in the tables below:

	Type of Debt	Principal Amount (a)	Interest Rate	Due Date
Issuances:		(in millions)	(%)	
	Other Long-term Debt	$ 150.0	Variable	2023

(a) Amounts indicated on the statements of cash flows are net of issuance costs and premium or discount and will not tie to the issuance amounts.

	Type of Debt	Principal Amount Paid	Interest Rate	Due Date
Retirements and Principal Payments:		(in millions)	(%)	
	Other Long-term Debt	$ 75.0	Variable	2022

Dividend Restrictions

KPCo pays dividends to Parent provided funds are legally available. Various financing arrangements and regulatory requirements may impose certain restrictions on the ability of KPCo to transfer funds to Parent in the form of dividends.

All of the dividends declared by KPCo are subject to a Federal Power Act requirement that prohibits the payment of dividends out of capital accounts in certain circumstances; payment of dividends is generally allowed out of retained earnings.

KPCo has credit agreements that contain a covenant that limit its debt to capitalization ratio to 67.5%. As of September 30, 2022, KPCo did not exceed its debt to capitalization limit. The method for calculating outstanding debt and capitalization is contractually-defined in the credit agreements.

The Federal Power Act restriction does not limit the ability of KPCo to pay dividends out of retained earnings.

Corporate Borrowing Program – AEP System

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of AEP's subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds AEP's utility subsidiaries. The AEP System Utility Money Pool operates in accordance with the terms and conditions of its agreement filed with the FERC. The amounts of outstanding borrowings from the Utility Money Pool as of September 30, 2022 and December 31, 2021 are included in Advances from Affiliates on KPCo's balance sheets. KPCo's Utility Money Pool activity and corresponding authorized borrowing limit for the nine months ended September 30, 2022 are described in the following table:

Maximum Borrowings from the Utility Money Pool	Maximum Loans to the Utility Money Pool	Average Borrowings from the Utility Money Pool	Average Loans to the Utility Money Pool	Borrowings from the Utility Money Pool as of September 30, 2022	Authorized Short-Term Borrowing Limit
		(in thousands)			
$ 161,643	$ 28,393	$ 80,771	$ 23,343	$ 48,494	$ 180,000

Maximum, minimum and average interest rates for funds either loaned to or borrowed from the Utility Money Pool are summarized in the following table:

Nine Months Ended September 30,	Maximum Interest Rate for Funds Borrowed from the Utility Money Pool	Minimum Interest Rate for Funds Borrowed from the Utility Money Pool	Maximum Interest Rate for Funds Loaned to the Utility Money Pool	Minimum Interest Rate for Funds Loaned to the Utility Money Pool	Average Interest Rate for Funds Borrowed from the Utility Money Pool	Average Interest Rate for Funds Loaned to the Utility Money Pool
2022	3.39 %	0.10 %	2.15 %	2.14 %	1.45 %	2.15 %
2021	0.40 %	0.02 %	0.34 %	0.03 %	0.32 %	0.33 %

Securitized Accounts Receivables – AEP Credit

Under an affiliated receivables sales arrangement, KPCo sold, without recourse, certain of its customer accounts receivable and accrued unbilled revenue balances to AEP Credit. KPCo was charged a fee for each sale that is based on AEP Credit's financing costs, administrative costs and uncollectible accounts experience from previous purchases of KPCo's customer accounts receivable. The costs of customer accounts receivable sold are reported in Other Operation expense on KPCo's statements of income. In January 2022, due to the pending sale to Liberty, KPCo ceased selling accounts receivable to AEP Credit. As a result, in the first quarter of 2022, KPCo began recording an allowance for uncollectible accounts on its balance sheet for those receivables no longer sold to AEP Credit.

KPCo's amounts of accounts receivable and accrued unbilled revenues sold under the sale of receivables agreement were $0 and $53.3 million as of September 30, 2022 and December 31, 2021, respectively.

The fees paid by KPCo to AEP Credit for customer accounts receivable sold for the three months ended September 30, 2022 and 2021 were $0 thousand and $1.2 million, respectively, and for the nine months ended September 30, 2022 and 2021 were $63 thousand and $868 thousand, respectively. In 2020, an increase in allowance for doubtful accounts was recognized in response to the anticipated impact of COVID-19 on the collectability of accounts receivable, which caused an increase in fees paid by KPCo. In 2021, due to higher than expected collections of accounts receivables, allowance for doubtful accounts was adjusted resulting in the issuance of credits to offset the higher fees previously paid. In 2022, as a result of KPCo's discontinued sale of receivables with AEP Credit, KPCo was issued a net credit upon final settlement of the allowance for doubtful accounts balance as collections of accounts receivable were higher than originally estimated.

KPCo's proceeds on the sale of receivables to AEP Credit for the three months ended September 30, 2022 and 2021 were $0 and $150.9 million, respectively, and for the nine months ended September 30, 2022 and 2021 were $65.6 million and $443.4 million, respectively.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenues from Contracts with Customers

The table below represents KPCo's revenues from contracts with customers, net of respective provisions for refund, by type of revenue:

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	(in thousands)			
Retail Revenues:				
Residential Revenues	$ 79,716	$ 71,581	$ 232,404	$ 209,907
Commercial Revenues	51,351	40,806	141,930	117,032
Industrial Revenues	46,678	34,614	131,362	102,222
Other Retail Revenues	530	486	1,580	1,485
Total Retail Revenues	178,275	147,487	507,276	430,646
Wholesale Revenues:				
Generation Revenues (a)	11,017	11,007	27,776	25,630
Transmission Revenues (b)	7,925	5,602	23,581	16,522
Total Wholesale Revenues	18,942	16,609	51,357	42,152
Other Revenues from Contracts with Customers (a)	2,703	2,167	8,945	6,416
Total Revenues from Contracts with Customers	199,920	166,263	567,578	479,214
Other Revenues:				
Alternative Revenues	(2,759)	(220)	(3,458)	(1,494)
Other Revenues	3	—	7	—
Total Other Revenues	(2,756)	(220)	(3,451)	(1,494)
Total Revenues	$ 197,164	$ 166,043	$ 564,127	$ 477,720

(a) Amounts include affiliated and nonaffiliated revenues.
(b) Amounts include affiliated and nonaffiliated revenues. The affiliated revenues were $4.8 million and $2.2 million for the three months ended September 30, 2022 and 2021, respectively, and $14.3 million and $6.7 million for the nine months ended September 30, 2022 and 2021, respectively.

Fixed Performance Obligations

The following table represents KPCo's remaining fixed performance obligations satisfied over time as of September 30, 2022. Fixed performance obligations primarily include wholesale transmission services, electricity sales for fixed amounts of energy and stand ready services into PJM's Reliability Pricing Model market. The amounts shown in the table below include affiliated and nonaffiliated revenues.

2022	2023-2024	2025-2026	After 2026	Total
(in thousands)				
$ 7,766	$ 2,512	$ 2,512	$ 1,256	$ 14,046

Contract Assets and Liabilities

Contract assets are recognized when KPCo has a right to consideration that is conditional upon the occurrence of an event other than the passage of time, such as future performance under a contract. KPCo did not have material contract assets as of September 30, 2022 and December 31, 2021, respectively.

When KPCo receives consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, they recognize a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. KPCo's contract liabilities typically arise from advanced payments of services provided primarily with respect to joint use agreements for utility poles. KPCo did not have material contract liabilities as of September 30, 2022 and December 31, 2021, respectively.

Accounts Receivable from Contracts with Customers

Accounts receivable from contracts with customers are presented on KPCo's balance sheets within the Accounts Receivable - Customers line item. KPCo's balances for receivables from contracts that are not recognized in accordance with the accounting guidance for "Revenue from Contracts with Customers" included in Accounts Receivable - Customers were not material as of September 30, 2022 and December 31, 2021. See "Securitized Accounts Receivable - AEP Credit" section of Note 10 for additional information related to AEP Credit's securitized accounts receivable.

The amount of affiliated accounts receivable from contracts with customers included in Accounts Receivable - Affiliated Companies on KPCo's balance sheets were $10.2 million and $9.1 million, respectively, as of September 30, 2022 and December 31, 2021.

Kentucky Power Company

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Financial Statements

KENTUCKY POWER

An AEP Company

BOUNDLESS ENERGY

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GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

Term	Meaning
AEGCo	AEP Generating Company, an AEP electric utility subsidiary.
AEP	American Electric Power Company, Inc., an investor-owned electric public utility holding company which includes American Electric Power Company, Inc. (Parent) and majority owned consolidated subsidiaries and consolidated affiliates.
AEP Credit	AEP Credit, Inc., a consolidated variable interest entity of AEP which securitizes accounts receivable and accrued utility revenues for affiliated electric utility companies.
AEP System	American Electric Power System, an electric system, owned and operated by AEP subsidiaries.
AEPSC	American Electric Power Service Corporation, an AEP service subsidiary providing management and professional services to AEP and its subsidiaries.
AEPTCo	AEP Transmission Company, LLC, a wholly-owned subsidiary of AEP Transmission Holdco, is an intermediate holding company that owns the State Transcos.
AFUDC	Allowance for Equity Funds Used During Construction.
AOCI	Accumulated Other Comprehensive Income.
APCo	Appalachian Power Company, an AEP electric utility subsidiary.
Excess ADIT	Excess accumulated deferred income taxes.
FASB	Financial Accounting Standards Board.
FERC	Federal Energy Regulatory Commission.
FTR	Financial Transmission Right, a financial instrument that entitles the holder to receive compensation for certain congestion-related transmission charges that arise when the power grid is congested resulting in differences in locational prices.
GAAP	Accounting Principles Generally Accepted in the United States of America.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IRA	On August 16, 2022 President Biden signed into law legislation commonly referred to as the “Inflation Reduction Act” (IRA).
IRS	Internal Revenue Service.
ITC	Investment Tax Credit.
KPCo	Kentucky Power Company, an AEP electric utility subsidiary.
KPSC	Kentucky Public Service Commission.
KTCo	AEP Kentucky Transmission Company, Inc., an affiliate of KPCo and a wholly-owned subsidiary of AEP.
MTM	Mark-to-Market.
MW	Megawatt.
MWh	Megawatt-hour.
OPEB	Other Postretirement Benefits.
OTC	Over-the-counter.
Parent	American Electric Power Company, Inc., the equity owner of AEP subsidiaries within the AEP consolidation.
PJM	Pennsylvania – New Jersey – Maryland regional transmission organization.
PTC	Production Tax Credit.

Term	Meaning
Risk Management Contracts	Trading and non-trading derivatives, including those derivatives designated as cash flow and fair value hedges.
RPM	Reliability Pricing Model.
ROE	Return on Equity.
Rockport Plant	A generation plant, jointly owned by AEGCo and I&M, consisting of two 1,310 MW coal-fired generating units near Rockport, Indiana.
Tax Reform	On December 22, 2017, President Trump signed into law legislation referred to as the “Tax Cuts and Jobs Act” (the TCJA). The TCJA includes significant changes to the Internal Revenue Code of 1986, including a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.
WPCo	Wheeling Power Company, an AEP electric utility subsidiary.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2023 and 2022
(in thousands)
(Unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
REVENUES		
Electric Generation, Transmission and Distribution	$ 168,122	$ 176,497
Sales to AEP Affiliates	3,215	5,118
Other Revenues	195	822
TOTAL REVENUES	171,532	182,437
EXPENSES		
Purchased Electricity, Fuel and Other Consumables Used for Electric Generation	73,366	51,776
Purchased Electricity from AEP Affiliates	977	24,450
Other Operation	29,227	32,155
Maintenance	17,849	14,430
Depreciation and Amortization	33,593	30,528
Taxes Other Than Income Taxes	7,561	6,759
TOTAL EXPENSES	162,573	160,098
OPERATING INCOME	8,959	22,339
Other Income (Expense):		
Interest Income	23	4
Allowance for Equity Funds Used During Construction	256	377
Non-Service Cost Components of Net Periodic Benefit Cost	1,894	1,622
Interest Expense	(15,174)	(9,165)
INCOME (LOSS) BEFORE INCOME TAX BENEFIT	(4,042)	15,177
Income Tax Benefit	(8,694)	(10,744)
NET INCOME	$ 4,652	$ 25,921

The common stock of KPCo is wholly-owned by Parent.

See Condensed Notes to Condensed Financial Statements beginning on page 9.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended March 31, 2023 and 2022
(in thousands)
(Unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net Income	$ 4,652	$ 25,921
OTHER COMPREHENSIVE LOSS, NET OF TAXES		
Amortization of Pension and OPEB Deferred Costs, Net of Tax of $0 and $(10) in 2023 and 2022, Respectively	—	(39)
TOTAL COMPREHENSIVE INCOME	$ 4,652	$ 25,882

See Condensed Notes to Condensed Financial Statements beginning on page 9.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY
For the Three Months Ended March 31, 2023 and 2022
(in thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2021	$ 50,450	$ 526,135	$ 296,021	$ 1,749	$ 874,355
Net Income			25,921		25,921
Other Comprehensive Loss				(39)	(39)
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2022	$ 50,450	$ 526,135	$ 321,942	$ 1,710	$ 900,237
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2022	$ 50,450	$ 526,287	$ 343,573	$ —	$ 920,310
Net Income			4,652		4,652
TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2023	$ 50,450	$ 526,287	$ 348,225	$ —	$ 924,962

See Condensed Notes to Condensed Financial Statements beginning on page 9.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
ASSETS
March 31, 2023 and December 31, 2022
(in thousands)
(Unaudited)

	March 31, 2023	December 31, 2022
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,828	$ 2,684
Accounts Receivable:		
Customers	43,662	63,432
Affiliated Companies	12,845	10,818
Accrued Unbilled Revenues	19,060	35,002
Miscellaneous	45	72
Allowance for Uncollectible Accounts	(704)	(1,013)
Total Accounts Receivable	74,908	108,311
Fuel	40,016	21,994
Materials and Supplies	22,933	26,182
Risk Management Assets	1,811	8,463
Regulatory Asset for Under-Recovered Fuel Costs	5,466	23,241
Margin Deposits	3,000	960
Prepayments and Other Current Assets	1,459	2,512
TOTAL CURRENT ASSETS	151,421	194,347
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	1,240,847	1,236,474
Transmission	806,327	801,838
Distribution	1,077,994	1,061,601
Other Property, Plant and Equipment	168,807	167,981
Construction Work in Progress	143,280	137,964
Total Property, Plant and Equipment	3,437,255	3,405,858
Accumulated Depreciation and Amortization	1,164,198	1,156,221
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	2,273,057	2,249,637
OTHER NONCURRENT ASSETS		
Regulatory Assets	502,242	504,185
Employee Benefits and Pension Assets	21,000	20,531
Operating Lease Assets	510	528
Deferred Charges and Other Noncurrent Assets	30,720	37,877
TOTAL OTHER NONCURRENT ASSETS	554,472	563,121
TOTAL ASSETS	$ 2,978,950	$ 3,007,105

See Condensed Notes to Condensed Financial Statements beginning on page 9.

KENTUCKY POWER COMPANY
CONDENSED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
March 31, 2023 and December 31, 2022
(Unaudited)

	March 31, 2023	December 31, 2022
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 113,625	$ 94,428
Accounts Payable:		
General	38,094	56,969
Affiliated Companies	43,456	51,076
Long-term Debt Due Within One Year – Nonaffiliated	490,000	490,000
Customer Deposits	39,625	38,784
Accrued Taxes	29,040	40,272
Accrued Interest	9,204	8,543
Obligations Under Operating Leases	122	128
Other Current Liabilities	14,786	17,284
TOTAL CURRENT LIABILITIES	777,952	797,484
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	688,545	688,448
Deferred Income Taxes	451,457	456,217
Regulatory Liabilities and Deferred Investment Tax Credits	101,194	108,853
Asset Retirement Obligations	18,564	18,447
Employee Benefits and Pension Obligations	8,522	9,736
Obligations Under Operating Leases	438	450
Deferred Credits and Other Noncurrent Liabilities	7,316	7,160
TOTAL NONCURRENT LIABILITIES	1,276,036	1,289,311
TOTAL LIABILITIES	2,053,988	2,086,795
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – Par Value – $50 Per Share:		
Authorized – 2,000,000 Shares		
Outstanding – 1,009,000 Shares	50,450	50,450
Paid-in Capital	526,287	526,287
Retained Earnings	348,225	343,573
TOTAL COMMON SHAREHOLDER'S EQUITY	924,962	920,310
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 2,978,950	$ 3,007,105

See Condensed Notes to Condensed Financial Statements beginning on page 9.

KENTUCKY POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2023 and 2022
(in thousands)
(Unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
OPERATING ACTIVITIES		
Net Income	$ 4,652	$ 25,921
Adjustments to Reconcile Net Income to Net Cash Flows from (Used for) Operating Activities:		
Depreciation and Amortization	33,593	30,528
Deferred Income Taxes	(10,725)	(10,224)
Allowance for Equity Funds Used During Construction	(256)	(377)
Mark-to-Market of Risk Management Contracts	7,462	4,509
Property Taxes	6,516	5,391
Deferred Fuel Over/Under-Recovery, Net	17,775	(7,336)
Change in Other Noncurrent Assets	(6,553)	(6,874)
Change in Other Noncurrent Liabilities	(7,067)	(2,404)
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	33,563	(39,499)
Fuel, Materials and Supplies	(14,780)	(6,776)
Margin Deposits	(2,040)	12,782
Accounts Payable	(27,525)	(4,251)
Accrued Taxes, Net	(10,517)	(12,238)
Other Current Assets	353	685
Other Current Liabilities	(1,324)	7,528
Net Cash Flows from (Used for) Operating Activities	23,127	(2,635)
INVESTING ACTIVITIES		
Construction Expenditures	(43,547)	(41,950)
Other Investing Activities	389	1,015
Net Cash Flows Used for Investing Activities	(43,158)	(40,935)
FINANCING ACTIVITIES		
Change in Advances from Affiliates, Net	19,197	46,044
Principal Payments for Finance Lease Obligations	(22)	(230)
Other Financing Activities	—	(34)
Net Cash Flows from Financing Activities	19,175	45,780
Net Increase (Decrease) in Cash and Cash Equivalents	(856)	2,210
Cash and Cash Equivalents at Beginning of Period	2,684	763
Cash and Cash Equivalents at End of Period	$ 1,828	$ 2,973
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 14,173	$ 8,594
Noncash Acquisitions Under Finance Leases	—	77
Construction Expenditures Included in Current Liabilities as of March 31,	19,511	25,246

See Condensed Notes to Condensed Financial Statements beginning on page 9.

INDEX OF CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING MATTERS

General

The unaudited condensed financial statements and footnotes were prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual financial statements.

In the opinion of management, the unaudited condensed interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair statement of the net income, financial position and cash flows for the interim periods. Net income for the three months ended March 31, 2023 is not necessarily indicative of results that may be expected for the year ending December 31, 2023. The condensed financial statements are unaudited and should be read in conjunction with the audited 2022 financial statements and notes thereto, which are included in KPCo's 2022 Annual Report.

Termination of Planned Disposition of KPCo and KTCo

In October 2021, AEP entered into a Stock Purchase Agreement (SPA) to sell KPCo and KTCo to Liberty Utilities Co., a subsidiary of Algonquin Power & Utilities Corp. (Liberty), for approximately a $2.85 billion enterprise value. The SPA was subsequently amended in September 2022 to reduce the purchase price to approximately $2.646 billion. The sale required approval from the KPSC and from the FERC under Section 203 of the Federal Power Act. The SPA contained certain termination rights if the closing of the sale did not occur by April 26, 2023.

In May 2022, the KPSC approved the sale of KPCo to Liberty subject to certain conditions contingent upon the closing of the sale. In December 2022, the FERC issued an order denying, without prejudice, authorization of the proposed sale stating the applicants failed to demonstrate the proposed transaction will not have an adverse effect on rates. In February 2023, a new filing for approval under Section 203 of the Federal Power Act was submitted. In March 2023, the KPSC and other intervenors made filings recommending the FERC reject AEP and Liberty's new Section 203 application seeking approval of the sale.

In April 2023, AEP, AEPTCo and Liberty entered into a Mutual Termination Agreement (Termination Agreement) terminating the SPA. The parties entered into the Termination Agreement as all of the conditions precedent to closing the sale could not be satisfied prior to April 26, 2023.

Subsequent Events

Management reviewed subsequent events through May 4, 2023, the date that the first quarter 2023 report was available to be issued.

2. NEW ACCOUNTING STANDARDS

During the FASB's standard-setting process and upon issuance of final standards, management reviews the new accounting literature to determine its relevance, if any, to KPCo's business. There are no new standards expected to have a material impact on KPCo's financial statements.

3. COMPREHENSIVE INCOME

Presentation of Comprehensive Income

The following tables provide the components of changes in AOCI and details of reclassifications from AOCI. The amortization of pension and OPEB AOCI components are included in the computation of net periodic pension and OPEB costs. See Note 6 - Benefit Plans for additional information.

Three Months Ended March 31, 2023	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of December 31, 2022	$ —
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	—
Amortization of Actuarial (Gains) Losses	—
Reclassifications from AOCI, before Income Tax (Expense) Benefit	—
Income Tax (Expense) Benefit	—
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	—
Net Current Period Other Comprehensive Income (Loss)	—
Balance in AOCI as of March 31, 2023	$ —

Three Months Ended March 31, 2022	**Pension and OPEB**
	(in thousands)
Balance in AOCI as of December 31, 2021	$ 1,749
Change in Fair Value Recognized in AOCI	—
Amount of (Gain) Loss Reclassified from AOCI	
Amortization of Prior Service Cost (Credit)	(59)
Amortization of Actuarial (Gains) Losses	10
Reclassifications from AOCI, before Income Tax (Expense) Benefit	(49)
Income Tax (Expense) Benefit	(10)
Reclassifications from AOCI, Net of Income Tax (Expense) Benefit	(39)
Net Current Period Other Comprehensive Income (Loss)	(39)
Balance in AOCI as of March 31, 2022	$ 1,710

4. RATE MATTERS

As discussed in KPCo's 2022 Annual Report, KPCo is involved in rate and regulatory proceedings at the FERC and the KPSC. The Rate Matters note within KPCo's 2022 Annual Report should be read in conjunction with this report to gain a complete understanding of material rate matters still pending that could impact net income, cash flows and possibly financial condition. The following discusses ratemaking developments in 2023 and updates KPCo's 2022 Annual Report.

Regulatory Assets Pending Final Regulatory Approval

Noncurrent Regulatory Assets	March 31, 2023	December 31, 2022
	(in thousands)	
Regulatory Assets Currently Not Earning a Return		
Storm-Related Costs (a)	$ 73,936	$ 74,430
Other Regulatory Assets Pending Final Regulatory Approval	1,914	1,699
Total Regulatory Assets Pending Final Regulatory Approval	$ 75,850	$ 76,129

(a) KPCo will seek recovery of these costs in a future regulatory proceeding. In March 2023, Kentucky (Senate Bill 192) passed legislation that would allow the securitization of certain retired generation costs with a minimum value of $200 million, as well as certain other regulatory assets including deferred extraordinary storm costs, as long as the cumulative total requested for securitization is at least $275 million.

If these costs are ultimately determined not to be recoverable, it could reduce future net income and cash flows and impact financial condition.

Storm-Related Costs

In March and April 2023, major storms impacted KPCo's service territory resulting in system damages and power outages. As of March 31, 2023, KPCo incurred approximately $3 million of incremental other operating and maintenance expenses related to the March 2023 storms. Management estimates KPCo will incur an additional $6 million of other operating and maintenance expenses related to additional April 2023 storms. Consistent with prior guidance from the KPSC, KPCo filed an application with the KPSC seeking recovery of these prudently incurred costs in May 2023. Until KPCo receives deferral authority for these incremental storm costs from the KPSC, it will reduce net income and cash flows and impact financial condition.

Deferred Purchased Power Expenses

In September 2022, the KPSC initiated a proceeding to investigate the appropriate amortization period and recovery mechanism for the deferral of Kentucky Deferred Purchased Power Expenses related to the Rockport Plant Unit Power Agreement (UPA), as well as KPCo's ability to use the level of non-fuel, non-environmental Rockport UPA expense included in base rates to earn its authorized ROE in 2023 since the KPCo UPA ended in December 2022. KPCo requested the KPSC approve the terms related to each of the foregoing items as reflected in the settlement agreement in the 2017 Kentucky Base Rate Case, including recovery of the Kentucky Deferred Purchased Power Expenses over five years through a rider beginning in December 2022. In December 2022, the KPSC approved KPCo's request and recovery began through a rider, including recovery of an estimated allowed cost (Rockport Offset) of $22.8 million in accordance with the terms of the settlement agreement in the 2017 Kentucky Base Rate Case permitting KPCo to use the level of non-fuel, non-environmental Rockport UPA expense included in base rates to earn its authorized ROE in 2023. This estimated Rockport Offset is subject to true-up based on KPCo's actual 2023 financial results and KPSC review in the first quarter of 2024. The actual Rockport Offset cannot exceed $40.8 million. If the actual Rockport Offset is not recoverable, it could reduce future net income and cash flows and impact financial condition.

Fuel Adjustment Clause (FAC) Purchased Power Limitation

In May 2023, KPCo filed an application seeking authority to defer, for future recovery, approximately $11.5 million of December 2022 purchased power costs not recoverable through its FAC. This requested deferral accounting authority would enable KPCo to pursue securitization of these costs, which otherwise would be requested for recovery in KPCo's next base rate case, in a future proceeding pursuant to Kentucky Senate Bill 192. Until KPCo receives deferral authority for these purchased power costs from the KPSC, it will reduce net income and cash flows and impact financial condition.

5. COMMITMENTS, GUARANTEES AND CONTINGENCIES

KPCo is subject to certain claims and legal actions arising in its ordinary course of business. In addition, KPCo's business activities are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation against KPCo cannot be predicted. Management accrues contingent liabilities only when management concludes that it is both probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. When management determines that it is not probable, but rather reasonably possible that a liability has been incurred at the date of the financial statements, management discloses such contingencies and the possible loss or range of loss if such estimate can be made. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent the maximum possible loss exposure. Circumstances change over time and actual results may vary significantly from estimates.

For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements. The Commitments, Guarantees and Contingencies note within KPCo's 2022 Annual Report should be read in conjunction with this report.

GUARANTEES

Liabilities for guarantees are recorded in accordance with the accounting guidance for "Guarantees." There is no collateral held in relation to any guarantees. In the event any guarantee is drawn, there is no recourse to third-parties unless specified below.

Indemnifications and Other Guarantees

Contracts

KPCo enters into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. As of March 31, 2023, there were no material liabilities recorded for any indemnifications.

AEPSC conducts power purchase and sale activity on behalf of APCo, I&M, KPCo and WPCo, who are jointly and severally liable for activity conducted on their behalf.

6. BENEFIT PLANS

KPCo participates in an AEP sponsored qualified pension plan and two unfunded nonqualified pension plans. Substantially all of KPCo's employees are covered by the qualified plan or both the qualified and nonqualified pension plans. KPCo also participates in OPEB plans sponsored by AEP to provide health and life insurance benefits for retired employees.

Components of Net Periodic Benefit Cost

The following table provides the components of KPCo's net periodic benefit cost (credit) for the plans:

	Pension Plans		OPEB	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2023	2022	2023	2022
	(in thousands)			
Service Cost	$ 368	$ 791	$ 16	$ 52
Interest Cost	1,204	1,288	317	261
Expected Return on Plan Assets	(1,783)	(2,400)	(800)	(1,060)
Amortization of Prior Service Credit	—	—	(464)	(630)
Amortization of Net Actuarial Loss	—	536	111	—
Net Periodic Benefit Cost (Credit)	$ (211)	$ 215	$ (820)	$ (1,377)

7. DERIVATIVES AND HEDGING

OBJECTIVES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS

AEPSC is agent for and transacts on behalf of KPCo.

KPCo is exposed to certain market risks as a major power producer and participant in the electricity, natural gas, coal and emission allowance markets. These risks include commodity price risk, interest rate risk and credit risk. These risks represent the risk of loss that may impact KPCo due to changes in the underlying market prices or rates. Management utilizes derivative instruments to manage these risks.

STRATEGIES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS TO ACHIEVE OBJECTIVES

Risk Management Strategies

The strategy surrounding the use of derivative instruments primarily focuses on managing risk exposures, future cash flows and creating value utilizing both economic and formal hedging strategies. The risk management strategies also include the use of derivative instruments for trading purposes which focus on seizing market opportunities to create value driven by expected changes in the market prices of the commodities. To accomplish these objectives, KPCo primarily employs risk management contracts including physical and financial forward purchase-and-sale contracts and, to a lesser extent, OTC swaps and options. Not all risk management contracts meet the definition of a derivative under the accounting guidance for "Derivatives and Hedging." Derivative risk management contracts elected normal under the normal purchases and normal sales scope exception are not subject to the requirements of this accounting guidance.

KPCo utilizes power, capacity, coal, natural gas, interest rate and, to a lesser extent, heating oil, gasoline and other commodity contracts to manage the risk associated with the energy business. KPCo utilizes interest rate derivative contracts in order to manage the interest rate exposure associated with its commodity portfolio. For disclosure purposes, such risks are grouped as "Commodity," as these risks are related to energy risk management activities. KPCo may also utilize derivative contracts to manage interest rate risk associated with debt financing. For disclosure purposes, these risks are grouped as "Interest Rate." The amount of risk taken is determined by the Commercial Operations and Finance groups in accordance with the established risk management policies as approved by the Finance Committee of the Board of Directors.

The following table represents the gross notional volume of KPCo's outstanding derivative contracts:

Primary Risk Exposure	March 31, 2023	December 31, 2022	Unit of Measure
	(in thousands)		
Commodity:			
Power	1,400	3,450	MWhs

Cash Flow Hedging Strategies

KPCo utilizes cash flow hedges on certain derivative transactions for the purchase and sale of power ("Commodity") in order to manage the variable price risk related to forecasted purchases and sales. Management monitors the potential impacts of commodity price changes and, where appropriate, enters into derivative transactions to protect profit margins for a portion of future electricity sales and purchases. KPCo does not hedge all commodity price risk.

KPCo may utilize a variety of interest rate derivative transactions in order to manage interest rate risk exposure. KPCo may also utilize interest rate derivative contracts to manage interest rate exposure related to future borrowings of fixed-rate debt. KPCo does not hedge all interest rate exposure.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND THE IMPACT ON KPCo's FINANCIAL STATEMENTS

The accounting guidance for "Derivatives and Hedging" requires recognition of all qualifying derivative instruments as either assets or liabilities on the balance sheets at fair value. The fair values of derivative instruments accounted for using MTM accounting or hedge accounting are based on exchange prices and broker quotes. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes and assumptions. In order to determine the relevant fair values of the derivative instruments, KPCo applies valuation adjustments for discounting, liquidity and credit quality.

Credit risk is the risk that a counterparty will fail to perform on the contract or fail to pay amounts due. Liquidity risk represents the risk that imperfections in the market will cause the price to vary from estimated fair value based upon prevailing market supply and demand conditions. Since energy markets are imperfect and volatile, there are inherent risks related to the underlying assumptions in models used to fair value risk management contracts. Unforeseen events may cause reasonable price curves to differ from actual price curves throughout a contract's term and at the time a contract settles. Consequently, there could be significant adverse or favorable effects on future net income and cash flows if market prices are not consistent with management's estimates of current market consensus for forward prices in the current period. This is particularly true for longer term contracts. Cash flows may vary based on market conditions, margin requirements and the timing of settlement of risk management contracts.

According to the accounting guidance for "Derivatives and Hedging," KPCo reflects the fair values of derivative instruments subject to netting agreements with the same counterparty net of related cash collateral. For certain risk management contracts, KPCo is required to post or receive cash collateral based on third-party contractual agreements and risk profiles. The amount of cash collateral received from third-parties netted against short-term and long-term risk management assets and the amount of cash collateral paid to third-parties netted against short-term and long-term risk management liabilities were immaterial for KPCo as of March 31, 2023 and December 31, 2022.

The following tables represent the gross fair value of KPCo's derivative activity on the balance sheets. Unless shown as a separate line on the balance sheets due to materiality, Current Risk Management Assets are included in Prepayments and Other Current Assets, Long-term Risk Management Assets are included in Deferred Charges and Other Noncurrent Assets, Current Risk Management Liabilities are included in Other Current Liabilities and Long-term Risk Management Liabilities are included in Deferred Credits and Other Noncurrent Liabilities on the balance sheets.

	March 31, 2023		
Balance Sheet Location	**Risk Management Contracts – Commodity (a)**	**Gross Amounts Offset in the Statement of Financial Position (b)**	**Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)**
		(in thousands)	
Current Risk Management Assets	$ 1,894	$ (83)	$ 1,811
Long-term Risk Management Assets	92	(92)	—
Total Assets	1,986	(175)	1,811
Current Risk Management Liabilities	879	(83)	796
Long-term Risk Management Liabilities	92	(92)	—
Total Liabilities	971	(175)	796
Total MTM Derivative Contract Net Assets (d)	$ 1,015	$ —	$ 1,015

	December 31, 2022		
Balance Sheet Location	**Risk Management Contracts – Commodity (a)**	**Gross Amounts Offset in the Statement of Financial Position (b)**	**Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)**
		(in thousands)	
Current Risk Management Assets	$ 8,607	$ (144)	$ 8,463
Long-term Risk Management Assets	137	(137)	—
Total Assets	8,744	(281)	8,463
Current Risk Management Liabilities	144	(144)	—
Long-term Risk Management Liabilities	137	(137)	—
Total Liabilities	281	(281)	—
Total MTM Derivative Contract Net Assets	$ 8,463	$ —	$ 8,463

(a) Derivative instruments within this category are disclosed as gross. These instruments are subject to master netting agreements and are presented on the balance sheets on a net basis in accordance with the accounting guidance for "Derivatives and Hedging."
(b) Amounts include counterparty netting of risk management and hedging contracts and associated cash collateral in accordance with the accounting guidance for "Derivatives and Hedging."
(c) All derivative contracts subject to a master netting arrangement or similar agreement are offset in the statement of financial position.
(d) Decrease in amounts as of March 31, 2023 are primarily due to decreases in commodity prices for power and natural gas and a decrease in value of FTRs.

The table below presents KPCo's activity of derivative risk management contracts:

Amount of Gain (Loss) Recognized on Risk Management Contracts

	Three Months Ended March 31,	
Location of Gain (Loss)	**2023**	**2022**
	(in thousands)	
Electric Generation, Transmission and Distribution Revenues	$ —	$ 2
Purchased Electricity for Resale	19	59
Other Operation	—	16
Maintenance	—	21
Regulatory Assets (a)	(796)	(46)
Regulatory Liabilities (a)	(2,687)	1,566
Total Gain (Loss) on Risk Management Contracts	$ (3,464)	$ 1,618

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment recorded as either current or noncurrent on the balance sheets.

Certain qualifying derivative instruments have been designated as normal purchase or normal sale contracts, as provided in the accounting guidance for "Derivatives and Hedging." Derivative contracts that have been designated as normal purchases or normal sales under that accounting guidance are not subject to MTM accounting treatment and are recognized on the statements of income on an accrual basis.

The accounting for the changes in the fair value of a derivative instrument depends on whether it qualifies for and has been designated as part of a hedging relationship and further, on the type of hedging relationship. Depending on the exposure, management designates a hedging instrument as a fair value hedge or a cash flow hedge.

For contracts that have not been designated as part of a hedging relationship, the accounting for changes in fair value depends on whether the derivative instrument is held for trading purposes. Unrealized and realized gains and losses on derivative instruments held for trading purposes are included in revenues on a net basis on KPCo's statements of income. Unrealized and realized gains and losses on derivative instruments not held for trading purposes are included in revenues or expenses on KPCo's statements of income depending on the relevant facts and circumstances. Certain derivatives that economically hedge future commodity risk are recorded in the same line item on the statements of income as that of the associated risk being hedged. However, unrealized and some realized gains and losses for both trading and non-trading derivative instruments are recorded as regulatory assets (for losses) or regulatory liabilities (for gains), in accordance with the accounting guidance for "Regulated Operations."

Accounting for Cash Flow Hedging Strategies

For cash flow hedges (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), KPCo initially reports the gain or loss on the derivative instrument as a component of Accumulated Other Comprehensive Income (Loss) on the balance sheets until the period the hedged item affects Net Income.

Realized gains and losses on derivative contracts for the purchase and sale of power designated as cash flow hedges are included in Total Revenues or Purchased Electricity for Resale on KPCo's statements of income, or in Regulatory Assets or Regulatory Liabilities on KPCo's balance sheets, depending on the specific nature of the risk being hedged. During the three months ended March 31, 2023 and 2022, KPCo did not apply cash flow hedging to outstanding power derivatives.

KPCo reclassifies gains and losses on interest rate derivative hedges related to debt financings from Accumulated Other Comprehensive Income (Loss) on its balance sheets into Interest Expense on its statements of income in those periods in which hedged interest payments occur. During the three months ended March 31, 2023 and 2022, KPCo did not apply cash flow hedging to outstanding interest rate derivatives.

There was no impact of cash flow hedges included in Accumulated Other Comprehensive Income (Loss) on KPCo's balance sheets as of March 31, 2023 and December 31, 2022.

The actual amounts that KPCo reclassifies from Accumulated Other Comprehensive Income (Loss) to Net Income can differ due to market price changes. As of March 31, 2023, KPCo is not hedging (with contracts subject to the accounting guidance for "Derivatives and Hedging") its exposure to variability in future cash flows related to forecasted transactions.

Credit Risk

Management mitigates credit risk in KPCo's wholesale marketing and trading activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis. Management uses credit agency ratings and current market-based qualitative and quantitative data as well as financial statements to assess the financial health of counterparties on an ongoing basis.

Master agreements are typically used to facilitate the netting of cash flows associated with a single counterparty and may include collateral requirements. Collateral requirements in the form of cash, letters of credit, surety bonds and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. Some master agreements include margining, which requires a counterparty to post cash or letters of credit in the event exposure exceeds the established threshold. The threshold represents an unsecured credit limit which may be supported by a parental/affiliate guaranty, as determined in accordance with AEP's credit policy. In addition, master agreements allow for termination and liquidation of all positions in the event of a default including failure or inability to post collateral when required.

Collateral Triggering Events

Credit Downgrade Triggers

A limited number of derivative contracts include collateral triggering events, which include a requirement to maintain certain credit ratings. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these collateral triggering events in contracts. KPCo has not experienced a downgrade below a specified credit rating threshold that would require the posting of additional collateral. As of March 31, 2023 and December 31, 2022, KPCo did not have derivative contracts with collateral triggering events in a net liability position.

Cross-Acceleration Triggers

Certain interest rate derivative contracts contain cross-acceleration provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-acceleration provisions could be triggered if there was a non-performance event by KPCo under any of their outstanding debt of at least $50 million and the lender on that debt has accelerated the entire repayment obligation. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-acceleration provisions in contracts. KPCo had no derivative contracts with cross-acceleration provisions in a net liability position as of March 31, 2023 and December 31, 2022, respectively. There was no cash collateral posted as of March 31, 2023 and December 31, 2022. If a cross-acceleration provision would have been triggered, settlement at fair value would have been required. KPCo had no derivative contracts with cross-acceleration provisions outstanding as of March 31, 2023 and December 31, 2022.

Cross-Default Triggers

In addition, a majority of KPCo's non-exchange-traded commodity contracts contain cross-default provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-default provisions could be triggered if there was a non-performance event by Parent or the obligor under outstanding debt or a third-party obligation that is $50 million or greater. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-default provisions in the contracts. KPCo had no derivative contracts with cross-default provisions outstanding as of March 31, 2023 and December 31, 2022. There was no cash collateral posted as of March 31, 2023 and December 31, 2022. If a cross-default provision would have been triggered, settlement at fair value would have been required.

8. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy and Valuation Techniques

The accounting guidance for "Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. When quoted market prices are not available, pricing may be completed using comparable securities, dealer values, operating data and general market conditions to determine fair value. Valuation models utilize various inputs such as commodity, interest rate and, to a lesser degree, volatility and credit that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, market corroborated inputs (i.e. inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability.

For commercial activities, exchange-traded derivatives, namely futures contracts, are generally fair valued based on unadjusted quoted prices in active markets and are classified as Level 1. Level 2 inputs primarily consist of OTC broker quotes in moderately active or less active markets, as well as exchange-traded derivatives where there is insufficient market liquidity to warrant inclusion in Level 1. Management verifies price curves using these broker quotes and classifies these fair values within Level 2 when substantially all of the fair value can be corroborated. Management typically obtains multiple broker quotes, which are nonbinding in nature but are based on recent trades in the marketplace. When multiple broker quotes are obtained, the quoted bid and ask prices are averaged. In certain circumstances, a broker quote may be discarded if it is a clear outlier. Management uses a historical correlation analysis between the broker quoted location and the illiquid locations. If the points are highly correlated, these locations are included within Level 2 as well. Certain OTC and bilaterally executed derivative instruments are executed in less active markets with a lower availability of pricing information. Illiquid transactions, complex structured transactions, FTRs and counterparty credit risk may require nonmarket-based inputs. Some of these inputs may be internally developed or extrapolated and utilized to estimate fair value. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized as Level 3. The main driver of contracts being classified as Level 3 is the inability to substantiate energy price curves in the market. A portion of the Level 3 instruments have been economically hedged which limits potential earnings volatility.

Fair Value Measurements of Long-term Debt

The fair values of Long-term Debt are based on quoted market prices, without credit enhancements, for the same or similar issues and the current interest rates offered for instruments with similar maturities classified as Level 2 measurement inputs. These instruments are not marked-to-market. The estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

The book values and fair values of KPCo's Long-term Debt are summarized in the following table:

	March 31, 2023		December 31, 2022	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
	(in thousands)			
Long-term Debt	$ 1,178,545	$ 1,160,981	$ 1,178,448	$ 1,148,769

Fair Value Measurements of Financial Assets and Liabilities

The following tables set forth, by level within the fair value hierarchy, KPCo's financial assets and liabilities that were accounted for at fair value on a recurring basis. As required by the accounting guidance for "Fair Value Measurements and Disclosures," financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have not been any significant changes in management's valuation techniques.

Assets and Liabilities Measured at Fair Value on a Recurring Basis
March 31, 2023

	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Assets:					
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 81	$ 1,824	$ (94)	$ 1,811
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 81	$ 809	$ (94)	$ 796

December 31, 2022

	Level 1	Level 2	Level 3	Other	Total
			(in thousands)		
Assets:					
Risk Management Assets					
Risk Management Commodity Contracts (a) (b)	$ —	$ 137	$ 8,607	$ (281)	$ 8,463
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (a) (b)	$ —	$ 137	$ 144	$ (281)	$ —

(a) Amounts in "Other" column primarily represent counterparty netting of risk management and hedging contracts and associated cash collateral under the accounting guidance for "Derivatives and Hedging."
(b) Substantially comprised of power contracts.

The following tables set forth a reconciliation of changes in the fair value of net trading derivatives classified as Level 3 in the fair value hierarchy:

Three Months Ended March 31, 2023	**Net Risk Management Assets (Liabilities)**
	(in thousands)
Balance as of December 31, 2022	$ 8,463
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	(2,742)
Settlements	(3,984)
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	(722)
Balance as of March 31, 2023	$ 1,015

Three Months Ended March 31, 2022	**Net Risk Management Assets (Liabilities)**
	(in thousands)
Balance as of December 31, 2021	$ 5,871
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	1,021
Settlements	(5,960)
Changes in Fair Value Allocated to Regulated Jurisdictions (c)	449
Balance as of March 31, 2022	$ 1,381

(a) Included in revenues on KPCo's statements of income.
(b) Represents the change in fair value between the beginning of the reporting period and the settlement of the risk management commodity contract.
(c) Relates to the net gains (losses) of those contracts that are not reflected on KPCo's statements of income. These changes in fair value are recorded as regulatory liabilities for net gains and as regulatory assets for net losses.

The following tables quantify the significant unobservable inputs used in developing the fair value of Level 3 positions:

Significant Unobservable Inputs
March 31, 2023

	Fair Value		Valuation	Significant Unobservable	Input/Range		
	Assets	Liabilities	Technique	Input (a)	Low	High	Weighted Average (b)
	(in thousands)						
FTRs	$ 1,824	$ 809	Discounted Cash Flow	Forward Market Price	$ (1.78)	$ 6.29	$ 0.73

December 31, 2022

	Fair Value		Valuation	Significant Unobservable	Input/Range		
	Assets	Liabilities	Technique	Input (a)	Low	High	Weighted Average (b)
	(in thousands)						
FTRs	$ 8,607	$ 144	Discounted Cash Flow	Forward Market Price	$ (3.10)	$ 18.79	$ 2.48

(a) Represents market prices in dollars per MWh.
(b) The weighted average is the product of the forward market price of the underlying commodity and volume weighted by term.

The following table provides the measurement uncertainty of fair value measurements to increases (decreases) in significant unobservable inputs related to Energy Contracts and FTRs as of March 31, 2023 and December 31, 2022:

Uncertainty of Fair Value Measurements

Significant Unobservable Input	Position	Change in Input	Impact on Fair Value Measurement
Forward Market Price	Buy	Increase (Decrease)	Higher (Lower)
Forward Market Price	Sell	Increase (Decrease)	Lower (Higher)

9. INCOME TAXES

Effective Tax Rates (ETR)

KPCo accounts for income taxes in interim periods in accordance with the accounting guidance for "Income Taxes." In accordance with the guidance the use of an estimated annual effective tax rate should be utilized to determine income tax expense unless a reliable estimate of the annual effective tax rate cannot be made, in which case the actual effective tax rate for the year to date should be utilized. KPCo's interim ETR reflects the actual year-to-date effective tax rate for 2023 and the estimated annual ETR for 2022, adjusted for tax expense associated with certain discrete items.

KPCo includes the amortization of Excess ADIT not subject to normalization requirements in the estimated annual ETR when regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers over multiple interim periods. Certain regulatory proceedings instruct KPCo to provide the benefits of Tax Reform to customers in a single period (e.g. by applying the Excess ADIT not subject to normalization requirements against an existing regulatory asset balance) and in these circumstances, KPCo recognizes the tax benefit discretely in the period recorded. The annual amount of Excess ADIT approved by KPCo's regulatory commissions may not impact the ETR ratably during each interim period due to the variability of pretax book income between interim periods and the application of an estimated annual ETR.

The ETR for KPCo is included in the following table:

	Three Months Ended March 31,	
	2023	2022
U.S. Federal Statutory Rate	21.0 %	21.0 %
Increase (decrease) due to:		
State Income Tax, net of Federal Benefit	(4.9)%	(0.9)%
Tax Reform Excess ADIT Reversal	193.5 %	(89.7)%
Flow Through	6.4 %	0.1 %
AFUDC Equity	1.3 %	(1.4)%
Other	(2.2)%	0.1 %
Effective Income Tax Rate	215.1 %	(70.8)%

Federal and State Income Tax Audit Status

The statute of limitations for the IRS to examine KPCo and other AEP subsidiaries' originally filed federal return has expired for tax years 2016 and earlier. KPCo and other AEP subsidiaries have agreed to extend the statute of limitations on the 2017 and 2018 tax returns to December 31, 2023, to allow time for the current IRS audit to be completed including a refund claim approval by the Congressional Joint Committee on Taxation. The statute of limitations for the 2019 return is set to naturally expire in 2023 as well.

The current IRS audit and associated refund claim evolved from a net operating loss carryback to 2015 that originated in the 2017 return. KPCo and other AEP subsidiaries have received and agreed to two IRS proposed adjustments on the 2017 tax return, which were immaterial. The exam is nearly complete, and KPCo and other AEP subsidiaries are currently working with the IRS to submit the refund claim to the Congressional Joint Committee on Taxation for resolution and final approval.

KPCo and other AEP subsidiaries file income tax returns in various state and local jurisdictions. These taxing authorities routinely examine the tax returns, and KPCo and other AEP subsidiaries are currently under examination in several state and local jurisdictions. Generally, the statutes of limitations have expired for tax years prior to 2017. In addition, management is monitoring and continues to evaluate the potential impact of federal legislation and corresponding state conformity.

Federal Legislation

In August 2022, President Biden signed H.R. 5376 into law, commonly known as the Inflation Reduction Act of 2022 or IRA. Most notably this budget reconciliation legislation creates a 15% minimum tax on adjusted financial statement income (Corporate Alternative Minimum Tax or CAMT), extends and increases the value of PTCs and ITCs, adds a nuclear and clean hydrogen PTC, an energy storage ITC and allows the sale or transfer of tax credits to third parties for cash. As further significant guidance from Treasury and the IRS is expected on the tax provisions in the IRA, KPCo and other AEP subsidiaries will continue to monitor any issued guidance and evaluate the impact on future net income, cash flows and financial condition.

In December 2022, the IRS released Notice 2023-7 addressing time sensitive issues related to the CAMT. The notice provided initial guidance that KPCo and other AEP subsidiaries can begin to rely on in 2023 and also stated that additional guidance is expected, of which KPCo and other AEP subsidiaries will continue to monitor and assess. Notably, the interim guidance in Notice 2023-7 confirmed the CAMT depreciation adjustment includes tax depreciation that is capitalized to inventory under §263A and recovered as part of cost of goods sold, providing significant relief to KPCo and other AEP subsidiaries's potential CAMT exposure.

KPCo and other AEP subsidiaries expect to be applicable corporations for purposes of the CAMT beginning in 2023. CAMT cash taxes are expected to be partially offset by regulatory recovery, the utilization of tax credits and additionally the cash inflow generated by the sale of tax credits. The sale of tax credits will be presented in the operating section of the statements of cash flows consistent with the presentation of cash taxes paid. KPCo and other AEP subsidiaries will present the gain or loss on sale of tax credits through income tax expense.

10. FINANCING ACTIVITIES

Long-term Debt

KPCo did not have any long-term debt issuances or retirements during the first three months of 2023.

Dividend Restrictions

KPCo pays dividends to Parent provided funds are legally available. Various financing arrangements and regulatory requirements may impose certain restrictions on the ability of KPCo to transfer funds to Parent in the form of dividends.

All of the dividends declared by KPCo are subject to a Federal Power Act requirement that prohibits the payment of dividends out of capital accounts in certain circumstances; payment of dividends is generally allowed out of retained earnings.

KPCo has credit agreements that contain a covenant that limit its debt to capitalization ratio to 67.5%. As of March 31, 2023, KPCo did not exceed its debt to capitalization limit. The method for calculating outstanding debt and capitalization is contractually-defined in the credit agreements.

The Federal Power Act restriction does not limit the ability of KPCo to pay dividends out of retained earnings.

Corporate Borrowing Program – AEP System

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of AEP's subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds AEP's utility subsidiaries. The AEP System Utility Money Pool operates in accordance with the terms and conditions of its agreement filed with the FERC. The amounts of outstanding borrowings from the Utility Money Pool as of March 31, 2023 and December 31, 2022 are included in Advances from Affiliates on KPCo's balance sheets. KPCo's Utility Money Pool activity and corresponding authorized borrowing limit for the three months ended March 31, 2023 are described in the following table:

Maximum Borrowings from the Utility Money Pool	Average Borrowings from the Utility Money Pool	Borrowings from the Utility Money Pool as of March 31, 2023	Authorized Short-Term Borrowing Limit
	(in thousands)		
$ 124,006	$ 109,635	$ 113,625	$ 180,000

Maximum, minimum and average interest rates for funds borrowed from the Utility Money Pool are summarized in the following table:

Three Months Ended March 31,	Maximum Interest Rate for Funds Borrowed from the Utility Money Pool	Minimum Interest Rate for Funds Borrowed from the Utility Money Pool	Average Interest Rate for Funds Borrowed from the Utility Money Pool
2023	5.42 %	4.66 %	5.12 %
2022	1.00 %	0.10 %	0.67 %

Securitized Accounts Receivables – AEP Credit

Under an affiliated receivables sales arrangement, KPCo sold, without recourse, certain of its customer accounts receivable and accrued unbilled revenue balances to AEP Credit. KPCo was charged a fee for each sale that is based on AEP Credit's financing costs, administrative costs and uncollectible accounts experience from previous purchases of KPCo's customer accounts receivable. The costs of customer accounts receivable sold are reported in Other Operation expense on KPCo's statements of income. In January 2022, due to the expected sale to Liberty, KPCo ceased selling accounts receivable to AEP Credit. As a result, in the first quarter of 2022, KPCo began recording an allowance for uncollectible accounts on its balance sheet for those receivables no longer sold to AEP Credit.

The fees paid by KPCo to AEP Credit for customer accounts receivable sold for the three months ended March 31, 2023 and 2022 were $0 and $295 thousand, respectively.

KPCo's proceeds on the sale of receivables to AEP Credit for the three months ended March 31, 2023 and 2022 were $0 and $65.6 million, respectively.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenues from Contracts with Customers

The table below represents KPCo's revenues from contracts with customers, net of respective provisions for refund, by type of revenue:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
	(in thousands)	
Retail Revenues:		
Residential Revenues	$ 71,885	$ 81,690
Commercial Revenues	43,269	44,071
Industrial Revenues	41,567	39,650
Other Retail Revenues	544	538
Total Retail Revenues	157,265	165,949
Wholesale Revenues:		
Generation Revenues	3,336	4,618
Transmission Revenues (a)	7,300	7,851
Total Wholesale Revenues	10,636	12,469
Other Revenues from Contracts with Customers (b)	2,472	3,819
Total Revenues from Contracts with Customers	170,373	182,237
Other Revenues:		
Alternative Revenue Programs (c)	1,159	198
Other Revenues	—	2
Total Other Revenues	1,159	200
Total Revenues	$ 171,532	$ 182,437

(a) Amounts include affiliated and nonaffiliated revenues. The affiliated revenues were $3.8 million and $4.7 million for the three months ended March 31, 2023 and 2022, respectively.
(b) Amounts include affiliated and nonaffiliated revenues.
(c) Alternative revenue programs in certain jurisdictions include regulatory mechanisms that periodically adjust for over/under collection of related revenues.

Fixed Performance Obligations

The following table represents KPCo's remaining fixed performance obligations satisfied over time as of March 31, 2023. Fixed performance obligations primarily include electricity sales for fixed amounts of energy and stand ready services into PJM's RPM market. KPCo elected to apply the exemption to not disclose the value of unsatisfied performance obligations for contracts with an original expected term of one year or less. Due to the annual establishment of revenue requirements, transmission revenues are excluded from the table below. The amounts shown in the table below include affiliated and nonaffiliated revenues.

2023	2024-2025	2026-2027	After 2027	Total
		(in thousands)		
$ 942	$ 2,512	$ 2,512	$ 1,256	$ 7,222

Contract Assets and Liabilities

Contract assets are recognized when KPCo has a right to consideration that is conditional upon the occurrence of an event other than the passage of time, such as future performance under a contract. KPCo did not have material contract assets as of March 31, 2023 and December 31, 2022, respectively.

When KPCo receives consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, they recognize a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. KPCo's contract liabilities typically arise from advanced payments of services provided primarily with respect to joint use agreements for utility poles. KPCo did not have material contract liabilities as of March 31, 2023 and December 31, 2022, respectively.

Accounts Receivable from Contracts with Customers

Accounts receivable from contracts with customers are presented on KPCo's balance sheets within the Accounts Receivable - Customers line item. KPCo's balances for receivables from contracts that are not recognized in accordance with the accounting guidance for "Revenue from Contracts with Customers" included in Accounts Receivable - Customers were not material as of March 31, 2023 and December 31, 2022. See "Securitized Accounts Receivable - AEP Credit" section of Note 10 for additional information related to AEP Credit's securitized accounts receivable.

The amount of affiliated accounts receivable from contracts with customers included in Accounts Receivable - Affiliated Companies on KPCo's balance sheets were $10.6 million and $9.1 million, respectively, as of March 31, 2023 and December 31, 2022.

Kentucky Power Company
AEPSC Charges by FERC Account, Allocation Factor and Allocation Type, net of share billed to Co-Owner
For 2020,2021,2022 and Test Year Ended March 2023

American Electric Power Service Corporation (AEPSC) is a wholly owned subsidiary of AEP and is the Centralized Service Company for the AEP System. AEPSC's activities are authorized by the FERC under the Public Utilities Holding Company Act of 2005. AEPSC performs, at cost, various corporate support services for subsidiaries of AEP, including Kentucky Power.

AEPSC transactions are accounted for through a work order system as required by the FERC. Costs for support services are accumulated in work orders and are billed to the company or companies benefiting from the service. Accounting within each work order is in accordance with the FERC Uniform System of Accounts. The costs for services benefiting only one company are directly assigned and are billed 100% to that company. Where services benefit more than one company, the costs for those services are allocated to the benefiting companies using an approved allocation factor. The allocation factor for any given allocation of costs is selected for use because it best reflects the cost driver associated with the service provided.

The FERC monitors the factors used for allocations, through required annual reporting, and can audit the validity of each factor. All services are billed at cost, with no profit charged, as required by the FERC's "at cost" rules.

			2020					2021					2022					TEST YEAR (12 Mo. Ended March 2023)				
Account Type	FERC Account	Allocation Factor	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net
Cost of Service	5000 - Oper Supervision & Engineering	08 - Number of Electric Retail Cust		3,074	3,074				1,731	1,731				6,126	6,126				6,823	6,823		
		09 - Number of Employees		189,192	189,192				226,266	226,266				150,327	150,327				102,706	102,706		
		17 - Number of Purchase Orders		421	421				232	232				(0)	(0)				3	3		
		28 - Number of Trans Pole Miles		(45)	(45)				(7)	(7)				(0)	(0)				(5)	(5)		
		31 - Number of Vehicles												526	526				535	535		
		33 - Number of Workstations		11,062	11,062				3,714	3,714				218	218				609	609		
		37 - AEPSC Past 3 Months Total Bill		119	119																	
		39 - 100% to One Company	1,412,524		1,412,524			1,727,315		1,727,315			1,297,117		1,297,117			1,147,180		1,147,180		
		40 - Equal Share Ratio		49	49														5,915	5,915		
		48 - MW Generating Capability		2,644,805	2,644,805				2,567,571	2,567,571				2,206,124	2,206,124				1,701,845	1,701,845		
		49 - MWH's Generation		228,985	228,985				157,564	157,564				128,571	128,571				85,550	85,550		
		52 - Past 3 Mo MMBTU Burned (Coal)							9	9												
		57 - Tons of Fuel Acquired		92	92				94	94				19	19				19	19		
		58 - Total Assets		240,856	240,856				256,934	256,934				227,806	227,806				163,275	163,275		
		60 - AEPSC Bill less Indir and Int		(1,209)	(1,209)				180	180				311	311				1,439	1,439		
		61 - Total Fixed Assets		101,553	101,553				109,271	109,271				110,991	110,991				76,154	76,154		
		63 - Total Gross Utility Plant		14	14									105	105				105	105		
	5000 - Oper Supervision & Engineering Total		1,412,524	3,418,968	4,831,491	(1,870,465)	2,961,026	1,727,315	3,323,558	5,050,874	(1,793,421)	3,257,453	1,297,117	2,831,123	4,128,239	(1,318,237)	2,810,002	1,147,180	2,144,973	3,292,153	(917,264)	2,374,889
	5010 - Fuel	28 - Number of Trans Pole Miles		1	1				(1)	(1)												
		39 - 100% to One Company	210,091		210,091			195,692		195,692			151,553		151,553			131,204		131,204		
		48 - MW Generating Capability		21,712	21,712				13,630	13,630				6,996	6,996				1,221	1,221		
		53 - Past 3 Mo MMBTU (Gas)		50,894	50,894				65,320	65,320				57,349	57,349				53,570	53,570		
		58 - Total Assets							2,424	2,424				2,919	2,919				2,084	2,084		
		60 - AEPSC Bill less Indir and Int		(130)	(130)				(10)	(10)				(45)	(45)				(235)	(235)		
		61 - Total Fixed Assets							85	85				1,689	1,689				1,263	1,263		
	5010 - Fuel Total		210,091	72,476	282,567	(64,820)	217,747	195,692	81,448	277,140	(71,549)	205,592	151,553	68,908	220,461	(46,088)	174,373	131,204	57,903	189,106	(31,248)	157,859
	5020 - Steam Expenses	39 - 100% to One Company	91,630		91,630			78,048		78,048			46,359		46,359			29,981		29,981		
		48 - MW Generating Capability		(62)	(62)				(15)	(15)				8	8				(11)	(11)		
		61 - Total Fixed Assets																	55	55		
	5020 - Steam Expenses Total		91,630	(62)	91,568	(39,910)	51,658	78,048	(15)	78,032	(38,528)	39,505	46,359	8	46,366	(23,188)	23,178	29,981	44	30,024	(14,991)	15,033
	5050 - Electric Expenses	39 - 100% to One Company	7,092		7,092			6,358		6,358												
		48 - MW Generating Capability		(0)	(0)				0	0												
	5050 - Electric Expenses Total		7,092	(0)	7,092	0	7,092	6,358	0	6,358	(2,674)	3,684				0	0				0	0
	5060 - Misc Steam Power Expenses	08 - Number of Electric Retail Cust		(5)	(5)																	
		09 - Number of Employees		2,314	2,314				1,341	1,341				988	988				688	688		
		11 - Number of GL Transactions		388,688	388,688																	
		28 - Number of Trans Pole Miles		6,722	6,722				7,561	7,561				7,327	7,327				7,724	7,724		
		39 - 100% to One Company	640,600		640,600			53,912		53,912			(123,832)		(123,832)			102,016		102,016		
		40 - Equal Share Ratio		733	733				887	887				1,178	1,178				1,057	1,057		
		48 - MW Generating Capability		44,888	44,888				2,276	2,276				390	390				(878)	(878)		
		58 - Total Assets		27,322	27,322				17,063	17,063				16,379	16,379				13,253	13,253		
		60 - AEPSC Bill less Indir and Int		(762)	(762)				94	94				(45)	(45)				(7)	(7)		
		61 - Total Fixed Assets		331,693	331,693				302,319	302,319				215,942	215,942				152,231	152,231		
	5060 - Misc Steam Power Expenses Total		640,600	801,594	1,442,194	(234,533)	1,207,661	53,912	331,539	385,451	(160,527)	224,924	(123,832)	242,160	118,328	(108,927)	9,400	102,016	174,067	276,083	(60,084)	215,998
	5070 - Rents	48 - MW Generating Capability							0	0												
	5070 - Rents Total					0	0		0	0	(0)	(0)				0	0				0	0
	5100 - Maint Supv & Engineering	17 - Number of Purchase Orders		0	0																	
		28 - Number of Trans Pole Miles		2	2				(2)	(2)				0	0				0	0		
		39 - 100% to One Company	123,765		123,765			211,595		211,595			100,366		100,366			80,064		80,064		
		48 - MW Generating Capability		123,215	123,215				143,114	143,114				64,651	64,651				41,615	41,615		
		49 - MWH's Generation		316	316				14	14				198	198				198	198		
		58 - Total Assets		74	74									1	1				21	21		
		60 - AEPSC Bill less Indir and Int		0	0				(0)	(0)												
		61 - Total Fixed Assets							127	127												
		63 - Total Gross Utility Plant		7	7																	
	5100 - Maint Supv & Engineering Total		123,765	123,615	247,380	(86,132)	161,249	211,595	143,253	354,848	(165,002)	189,845	100,366	64,850	165,216	(75,278)	89,938	80,064	41,834	121,898	(55,228)	66,670
	5110 - Maintenance of Structures	28 - Number of Trans Pole Miles		(0)	(0)				0	0												
		39 - 100% to One Company	123,472		123,472			171,461		171,461			62,138		62,138			18,539		18,539		
		48 - MW Generating Capability		(422)	(422)				(159)	(159)				(31)	(31)				(500)	(500)		
		60 - AEPSC Bill less Indir and Int							(0)	(0)												
	5110 - Maintenance of Structures Total		123,472	(422)	123,050	(32,102)	90,948	171,461	(159)	171,303	(77,060)	94,242	62,138	(31)	62,108	(31,204)	30,903	18,539	(500)	18,038	(9,169)	8,870
	5120 - Maintenance of Boiler Plant	28 - Number of Trans Pole Miles		0	0				2	2				(1)	(1)				(0)	(0)		
		37 - AEPSC Past 3 Months Total Bill		83	83																	
		39 - 100% to One Company	1,201,405		1,201,405			1,682,052		1,682,052			319,111		319,111			86,468		86,468		
		48 - MW Generating Capability		(10,868)	(10,868)				(685)	(685)				(1,251)	(1,251)				(7,780)	(7,780)		
		60 - AEPSC Bill less Indir and Int		(14)	(14)				1	1				(1)	(1)							
	5120 - Maintenance of Boiler Plant Total		1,201,405	(10,800)	1,190,606	(567,443)	623,163	1,682,052	(682)	1,681,370	(771,096)	910,273	319,111	(1,253)	317,858	(153,195)	164,663	86,468	(7,780)	78,689	(38,110)	40,579
	5130 - Maintenance of Electric Plant	28 - Number of Trans Pole Miles		(135)	(135)				8	8				(0)	(0)				94	94		
		39 - 100% to One Company	896,928		896,928			1,362,492		1,362,492			433,814		433,814			431,830		431,830		
		48 - MW Generating Capability		3,489	3,489				(7,139)	(7,139)				(718)	(718)				(14,221)	(14,221)		
		60 - AEPSC Bill less Indir and Int		0	0				0	0				(0)	(0)				(0)	(0)		
	5130 - Maintenance of Electric Plant Total		896,928	3,354	900,283	(183,080)	717,203	1,362,492	(7,131)	1,355,361	(561,360)	794,001	433,814	(718)	433,096	(56,020)	377,076	431,830	(14,127)	417,702	(26,155)	391,547
	5140 - Maintenance of Misc Steam Plt	28 - Number of Trans Pole Miles		(3)	(3)				(0)	(0)				2	2				0	0		
		39 - 100% to One Company	438,492		438,492			469,525		469,525			115,976		115,976			45,407		45,407		
		48 - MW Generating Capability		(1,545)	(1,545)				388	388				(226)	(226)				(2,855)	(2,855)		
		60 - AEPSC Bill less Indir and Int		(31)	(31)				(0)	(0)				10	10				(216)	(216)		
	5140 - Maintenance of Misc Steam Plt Total		438,492	(1,580)	436,912	(178,972)	257,940	469,525	388	469,913	(186,122)	283,791	115,976	(214)	115,762	(50,453)	65,309	45,407	(3,071)	42,335	(21,118)	21,217
	5170 - Oper Supervision & Engineering	40 - Equal Share Ratio																	161	161		
		48 - MW Generating Capability		(10)	(10)				2	2				(2)	(2)				(10)	(10)		
		58 - Total Assets												6	6				6	6		
		60 - AEPSC Bill less Indir and Int		(0)	(0)				(0)	(0)				0	0				0	0		
	5170 - Oper Supervision & Engineering Total			(10)	(10)	0	(10)		2	2	0	2		4	4	0	4		157	157	0	157
	5240 - Misc Nuclear Power Expenses	08 - Number of Electric Retail Cust		3	3				(3)	(3)												
		28 - Number of Trans Pole Miles							8	8				2	2				0	0		
		33 - Number of Workstations												101	101				104	104		
		48 - MW Generating Capability		4	4				(4)	(4)												

Kentucky Power Company
AEPSC Charges by FERC Account, Allocation Factor and Allocation Type, net of share billed to Co-Owner
For 2020,2021,2022 and Test Year Ended March 2023

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The FERC monitors the factors used for allocations, through required annual reporting, and can audit the validity of each factor. All services are billed at cost, with no profit charged, as required by the FERC's "at cost" rules.

			2020					2021					2022					TEST YEAR (12 Mo. Ended March 2023)				
Account Type	FERC Account	Allocation Factor	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net
		60 - AEPSC Bill less Indir and Int		(48)	(48)									8	8				(3,038)	(3,038)		
	5240 - Misc Nuclear Power Expenses Total			(41)	(41)	0	(41)		1	1	0	1		112	112	0	112		(2,934)	(2,934)	0	(2,934)
	5280 - Maint Supv & Engineering	48 - MW Generating Capability		1,136	1,136				2,266	2,266				2,370	2,370				2,459	2,459		
		60 - AEPSC Bill less Indir and Int		(0)	(0)				1	1				1	1				0	0		
	5280 - Maint Supv & Engineering Total			1,136	1,136	0	1,136		2,267	2,267	0	2,267		2,370	2,370	0	2,370		2,459	2,459	0	2,459
	5300 - Maint of Reactor Plant Equip	48 - MW Generating Capability		47	47				(47)	(47)				0	0				(9,511)	(9,511)		
		60 - AEPSC Bill less Indir and Int												8	8				(324)	(324)		
	5300 - Maint of Reactor Plant Equip Total			47	47	0	47		(47)	(47)	0	(47)		8	8	0	8		(9,834)	(9,834)	0	(9,834)
	5310 - Maintenance of Electric Plant	28 - Number of Trans Pole Miles												(0)	(0)				(0)	(0)		
		48 - MW Generating Capability		13,193	13,193				16,278	16,278				423	423							
	5310 - Maintenance of Electric Plant Total			13,193	13,193	0	13,193		16,278	16,278	0	16,278		423	423	0	423		(0)	(0)	0	(0)
	5320 - Maint of Misc Nuclear Plant	09 - Number of Employees							9	9				13	13							
		60 - AEPSC Bill less Indir and Int												(0)	(0)				(0)	(0)		
	5320 - Maint of Misc Nuclear Plant Total					0	0		9	9	0	9		13	13	0	13		(0)	(0)	0	(0)
	5350 - Oper Supervision & Engineering	09 - Number of Employees		96	96				649	649												
		48 - MW Generating Capability		(172)	(172)				(28)	(28)				53	53				(629)	(629)		
	5350 - Oper Supervision & Engineering Total			(77)	(77)	0	(77)		620	620	0	620		53	53	0	53		(629)	(629)	0	(629)
	5370 - Hydraulic Expenses	48 - MW Generating Capability		(325)	(325)				0	0				1	1				(19)	(19)		
	5370 - Hydraulic Expenses Total			(325)	(325)	0	(325)		0	0	0	0		1	1	0	1		(19)	(19)	0	(19)
	5380 - Electric Expenses	48 - MW Generating Capability							(0)	(0)												
	5380 - Electric Expenses Total					0	0		(0)	(0)	0	(0)				0	0				0	0
	5390 - Misc Hydr Power Generation Exp	28 - Number of Trans Pole Miles		(3)	(3)				0	0				7	7				5	5		
		48 - MW Generating Capability		49	49				(49)	(49)				32	32				(37)	(37)		
		60 - AEPSC Bill less Indir and Int		(3)	(3)				(0)	(0)												
	5390 - Misc Hydr Power Generation Exp Total			43	43	0	43		(49)	(49)	0	(49)		39	39	0	39		(31)	(31)	0	(31)
	5410 - Maint Supv & Engineering	48 - MW Generating Capability		(67)	(67)				(0)	(0)				(0)	(0)							
	5410 - Maint Supv & Engineering Total			(67)	(67)	0	(67)		(0)	(0)	0	(0)		(0)	(0)	0	(0)				0	0
	5420 - Maintenance of Structures	48 - MW Generating Capability		190	190				(242)	(242)				(52)	(52)				(69)	(69)		
		60 - AEPSC Bill less Indir and Int		0	0																	
	5420 - Maintenance of Structures Total			190	190	0	190		(242)	(242)	0	(242)		(52)	(52)	0	(52)		(69)	(69)	0	(69)
	5430 - Maint Rsrvoirs,Dams&Wtrways	28 - Number of Trans Pole Miles		(0)	(0)																	
		48 - MW Generating Capability		(151)	(151)				(119)	(119)				(4)	(4)				(1,028)	(1,028)		
	5430 - Maint Rsrvoirs,Dams&Wtrways Total			(151)	(151)	0	(151)		(119)	(119)	0	(119)		(4)	(4)	0	(4)		(1,028)	(1,028)	0	(1,028)
	5440 - Maintenance of Electric Plant	28 - Number of Trans Pole Miles		4	4				(4)	(4)				(0)	(0)				0	0		
		48 - MW Generating Capability		(1,984)	(1,984)				(18)	(18)				1	1				77	77		
		60 - AEPSC Bill less Indir and Int		(3)	(3)																	
	5440 - Maintenance of Electric Plant Total			(1,982)	(1,982)	0	(1,982)		(22)	(22)	0	(22)		1	1	0	1		77	77	0	77
	5450 - Maint of Misc Hydraulic Plant	48 - MW Generating Capability		(0)	(0)				(0)	(0)												
		60 - AEPSC Bill less Indir and Int		6	6				(3)	(3)				(1)	(1)				(10)	(10)		
	5450 - Maint of Misc Hydraulic Plant Total			6	6	0	6		(3)	(3)	0	(3)		(1)	(1)	0	(1)		(10)	(10)	0	(10)
	5460 - Oper Supervision & Engineering	28 - Number of Trans Pole Miles												0	0				0	0		
		48 - MW Generating Capability		(0)	(0)				174	174				161	161				(655)	(655)		
		60 - AEPSC Bill less Indir and Int							1	1				29	29				(235)	(235)		
	5460 - Oper Supervision & Engineering Total			(0)	(0)	0	(0)		175	175	0	175		190	190	0	190		(890)	(890)	0	(890)
	5470 - Fuel	48 - MW Generating Capability		(14)	(14)																	
	5470 - Fuel Total			(14)	(14)	0	(14)				0	0				0	0				0	0
	5480 - Generation Expenses	09 - Number of Employees																	13	13		
		48 - MW Generating Capability												(0)	(0)				(0)	(0)		
		58 - Total Assets							12,591	12,591				(7,208)	(7,208)				(8,656)	(8,656)		
	5480 - Generation Expenses Total					0	0		12,591	12,591	0	12,591		(7,208)	(7,208)	0	(7,208)		(8,643)	(8,643)	0	(8,643)
	5490 - Misc Other Pwer Generation Exp	09 - Number of Employees		52	52																	
		28 - Number of Trans Pole Miles												0	0				0	0		
		48 - MW Generating Capability		(18)	(18)				11	11				(5)	(5)				39	39		
		60 - AEPSC Bill less Indir and Int												0	0				0	0		
	5490 - Misc Other Pwer Generation Exp Total			34	34	0	34		11	11	0	11		(5)	(5)	0	(5)		39	39	0	39
	5500 - Rents	60 - AEPSC Bill less Indir and Int							7	7				15	15				47	47		
	5500 - Rents Total					0	0		7	7	0	7		15	15	0	15		47	47	0	47
	5530 - Maintenance of Generating Plt	28 - Number of Trans Pole Miles							2	2				(1)	(1)				0	0		
		48 - MW Generating Capability		(160)	(160)				18	18				60	60				60	60		
		60 - AEPSC Bill less Indir and Int							(0)	(0)				(0)	(0)				63	63		
	5530 - Maintenance of Generating Plt Total			(160)	(160)	0	(160)		20	20	0	20		58	58	0	58		123	123	0	123
	5560 - Sys Control & Load Dispatching	28 - Number of Trans Pole Miles		(0)	(0)																	
		48 - MW Generating Capability		79,479	79,479				123,733	123,733				96,376	96,376				59,901	59,901		
		49 - MWH's Generation		305,371	305,371				215,089	215,089				168,396	168,396				114,099	114,099		
		58 - Total Assets																	243	243		
		60 - AEPSC Bill less Indir and Int																	71	71		
		64 - Member/Peak Load		8,853	8,853				6,198	6,198				2,318	2,318							
	5560 - Sys Control & Load Dispatching Total			393,703	393,703	0	393,703		345,020	345,020	0	345,020		267,090	267,090	0	267,090		174,314	174,314	0	174,314
	5570 - Other Expenses	08 - Number of Electric Retail Cust												0	0				0	0		
		09 - Number of Employees		965	965				692	692				190	190				168	168		
		28 - Number of Trans Pole Miles		(0)	(0)				(3)	(3)				(0)	(0)				4	4		
		32 - Number of Vendor Invoice Pay		70	70																	
		33 - Number of Workstations		12,923	12,923				16,394	16,394				166	166							
		39 - 100% to One Company	4,948		4,948			2,924		2,924			(1,446)		(1,446)			423		423		
		40 - Equal Share Ratio		0	0				35	35												
		48 - MW Generating Capability		99,597	99,597				146,567	146,567				680,542	680,542				660,614	660,614		
		49 - MWH's Generation		462	462				108	108												
		52 - Past 3 Mo MMBTU Burned (Coal)		2,150	2,150				2,023	2,023				1,559	1,559				1,138	1,138		
		58 - Total Assets		10,197	10,197				36,545	36,545				13,202	13,202				7,275	7,275		
		60 - AEPSC Bill less Indir and Int		(1,450)	(1,450)				(160)	(160)				133	133				449	449		
		61 - Total Fixed Assets		3,316	3,316				1,467	1,467				118	118							
		63 - Total Gross Utility Plant		308	308				1,101	1,101												
		64 - Member/Peak Load		732,871	732,871				683,937	683,937				162,581	162,581							
	5570 - Other Expenses Total		4,948	861,408	866,356	(358,044)	508,312	2,924	888,705	891,629	(362,376)	529,253	(1,446)	858,490	857,044	(333,044)	524,000	423	669,648	670,071	(232,137)	437,934
	5600 - Oper Supervision & Engineering	08 - Number of Electric Retail Cust		29,218	29,218				32,570	32,570				29,117	29,117				28,806	28,806		
		09 - Number of Employees		1,837	1,837				10,025	10,025				8,822	8,822				10,256	10,256		

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			2020					2021					2022					TEST YEAR (12 Mo. Ended March 2023)				
Account Type	FERC Account	Allocation Factor	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net
		17 - Number of Purchase Orders												3	3				38	38		
		28 - Number of Trans Pole Miles		60,433	60,433				171,521	171,521				151,085	151,085				161,457	161,457		
		33 - Number of Workstations												13	13				13	13		
		37 - AEPSC Past 3 Months Total Bill		341	341				94	94				2,373	2,373				7,202	7,202		
		39 - 100% to One Company	269,598		269,598			241,414		241,414			249,780		249,780			451,246		451,246		
		44 - Level of Const-Distribution		103	103																	
		46 - Level of Const-Transmission		11,193	11,193				21,490	21,490				6,036	6,036				2,223	2,223		
		48 - MW Generating Capability		177	177				118	118				634	634				(613)	(613)		
		58 - Total Assets		1,956,431	1,956,431				2,123,219	2,123,219				2,245,696	2,245,696				2,207,548	2,207,548		
		60 - AEPSC Bill less Indir and Int		(4,968)	(4,968)				4,754	4,754				(2,391)	(2,391)				(8,202)	(8,202)		
		61 - Total Fixed Assets		16,573	16,573				13,834	13,834				4,204	4,204				4,059	4,059		
		63 - Total Gross Utility Plant		120	120														19	19		
	5600 - Oper Supervision & Engineering Total		269,598	2,071,455	2,341,054	0	2,341,054	241,414	2,377,624	2,619,038	0	2,619,038	249,780	2,445,592	2,695,372	0	2,695,372	451,246	2,412,806	2,864,053	0	2,864,053
	5611 - Load Dispatch - Reliability	28 - Number of Trans Pole Miles		0	0									0	0							
	5611 - Load Dispatch - Reliability Total			0	0	0	0				0	0		0	0	0	0				0	0
	5612 - Load Dispatch-Mntr&Op TransSys	28 - Number of Trans Pole Miles		(3,686)	(3,686)				(119)	(119)				(200)	(200)				1,584	1,584		
		58 - Total Assets		328,772	328,772				300,497	300,497				307,167	307,167				309,420	309,420		
		61 - Total Fixed Assets		9,169	9,169				8,738	8,738				5,955	5,955				6,578	6,578		
	5612 - Load Dispatch-Mntr&Op TransSys Total			334,255	334,255	0	334,255		309,116	309,116	0	309,116		312,922	312,922	0	312,922		317,583	317,583	0	317,583
	5614 - Schdlg,SystmCntrl&Dispatch Svcs	58 - Total Assets		1	1																	
	5614 - Schdlg,SystmCntrl&Dispatch Svcs Total			1	1	0	1				0	0				0	0				0	0
	5615 - Reliability,Plng&Stds Develop	09 - Number of Employees							48	48				19	19				0	0		
		28 - Number of Trans Pole Miles		(803)	(803)				17,595	17,595				1,376	1,376				808	808		
		39 - 100% to One Company	1		1								1		1			2		2		
		58 - Total Assets		76,912	76,912				101,367	101,367				67,228	67,228				60,342	60,342		
		60 - AEPSC Bill less Indir and Int		199	199				119	119				(327)	(327)				(16)	(16)		
		61 - Total Fixed Assets		15,299	15,299				7,447	7,447				11,574	11,574				10,866	10,866		
		63 - Total Gross Utility Plant		5	5																	
	5615 - Reliability,Plng&Stds Develop Total		1	91,612	91,614	0	91,614		126,575	126,575	0	126,575	1	79,869	79,870	0	79,870	2	72,002	72,003	0	72,003
	5616 - Transmission service studies	48 - MW Generating Capability												0	0				(73)	(73)		
	5616 - Transmission service studies Total					0	0				0	0		0	0	0	0		(73)	(73)	0	(73)
	5620 - Station Expenses	28 - Number of Trans Pole Miles		(1,632)	(1,632)				225	225				45	45				496	496		
		37 - AEPSC Past 3 Months Total Bill		122	122																	
		39 - 100% to One Company	58,501		58,501			69,293		69,293			97,595		97,595			55,975		55,975		
		58 - Total Assets		73,619	73,619				91,431	91,431				144,946	144,946				174,870	174,870		
		60 - AEPSC Bill less Indir and Int		(4)	(4)				3	3				(2)	(2)				(22)	(22)		
	5620 - Station Expenses Total		58,501	72,104	130,606	0	130,606	69,293	91,658	160,952	0	160,952	97,595	144,990	242,585	0	242,585	55,975	175,345	231,320	0	231,320
	5630 - Overhead Line Expenses	28 - Number of Trans Pole Miles		5,508	5,508				33	33				10	10				92	92		
		39 - 100% to One Company	2		2								538		538			808		808		
		58 - Total Assets		13,261	13,261				14,750	14,750				17,312	17,312				16,826	16,826		
		60 - AEPSC Bill less Indir and Int		(15)	(15)				0	0				3	3				1	1		
	5630 - Overhead Line Expenses Total		2	18,754	18,756	0	18,756		14,783	14,783	0	14,783	538	17,325	17,862	0	17,862	808	16,919	17,727	0	17,727
	5640 - Underground Line Expenses	28 - Number of Trans Pole Miles		1	1				(1)	(1)												
		39 - 100% to One Company	0		0								2,061		2,061			2,061		2,061		
	5640 - Underground Line Expenses Total		0	1	1	0	1		(1)	(1)	0	(1)	2,061		2,061	0	2,061	2,061		2,061	0	2,061
	5660 - Misc Transmission Expenses	08 - Number of Electric Retail Cust		(19)	(19)				(15)	(15)				209	209				356	356		
		09 - Number of Employees		2,091	2,091				3,516	3,516				4,551	4,551				3,852	3,852		
		11 - Number of GL Transactions		87,857	87,857				514	514												
		28 - Number of Trans Pole Miles		267,850	267,850				304,801	304,801				329,579	329,579				341,338	341,338		
		31 - Number of Vehicles												0	0				0	0		
		37 - AEPSC Past 3 Months Total Bill		8	8				28	28				259	259				240	240		
		39 - 100% to One Company	370,744		370,744			(157,920)		(157,920)			(137,078)		(137,078)			12,403		12,403		
		46 - Level of Const-Transmission		1,849	1,849				1,706	1,706				7,597	7,597				10,054	10,054		
		48 - MW Generating Capability		(376)	(376)				(48)	(48)				(36)	(36)				(96)	(96)		
		58 - Total Assets		408,001	408,001				444,379	444,379				460,275	460,275				387,262	387,262		
		60 - AEPSC Bill less Indir and Int		(2,157)	(2,157)				1,182	1,182				(754)	(754)				(2,257)	(2,257)		
		61 - Total Fixed Assets		50,500	50,500				52,166	52,166				22,543	22,543				18,661	18,661		
		63 - Total Gross Utility Plant		29	29				63	63				110	110				83	83		
	5660 - Misc Transmission Expenses Total		370,744	815,633	1,186,377	0	1,186,377	(157,920)	808,292	650,372	0	650,372	(137,078)	824,334	687,256	0	687,256	12,403	759,493	771,896	0	771,896
	5670 - Rents	28 - Number of Trans Pole Miles		0	0									0	0				0	0		
		58 - Total Assets												0	0				0	0		
	5670 - Rents Total			0	0	0	0				0	0		0	0	0	0		0	0	0	0
	5680 - Maint Supv & Engineering	08 - Number of Electric Retail Cust		3	3									340	340				376	376		
		09 - Number of Employees							2	2				269	269				733	733		
		28 - Number of Trans Pole Miles		(20)	(20)				49	49				(57)	(57)				(128)	(128)		
		39 - 100% to One Company	1,338		1,338																	
		58 - Total Assets		2,602	2,602				2,733	2,733				966	966				595	595		
		60 - AEPSC Bill less Indir and Int		(4)	(4)				0	0												
	5680 - Maint Supv & Engineering Total		1,338	2,580	3,918	0	3,918		2,784	2,784	0	2,784		1,519	1,519	0	1,519		1,575	1,575	0	1,575
	5690 - Maintenance of Structures	28 - Number of Trans Pole Miles		(15)	(15)				(6)	(6)				23	23				43	43		
		39 - 100% to One Company	464		464																	
		58 - Total Assets		1,999	1,999				6,591	6,591				8,624	8,624				7,277	7,277		
	5690 - Maintenance of Structures Total		464	1,985	2,449	0	2,449		6,585	6,585	0	6,585		8,647	8,647	0	8,647		7,320	7,320	0	7,320
	5691 - Maint of Computer Hardware	28 - Number of Trans Pole Miles		(90)	(90)				9	9				(13)	(13)				27	27		
		58 - Total Assets		4,908	4,908				5,745	5,745				4,813	4,813				6,213	6,213		
		60 - AEPSC Bill less Indir and Int		(232)	(232)				47	47				(47)	(47)				(177)	(177)		
	5691 - Maint of Computer Hardware Total			4,586	4,586	0	4,586		5,801	5,801	0	5,801		4,753	4,753	0	4,753		6,063	6,063	0	6,063
	5692 - Maint of Computer Software	08 - Number of Electric Retail Cust												176	176				4,109	4,109		
		09 - Number of Employees							9	9									299	299		
		28 - Number of Trans Pole Miles		(812)	(812)				3,393	3,393				3,874	3,874				750	750		
		33 - Number of Workstations												4,789	4,789				248	248		
		39 - 100% to One Company	12		12																	
		48 - MW Generating Capability							1,426	1,426												
		49 - MWH's Generation												14,027	14,027				9,049	9,049		
		58 - Total Assets		71,302	71,302				43,027	43,027				36,725	36,725				43,591	43,591		
		60 - AEPSC Bill less Indir and Int		(63)	(63)				(36)	(36)				(38)	(38)				(0)	(0)		

Kentucky Power Company
AEPSC Charges by FERC Account, Allocation Factor and Allocation Type, net of share billed to Co-Owner
For 2020,2021,2022 and Test Year Ended March 2023

American Electric Power Service Corporation (AEPSC) is a wholly owned subsidiary of AEP and is the Centralized Service Company for the AEP System. AEPSC's activities are authorized by the FERC under the Public Utilities Holding Company Act of 2005. AEPSC performs, at cost, various corporate support services for subsidiaries of AEP, including Kentucky Power.

AEPSC transactions are accounted for through a work order system as required by the FERC. Costs for support services are accumulated in work orders and are billed to the company or companies benefiting from the service. Accounting within each work order is in accordance with the FERC Uniform System of Accounts. The costs for services benefiting only one company are directly assigned and are billed 100% to that company. Where services benefit more than one company, the costs for those services are allocated to the benefiting companies using an approved allocation factor. The allocation factor for any given allocation of costs is selected for use because it best reflects the cost driver associated with the service provided.

The FERC monitors the factors used for allocations, through required annual reporting, and can audit the validity of each factor. All services are billed at cost, with no profit charged, as required by the FERC's "at cost" rules.

			2020					2021					2022					TEST YEAR (12 Mo. Ended March 2023)				
Account Type	FERC Account	Allocation Factor	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net
		61 - Total Fixed Assets		394	394																	
		63 - Total Gross Utility Plant		16,850	16,850																	
	5692 - Maint of Computer Software Total		12	87,671	87,683	0	87,683		47,819	47,819	0	47,819		59,552	59,552	0	59,552		58,045	58,045	0	58,045
	5693 - Maint of Communication Equip	28 - Number of Trans Pole Miles		(39)	(39)																	
		58 - Total Assets		640	640																	
	5693 - Maint of Communication Equip Total			602	602	0	602				0	0				0	0				0	0
	5700 - Maint of Station Equipment	09 - Number of Employees		3	3																	
		28 - Number of Trans Pole Miles		(5,353)	(5,353)				871	871				(774)	(774)				2,165	2,165		
		39 - 100% to One Company	301,086		301,086			218,574		218,574			314,115		314,115			453,666		453,666		
		48 - MW Generating Capability		(36)	(36)				29	29				(28)	(28)				(85)	(85)		
		58 - Total Assets		117,420	117,420				153,562	153,562				114,203	114,203				106,195	106,195		
		60 - AEPSC Bill less Indir and Int		(1)	(1)				17	17				(11)	(11)				(16)	(16)		
		61 - Total Fixed Assets												773	773				883	883		
	5700 - Maint of Station Equipment Total		301,086	112,033	413,119	0	413,119	218,574	154,478	373,052	0	373,052	314,115	114,163	428,278	0	428,278	453,666	109,143	562,809	0	562,809
	5710 - Maintenance of Overhead Lines	28 - Number of Trans Pole Miles		(2,502)	(2,502)				19,885	19,885				24,288	24,288				25,798	25,798		
		37 - AEPSC Past 3 Months Total Bill		536	536																	
		39 - 100% to One Company	716,975		716,975			1,855,506		1,855,506			807,183		807,183			1,026,360		1,026,360		
		48 - MW Generating Capability		(13)	(13)				(0)	(0)				(0)	(0)				0	0		
		58 - Total Assets		748	748				751	751				253	253				192	192		
		60 - AEPSC Bill less Indir and Int		(253)	(253)				149	149				(148)	(148)				(342)	(342)		
		61 - Total Fixed Assets		986	986				2,172	2,172				3,188	3,188				3,419	3,419		
	5710 - Maintenance of Overhead Lines Total		716,975	(497)	716,477	0	716,477	1,855,506	22,957	1,878,463	0	1,878,463	807,183	27,581	834,764	0	834,764	1,026,360	29,068	1,055,428	0	1,055,428
	5720 - Maint of Underground Lines	28 - Number of Trans Pole Miles		(53)	(53)				(26)	(26)				1	1				(44)	(44)		
	5720 - Maint of Underground Lines Total			(53)	(53)	0	(53)		(26)	(26)	0	(26)		1	1	0	1		(44)	(44)	0	(44)
	5730 - Maint of Misc Trnsmssion Plt	09 - Number of Employees		88	88				99	99				342	342				380	380		
		28 - Number of Trans Pole Miles		(403)	(403)				154	154				(16)	(16)				161	161		
		39 - 100% to One Company	27		27																	
		58 - Total Assets		36,589	36,589				16,720	16,720				3,888	3,888				978	978		
		60 - AEPSC Bill less Indir and Int							0	0				(0)	(0)				(0)	(0)		
		61 - Total Fixed Assets												33	33				33	33		
	5730 - Maint of Misc Trnsmssion Plt Total		27	36,274	36,302	0	36,302		16,973	16,973	0	16,973		4,247	4,247	0	4,247		1,553	1,553	0	1,553
	5800 - Oper Supervision & Engineering	08 - Number of Electric Retail Cust		195,717	195,717				228,292	228,292				179,392	179,392				165,536	165,536		
		09 - Number of Employees		29,866	29,866				21,164	21,164				31,802	31,802				33,200	33,200		
		17 - Number of Purchase Orders		244	244				215	215				295	295				303	303		
		27 - Number of Telephones		72	72									(1)	(1)				(1)	(1)		
		28 - Number of Trans Pole Miles		(8)	(8)				1,381	1,381				(580)	(580)				(712)	(712)		
		31 - Number of Vehicles												1	1				1	1		
		32 - Number of Vendor Invoice Pay		2	2				7	7												
		33 - Number of Workstations		12,013	12,013				11,347	11,347				8,046	8,046				8,991	8,991		
		37 - AEPSC Past 3 Months Total Bill		197	197																	
		39 - 100% to One Company	61,033		61,033			45,348		45,348			52,458		52,458			56,216		56,216		
		44 - Level of Const-Distribution		7,966	7,966				10,267	10,267				13,404	13,404				12,581	12,581		
		48 - MW Generating Capability		64	64				4	4				39	39				(209)	(209)		
		58 - Total Assets		13,490	13,490				15,173	15,173				26,262	26,262				27,097	27,097		
		60 - AEPSC Bill less Indir and Int		(1,059)	(1,059)				828	828				(390)	(390)				(534)	(534)		
		61 - Total Fixed Assets		23,177	23,177				21,685	21,685				3,080	3,080				356	356		
		63 - Total Gross Utility Plant												(0)	(0)				(0)	(0)		
	5800 - Oper Supervision & Engineering Total		61,033	281,741	342,773	0	342,773	45,348	310,362	355,710	0	355,710	52,458	261,350	313,809	0	313,809	56,216	246,608	302,824	0	302,824
	5810 - Load Dispatching	28 - Number of Trans Pole Miles		0	0				0	0				0	0				(7)	(7)		
		60 - AEPSC Bill less Indir and Int							5	5				(5)	(5)				15	15		
	5810 - Load Dispatching Total			0	0	0	0		5	5	0	5		(5)	(5)	0	(5)		8	8	0	8
	5820 - Station Expenses	08 - Number of Electric Retail Cust												289	289				184	184		
		09 - Number of Employees							8	8				66	66							
		28 - Number of Trans Pole Miles		(2,047)	(2,047)				115	115				77	77				976	976		
		37 - AEPSC Past 3 Months Total Bill		0	0				(82)	(82)									25	25		
		39 - 100% to One Company	149,923		149,923			165,942		165,942			177,641		177,641			162,045		162,045		
		46 - Level of Const-Transmission		74,724	74,724				69,085	69,085				136,168	136,168				143,478	143,478		
		48 - MW Generating Capability												12	12				(33)	(33)		
		58 - Total Assets							178	178				1,121	1,121				1	1		
		60 - AEPSC Bill less Indir and Int		(25)	(25)				179	179				(150)	(150)				(684)	(684)		
	5820 - Station Expenses Total		149,923	72,652	222,575	0	222,575	165,942	69,482	235,424	0	235,424	177,641	137,582	315,223	0	315,223	162,045	143,948	305,993	0	305,993
	5830 - Overhead Line Expenses	08 - Number of Electric Retail Cust		0	0																	
		28 - Number of Trans Pole Miles		0	0				(0)	(0)				0	0				2	2		
		37 - AEPSC Past 3 Months Total Bill							8	8												
		39 - 100% to One Company	882		882			346		346			63		63			63		63		
		44 - Level of Const-Distribution		7	7																	
		48 - MW Generating Capability		(66)	(66)				0	0				(0)	(0)				(2)	(2)		
		60 - AEPSC Bill less Indir and Int		0	0				(1)	(1)				2	2				11	11		
	5830 - Overhead Line Expenses Total		882	(59)	824	0	824	346	8	354	0	354	63	2	65	0	65	63	11	73	0	73
	5840 - Underground Line Expenses	08 - Number of Electric Retail Cust		2	2				13,581	13,581				30,483	30,483				34,661	34,661		
		28 - Number of Trans Pole Miles							0	0												
		39 - 100% to One Company	434		434			1,820		1,820												
		60 - AEPSC Bill less Indir and Int							126	126				208	208				592	592		
	5840 - Underground Line Expenses Total		434	2	437	0	437	1,820	13,707	15,527	0	15,527		30,691	30,691	0	30,691		35,253	35,253	0	35,253
	5860 - Meter Expenses	08 - Number of Electric Retail Cust		47,350	47,350				45,743	45,743				41,129	41,129				39,693	39,693		
		09 - Number of Employees		10,569	10,569				8,969	8,969				8,219	8,219				8,726	8,726		
		26 - Number of Stores Transactions		123	123				17	17												
		28 - Number of Trans Pole Miles		(19)	(19)				167	167				(55)	(55)				(168)	(168)		
		39 - 100% to One Company	7,018		7,018			3,265		3,265			4,403		4,403			3,988		3,988		
		44 - Level of Const-Distribution																	3	3		
		58 - Total Assets		1,298	1,298				1,520	1,520				2,108	2,108				2,082	2,082		
		60 - AEPSC Bill less Indir and Int		(117)	(117)				(5)	(5)				20	20				46	46		
		63 - Total Gross Utility Plant		2	2																	
	5860 - Meter Expenses Total		7,018	59,205	66,223	0	66,223	3,265	56,411	59,676	0	59,676	4,403	51,420	55,823	0	55,823	3,988	50,381	54,369	0	54,369
	5870 - Customer Installations Exp	08 - Number of Electric Retail Cust												11,708	11,708				16,849	16,849		
		28 - Number of Trans Pole Miles												14	14				27	27		

Kentucky Power Company
AEPSC Charges by FERC Account, Allocation Factor and Allocation Type, net of share billed to Co-Owner
For 2020,2021,2022 and Test Year Ended March 2023

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			2020					2021					2022					TEST YEAR (12 Mo. Ended March 2023)				
Account Type	FERC Account	Allocation Factor	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net
		58 - Total Assets												55	55				55	55		
		60 - AEPSC Bill less Indir and Int												36	36				137	137		
	5870 - Customer Installations Exp Total					0	0				0	0		11,813	11,813	0	11,813		17,068	17,068	0	17,068
	5880 - Miscellaneous Distribution Exp	08 - Number of Electric Retail Cust		121,181	121,181				191,014	191,014				261,532	261,532				210,372	210,372		
		09 - Number of Employees		53,552	53,552				45,190	45,190				50,664	50,664				52,057	52,057		
		11 - Number of GL Transactions		73,769	73,769																	
		16 - Number of Phone Center Calls		9,403	9,403				8,836	8,836				4,738	4,738				7,945	7,945		
		17 - Number of Purchase Orders		810	810				517	517				1,575	1,575				1,629	1,629		
		27 - Number of Telephones		38,008	38,008				20,851	20,851				16,349	16,349				14,387	14,387		
		28 - Number of Trans Pole Miles		(161)	(161)				619	619				(168)	(168)				5	5		
		31 - Number of Vehicles		318	318				270	270				204	204				155	155		
		32 - Number of Vendor Invoice Pay		537	537				318	318				547	547				478	478		
		33 - Number of Workstations		7,402	7,402				6,226	6,226				4,014	4,014				3,655	3,655		
		37 - AEPSC Past 3 Months Total Bill							17	17				102	102				102	102		
		39 - 100% to One Company	272,388		272,388			(52,945)		(52,945)			(25,065)		(25,065)			98,862		98,862		
		44 - Level of Const-Distribution		579	579				4	4				459	459				518	518		
		48 - MW Generating Capability		1,989	1,989				(14)	(14)				30	30				(210)	(210)		
		58 - Total Assets		104,702	104,702				72,760	72,760				66,917	66,917				62,198	62,198		
		60 - AEPSC Bill less Indir and Int		(2,265)	(2,265)				365	365				(272)	(272)				657	657		
		61 - Total Fixed Assets		882	882				427	427				375	375				315	315		
		63 - Total Gross Utility Plant		(0)	(0)																	
		70 - No Nonelectric OAR Invoices							(87)	(87)												
	5880 - Miscellaneous Distribution Exp Total		272,388	410,708	683,096	0	683,096	(52,945)	347,313	294,368	0	294,368	(25,065)	407,066	382,001	0	382,001	98,862	354,263	453,125	0	453,125
	5890 - Rents	28 - Number of Trans Pole Miles												(0)	(0)				(0)	(0)		
	5890 - Rents Total					0	0				0	0		(0)	(0)	0	(0)		(0)	(0)	0	(0)
	5900 - Maint Supv & Engineering	08 - Number of Electric Retail Cust		2,651	2,651				3,984	3,984				3,759	3,759				3,806	3,806		
		28 - Number of Trans Pole Miles							18	18				(3)	(3)				5	5		
		48 - MW Generating Capability												75	75				75	75		
		58 - Total Assets												41	41				41	41		
		60 - AEPSC Bill less Indir and Int							28	28				0	0				(52)	(52)		
	5900 - Maint Supv & Engineering Total			2,651	2,651	0	2,651		4,030	4,030	0	4,030		3,872	3,872	0	3,872		3,876	3,876	0	3,876
	5910 - Maintenance of Structures	28 - Number of Trans Pole Miles		(0)	(0)				13	13				(8)	(8)				(85)	(85)		
		39 - 100% to One Company	4,445		4,445			5,051		5,051			16,487		16,487			15,456		15,456		
		58 - Total Assets												10	10				10	10		
		60 - AEPSC Bill less Indir and Int												1	1				(0)	(0)		
	5910 - Maintenance of Structures Total		4,445	(0)	4,445	0	4,445	5,051	13	5,064	0	5,064	16,487	3	16,491	0	16,491	15,456	(75)	15,381	0	15,381
	5920 - Maint of Station Equipment	28 - Number of Trans Pole Miles		(2,395)	(2,395)				217	217				100	100				886	886		
		39 - 100% to One Company	306,303		306,303			518,521		518,521			366,929		366,929			423,314		423,314		
		46 - Level of Const-Transmission		17,301	17,301				21,308	21,308				22,278	22,278				22,244	22,244		
		48 - MW Generating Capability		(0)	(0)									0	0				37	37		
		58 - Total Assets		86	86									0	0				0	0		
		60 - AEPSC Bill less Indir and Int		(137)	(137)				(3)	(3)				(17)	(17)				(2)	(2)		
	5920 - Maint of Station Equipment Total		306,303	14,855	321,158	0	321,158	518,521	21,522	540,043	0	540,043	366,929	22,362	389,291	0	389,291	423,314	23,165	446,480	0	446,480
	5930 - Maintenance of Overhead Lines	08 - Number of Electric Retail Cust		2,700	2,700				2,494	2,494				3,014	3,014				2,987	2,987		
		09 - Number of Employees												39	39				55	55		
		16 - Number of Phone Center Calls												2	2							
		28 - Number of Trans Pole Miles		(226)	(226)				16	16				21	21				809	809		
		39 - 100% to One Company	30,196		30,196			213,307		213,307			476,102		476,102			533,785		533,785		
		48 - MW Generating Capability		(33)	(33)				(1)	(1)				18	18				(22)	(22)		
		58 - Total Assets												33	33				33	33		
		60 - AEPSC Bill less Indir and Int		(236)	(236)				328	328				(220)	(220)				(132)	(132)		
	5930 - Maintenance of Overhead Lines Total		30,196	2,206	32,402	0	32,402	213,307	2,837	216,143	0	216,143	476,102	2,908	479,010	0	479,010	533,785	3,730	537,514	0	537,514
	5940 - Maint of Underground Lines	08 - Number of Electric Retail Cust																	(0)	(0)		
		28 - Number of Trans Pole Miles		0	0				1	1				(0)	(0)				(0)	(0)		
		48 - MW Generating Capability		(0)	(0)									0	0				0	0		
		60 - AEPSC Bill less Indir and Int		0	0				0	0				0	0				(0)	(0)		
	5940 - Maint of Underground Lines Total			(0)	(0)	0	(0)		1	1	0	1		(0)	(0)	0	(0)		(0)	(0)	0	(0)
	5950 - Maint of Lne Trnf,Rglators&Dvi	08 - Number of Electric Retail Cust																	4	4		
		28 - Number of Trans Pole Miles		0	0				0	0				2	2				0	0		
		39 - 100% to One Company	509		509																	
		58 - Total Assets		5,748	5,748																	
		60 - AEPSC Bill less Indir and Int							0	0				0	0				0	0		
	5950 - Maint of Lne Trnf,Rglators&Dvi Total		509	5,748	6,256	0	6,256		0	0	0	0		2	2	0	2		4	4	0	4
	5960 - Maint of Strt Lghtng & Sgnal S	28 - Number of Trans Pole Miles		0	0				(0)	(0)				0	0				0	0		
		60 - AEPSC Bill less Indir and Int		0	0				0	0												
	5960 - Maint of Strt Lghtng & Sgnal S Total			0	0	0	0		(0)	(0)	0	(0)		0	0	0	0		0	0	0	0
	5970 - Maintenance of Meters	08 - Number of Electric Retail Cust		101	101				138	138				315	315				320	320		
		28 - Number of Trans Pole Miles							(0)	(0)				0	0				2	2		
	5970 - Maintenance of Meters Total			101	101	0	101		138	138	0	138		315	315	0	315		322	322	0	322
	5980 - Maint of Misc Distribution Plt	28 - Number of Trans Pole Miles		(6)	(6)				(0)	(0)				4	4				(65)	(65)		
		39 - 100% to One Company	2,339		2,339			613		613			363		363							
		58 - Total Assets							35	35				21	21							
		60 - AEPSC Bill less Indir and Int		0	0				0	0												
	5980 - Maint of Misc Distribution Plt Total		2,339	(6)	2,333	0	2,333	613	35	647	0	647	363	25	389	0	389		(65)	(65)	0	(65)
	9010 - Supervision - Customer Accts	08 - Number of Electric Retail Cust		14,408	14,408				15,926	15,926				16,370	16,370				16,770	16,770		
		09 - Number of Employees		1,562	1,562				1,325	1,325				788	788				362	362		
		58 - Total Assets		32	32									62	62							
		60 - AEPSC Bill less Indir and Int							5	5				3	3				(66)	(66)		
	9010 - Supervision - Customer Accts Total			16,002	16,002	0	16,002		17,255	17,255	0	17,255		17,223	17,223	0	17,223		17,066	17,066	0	17,066
	9020 - Meter Reading Expenses	05 - Number of CIS Customers Mail							18	18				33	33				33	33		
		08 - Number of Electric Retail Cust		18,147	18,147				24,400	24,400				22,250	22,250				21,734	21,734		
		09 - Number of Employees		21	21				2,731	2,731				2,090	2,090				60	60		
		33 - Number of Workstations							5,060	5,060				3,392	3,392				3,338	3,338		
		37 - AEPSC Past 3 Months Total Bill		11	11																	
		39 - 100% to One Company	39,384		39,384			38,191		38,191			20,233		20,233			25,502		25,502		
		58 - Total Assets		12,340	12,340				7,260	7,260				324	324				324	324		

Kentucky Power Company
AEPSC Charges by FERC Account, Allocation Factor and Allocation Type, net of share billed to Co-Owner
For 2020,2021,2022 and Test Year Ended March 2023

American Electric Power Service Corporation (AEPSC) is a wholly owned subsidiary of AEP and is the Centralized Service Company for the AEP System. AEPSC's activities are authorized by the FERC under the Public Utilities Holding Company Act of 2005. AEPSC performs, at cost, various corporate support services for subsidiaries of AEP, including Kentucky Power.

AEPSC transactions are accounted for through a work order system as required by the FERC. Costs for support services are accumulated in work orders and are billed to the company or companies benefiting from the service. Accounting within each work order is in accordance with the FERC Uniform System of Accounts. The costs for services benefiting only one company are directly assigned and are billed 100% to that company. Where services benefit more than one company, the costs for those services are allocated to the benefiting companies using an approved allocation factor. The allocation factor for any given allocation of costs is selected for use because it best reflects the cost driver associated with the service provided.

The FERC monitors the factors used for allocations, through required annual reporting, and can audit the validity of each factor. All services are billed at cost, with no profit charged, as required by the FERC's "at cost" rules.

			2020					2021					2022					TEST YEAR (12 Mo. Ended March 2023)				
Account Type	FERC Account	Allocation Factor	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net
		60 - AEPSC Bill less Indir and Int		(216)	(216)				(21)	(21)												
	9020 - Meter Reading Expenses Total		39,384	30,304	69,688	0	69,688	38,191	39,449	77,640	0	77,640	20,233	28,089	48,322	0	48,322	25,502	25,489	50,991	0	50,991
	9030 - Cust Records & Collection Exp	05 - Number of CIS Customers Mail		168,033	168,033				194,785	194,785				178,933	178,933				181,337	181,337		
		08 - Number of Electric Retail Cust		687,627	687,627				723,423	723,423				755,948	755,948				781,714	781,714		
		09 - Number of Employees		61,365	61,365				42,526	42,526				38,426	38,426				38,247	38,247		
		11 - Number of GL Transactions		5,955	5,955				6,056	6,056				6,759	6,759				6,391	6,391		
		16 - Number of Phone Center Calls		910,557	910,557				850,764	850,764				866,651	866,651				897,956	897,956		
		17 - Number of Purchase Orders		165	165				143	143				316	316				491	491		
		20 - Number of Remittance Items		29,746	29,746				98,054	98,054				99,107	99,107				100,945	100,945		
		28 - Number of Trans Pole Miles							0	0												
		32 - Number of Vendor Invoice Pay												187	187				278	278		
		33 - Number of Workstations		1,461	1,461				6,998	6,998				7,692	7,692				5,921	5,921		
		39 - 100% to One Company	1,332,485		1,332,485			1,662,235		1,662,235			1,522,395		1,522,395			1,548,645		1,548,645		
		48 - MW Generating Capability		(108)	(108)				17	17				(3)	(3)				(56)	(56)		
		58 - Total Assets		6,731	6,731				5,422	5,422				7,598	7,598				5,221	5,221		
		60 - AEPSC Bill less Indir and Int		(129)	(129)				(43)	(43)				(13)	(13)				(473)	(473)		
		70 - No Nonelectric OAR Invoices		19,412	19,412				18,168	18,168				16,837	16,837				17,826	17,826		
	9030 - Cust Records & Collection Exp Total		1,332,485	1,890,816	3,223,301	0	3,223,301	1,662,235	1,946,314	3,608,549	0	3,608,549	1,522,395	1,978,439	3,500,834	0	3,500,834	1,548,645	2,035,799	3,584,444	0	3,584,444
	9040 - Uncollectible Accounts	05 - Number of CIS Customers Mail							359	359												
		58 - Total Assets																	7	7		
	9040 - Uncollectible Accounts Total					0	0		359	359	0	359				0	0		7	7	0	7
	9050 - Misc Customer Accounts Exp	08 - Number of Electric Retail Cust		(99)	(99)				398	398				443	443				600	600		
		33 - Number of Workstations		9,120	9,120				9,253	9,253				8,483	8,483				9,764	9,764		
		39 - 100% to One Company																3,539		3,539		
		58 - Total Assets		950	950				717	717				1,269	1,269				1,297	1,297		
		60 - AEPSC Bill less Indir and Int																	29	29		
	9050 - Misc Customer Accounts Exp Total			9,971	9,971	0	9,971		10,367	10,367	0	10,367		10,195	10,195	0	10,195	3,539	11,690	15,229	0	15,229
	9070 - Supervision - Customer Service	08 - Number of Electric Retail Cust		30,892	30,892				36,188	36,188				24,495	24,495				20,009	20,009		
		09 - Number of Employees		613	613				587	587				122	122				77	77		
		28 - Number of Trans Pole Miles		(6)	(6)				2	2				(0)	(0)				10	10		
		33 - Number of Workstations		1,576	1,576				823	823												
		39 - 100% to One Company	4,646		4,646			4,983		4,983			649		649							
		48 - MW Generating Capability		0	0																	
		58 - Total Assets		81	81									126	126				224	224		
		60 - AEPSC Bill less Indir and Int		(1)	(1)				82	82				(58)	(58)				(300)	(300)		
	9070 - Supervision - Customer Service Total		4,646	33,156	37,802	0	37,802	4,983	37,682	42,665	0	42,665	649	24,684	25,333	0	25,333		20,020	20,020	0	20,020
	9080 - Customer Assistance Expenses	06 - Number of Commercial Customers												2	2				15	15		
		08 - Number of Electric Retail Cust		15,806	15,806				11,634	11,634				8,837	8,837				9,529	9,529		
		09 - Number of Employees		3	3																	
		16 - Number of Phone Center Calls		979	979				2,361	2,361				3,239	3,239				3,001	3,001		
		32 - Number of Vendor Invoice Pay		10	10																	
		39 - 100% to One Company	103		103			298		298			138		138			138		138		
		58 - Total Assets		432	432				610	610				644	644				930	930		
		60 - AEPSC Bill less Indir and Int		5	5				(5)	(5)				(0)	(0)				(0)	(0)		
	9080 - Customer Assistance Expenses Total		103	17,236	17,339	0	17,339	298	14,599	14,897	0	14,897	138	12,723	12,861	0	12,861	138	13,475	13,613	0	13,613
	9100 - Misc Cust Svc&Informational Ex	08 - Number of Electric Retail Cust							2,573	2,573				304	304				42	42		
		09 - Number of Employees		2,736	2,736				2,164	2,164				1,568	1,568				1,399	1,399		
		32 - Number of Vendor Invoice Pay		1,003	1,003				17	17												
		33 - Number of Workstations		300	300				78	78				451	451				521	521		
		48 - MW Generating Capability		5,281	5,281				3,416	3,416												
		49 - MWH's Generation												1,879	1,879				1,880	1,880		
		58 - Total Assets		11,135	11,135				12,949	12,949				7,907	7,907				7,462	7,462		
		60 - AEPSC Bill less Indir and Int		(774)	(774)				12	12				(123)	(123)				(19)	(19)		
		63 - Total Gross Utility Plant												237	237							
	9100 - Misc Cust Svc&Informational Ex Total			19,682	19,682	0	19,682		21,209	21,209	0	21,209		12,222	12,222	0	12,222		11,285	11,285	0	11,285
	9110 - Supervision - Sales Expenses	33 - Number of Workstations		143	143																	
	9110 - Supervision - Sales Expenses Total			143	143	0	143				0	0				0	0				0	0
	9120 - Demonstrating & Selling Exp	06 - Number of Commercial Customers		4,466	4,466				3,243	3,243				2,567	2,567				2,393	2,393		
		08 - Number of Electric Retail Cust		26,728	26,728				19,735	19,735				12,390	12,390				12,869	12,869		
		09 - Number of Employees							481	481				12	12				12	12		
		16 - Number of Phone Center Calls																	83	83		
		58 - Total Assets		1,690	1,690				12	12												
		60 - AEPSC Bill less Indir and Int		2	2				(2)	(2)									0	0		
		70 - No Nonelectric OAR Invoices							(1,983)	(1,983)												
	9120 - Demonstrating & Selling Exp Total			32,885	32,885	0	32,885		21,487	21,487	0	21,487		14,970	14,970	0	14,970		15,356	15,356	0	15,356
	9200 - Administrative & Gen Salaries	06 - Number of Commercial Customers		12,206	12,206				14,696	14,696				25,069	25,069				26,367	26,367		
		08 - Number of Electric Retail Cust		501,629	501,629				479,241	479,241				381,916	381,916				365,229	365,229		
		09 - Number of Employees		1,191,576	1,191,576				1,468,894	1,468,894				1,346,993	1,346,993				1,210,801	1,210,801		
		11 - Number of GL Transactions		1,078,788	1,078,788				99,210	99,210				330,430	330,430				348,303	348,303		
		16 - Number of Phone Center Calls		7,175	7,175				8,081	8,081				6,130	6,130				3,601	3,601		
		17 - Number of Purchase Orders		40,655	40,655				39,008	39,008				26,329	26,329				23,864	23,864		
		26 - Number of Stores Transactions		14,204	14,204				11,218	11,218				10,227	10,227				8,773	8,773		
		27 - Number of Telephones		116	116				109	109												
		28 - Number of Trans Pole Miles		45,847	45,847				36,915	36,915				35,971	35,971				34,632	34,632		
		31 - Number of Vehicles		6,147	6,147				1,751	1,751				2,766	2,766				2,614	2,614		
		32 - Number of Vendor Invoice Pay		31,536	31,536				36,106	36,106				30,070	30,070				27,715	27,715		
		33 - Number of Workstations		298,899	298,899				365,849	365,849				368,905	368,905				391,747	391,747		
		37 - AEPSC Past 3 Months Total Bill		520,047	520,047				114,662	114,662				64,812	64,812				52,409	52,409		
		39 - 100% to One Company	1,230,394		1,230,394			1,533,666		1,533,666			1,412,068		1,412,068			1,408,748		1,408,748		
		40 - Equal Share Ratio		9,016	9,016				4,598	4,598				5,253	5,253				4,475	4,475		
		46 - Level of Const-Transmission		10	10				9	9												
		48 - MW Generating Capability		277,901	277,901				402,434	402,434				287,084	287,084				184,645	184,645		
		49 - MWH's Generation		178,978	178,978				112,677	112,677				114,025	114,025				80,583	80,583		
		51 - Past 3 Mo MMBTU's Burned (Tot)		239,700	239,700				218,893	218,893				121,295	121,295				74,992	74,992		
		52 - Past 3 Mo MMBTU Burned (Coal)		25,577	25,577				34,867	34,867				37,384	37,384				29,554	29,554		
		55 - Past 3 MMBTU Burned (Solid)							1,591	1,591				1,396	1,396				645	645		

Kentucky Power Company
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For 2020,2021,2022 and Test Year Ended March 2023

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			2020					2021					2022					TEST YEAR (12 Mo. Ended March 2023)				
Account Type	FERC Account	Allocation Factor	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net
		58 - Total Assets		5,158,387	5,158,387				5,366,359	5,366,359				4,229,374	4,229,374				3,842,594	3,842,594		
		60 - AEPSC Bill less Indir and Int		(162,766)	(162,766)				445	445				105,998	105,998				(8,377)	(8,377)		
		61 - Total Fixed Assets		390,096	390,096				404,086	404,086				320,599	320,599				280,106	280,106		
		63 - Total Gross Utility Plant		186,580	186,580				206,461	206,461				276,849	276,849				242,360	242,360		
		64 - Member/Peak Load		107,544	107,544				85,788	85,788				56,136	56,136				47,141	47,141		
		67 - Number of Banking Transactions		25,768	25,768				21,253	21,253				28,461	28,461				35,724	35,724		
		70 - No Nonelectric OAR Invoices		4,131	4,131				3,698	3,698				3,147	3,147				3,814	3,814		
		77 - Power Transactn to All Markets		37	37																	
	9200 - Administrative & Gen Salaries Total		1,230,394	10,189,782	11,420,176	(2,455,156)	8,965,019	1,533,666	9,538,900	11,072,566	(2,296,838)	8,775,728	1,412,068	8,216,620	9,628,688	(1,296,892)	8,331,796	1,408,748	7,314,311	8,723,058	(707,699)	8,015,360
	9210 - Office Supplies and Expenses	06 - Number of Commercial Customers		34	34				19	19				33	33				69	69		
		08 - Number of Electric Retail Cust		1,150	1,150				916	916				7,559	7,559				7,450	7,450		
		09 - Number of Employees		21,495	21,495				41,049	41,049				24,157	24,157				26,021	26,021		
		11 - Number of GL Transactions		2,968	2,968				17	17				2,412	2,412				3,048	3,048		
		16 - Number of Phone Center Calls		25	25				105	105				567	567				567	567		
		17 - Number of Purchase Orders		517	517				3,551	3,551				9,012	9,012				8,880	8,880		
		20 - Number of Remittance Items		61,172	61,172				61,524	61,524				38,372	38,372				23,787	23,787		
		26 - Number of Stores Transactions		23	23				5	5				1	1				0	0		
		27 - Number of Telephones		101,965	101,965				121,222	121,222				81,459	81,459				71,705	71,705		
		28 - Number of Trans Pole Miles		281	281				33	33				92	92				95	95		
		31 - Number of Vehicles		11	11																	
		32 - Number of Vendor Invoice Pay		(79,972)	(79,972)				(53,581)	(53,581)				(30,861)	(30,861)				(19,930)	(19,930)		
		33 - Number of Workstations		5,279	5,279				12,424	12,424				28,094	28,094				32,005	32,005		
		37 - AEPSC Past 3 Months Total Bill		13,474	13,474				17	17				12	12				12	12		
		39 - 100% to One Company	18,594		18,594			19,223		19,223			19,145		19,145			22,802		22,802		
		40 - Equal Share Ratio		949	949				973	973				1,761	1,761				1,738	1,738		
		46 - Level of Const-Transmission		0	0														0	0		
		48 - MW Generating Capability		15,193	15,193				30,334	30,334				13,539	13,539				13,791	13,791		
		49 - MWH's Generation		237	237																	
		51 - Past 3 Mo MMBTU's Burned (Tot)		144	144				8	8												
		52 - Past 3 Mo MMBTU Burned (Coal)		697	697				432	432				6	6				6	6		
		57 - Tons of Fuel Acquired		129	129									53	53				53	53		
		58 - Total Assets		223,506	223,506				199,178	199,178				218,452	218,452				216,159	216,159		
		60 - AEPSC Bill less Indir and Int		227	227				187	187				213	213				148	148		
		61 - Total Fixed Assets		1,117	1,117				30	30				2,011	2,011				2,795	2,795		
		63 - Total Gross Utility Plant		446	446				2,349	2,349				27	27				425	425		
		64 - Member/Peak Load		109	109				137	137				647	647				599	599		
		67 - Number of Banking Transactions		89	89				24	24				55	55				74	74		
		70 - No Nonelectric OAR Invoices		(1,082)	(1,082)				25	25									25	25		
		77 - Power Transactn to All Markets		0	0																	
	9210 - Office Supplies and Expenses Total		18,594	370,184	388,778	(79,152)	309,625	19,223	420,979	440,202	(85,690)	354,512	19,145	397,670	416,815	(46,225)	370,590	22,802	389,522	412,324	(27,353)	384,971
	9220 - Administrative Exp Trnsf - Cr	09 - Number of Employees							0	0				0	0				0	0		
		60 - AEPSC Bill less Indir and Int		(0)	(0)																	
	9220 - Administrative Exp Trnsf - Cr Total			(0)	(0)	0	(0)		0	0	0	0		0	0	0	0		0	0	0	0
	9230 - Outside Services Employed	08 - Number of Electric Retail Cust		250,649	250,649				441,239	441,239				149,431	149,431				152,256	152,256		
		09 - Number of Employees		147,670	147,670				251,686	251,686				212,999	212,999				196,875	196,875		
		11 - Number of GL Transactions		145,361	145,361				105,266	105,266				135,928	135,928				142,634	142,634		
		16 - Number of Phone Center Calls		(41)	(41)				(141)	(141)				(20)	(20)				(14)	(14)		
		17 - Number of Purchase Orders		29,966	29,966				14,784	14,784				14,920	14,920				11,490	11,490		
		26 - Number of Stores Transactions		434	434				19	19				192	192				33	33		
		27 - Number of Telephones		1	1																	
		28 - Number of Trans Pole Miles		5,355	5,355				7,847	7,847				15,107	15,107				12,424	12,424		
		31 - Number of Vehicles		2,542	2,542									2,309	2,309				3,977	3,977		
		32 - Number of Vendor Invoice Pay		12,190	12,190				28,194	28,194				(1,311)	(1,311)				5,883	5,883		
		33 - Number of Workstations		76,928	76,928				121,209	121,209				189,923	189,923				183,670	183,670		
		37 - AEPSC Past 3 Months Total Bill		(1,369,296)	(1,369,296)				(499,189)	(499,189)				1,500,861	1,500,861				934,284	934,284		
		39 - 100% to One Company	820,079		820,079			(109,982)		(109,982)			95,879		95,879			85,050		85,050		
		40 - Equal Share Ratio		40,886	40,886				46,996	46,996				32,219	32,219				29,456	29,456		
		44 - Level of Const-Distribution		679	679														829	829		
		46 - Level of Const-Transmission		23,666	23,666				38,177	38,177				51,738	51,738				48,276	48,276		
		48 - MW Generating Capability		14,527	14,527				79,229	79,229				3,767	3,767				4,772	4,772		
		49 - MWH's Generation		5,270	5,270				22,062	22,062				26,876	26,876				22,517	22,517		
		51 - Past 3 Mo MMBTU's Burned (Tot)		1,766	1,766				1,347	1,347				877	877				551	551		
		52 - Past 3 Mo MMBTU Burned (Coal)		603,789	603,789				1,277,781	1,277,781				1,029,312	1,029,312				640,232	640,232		
		58 - Total Assets		648,690	648,690				522,044	522,044				311,655	311,655				342,067	342,067		
		60 - AEPSC Bill less Indir and Int		(19,201)	(19,201)				(7,210)	(7,210)				(16,687)	(16,687)				(21,024)	(21,024)		
		61 - Total Fixed Assets		19,940	19,940				39,442	39,442				22,055	22,055				17,666	17,666		
		63 - Total Gross Utility Plant		149,849	149,849				133,218	133,218				128,945	128,945				128,392	128,392		
		64 - Member/Peak Load		8,669	8,669				114	114												
		67 - Number of Banking Transactions		487	487				268	268				153	153				266	266		
		70 - No Nonelectric OAR Invoices		150	150				93	93				52	52				22	22		
	9230 - Outside Services Employed Total		820,079	800,926	1,621,005	(402,343)	1,218,663	(109,982)	2,624,475	2,514,493	(749,280)	1,765,213	95,879	3,811,301	3,907,180	(647,332)	3,259,848	85,050	2,857,535	2,942,584	(398,103)	2,544,481
	9240 - Property Insurance	61 - Total Fixed Assets												(250)	(250)				(250)	(250)		
	9240 - Property Insurance Total					0	0				0	0		(250)	(250)	0	(250)		(250)	(250)	0	(250)
	9250 - Injuries and Damages	09 - Number of Employees		925	925				155	155				144	144				143	143		
		58 - Total Assets												2	2				2	2		
		60 - AEPSC Bill less Indir and Int		(175)	(175)				80	80				(69)	(69)				(233)	(233)		
		61 - Total Fixed Assets		582	582				809	809				21	21				21	21		
	9250 - Injuries and Damages Total			1,333	1,333	(270)	1,063		1,044	1,044	(218)	826		98	98	(12)	87		(68)	(68)	33	(36)
	9260 - Employee Pensions & Benefits	08 - Number of Electric Retail Cust		49	49				6	6				347	347				308	308		
		09 - Number of Employees		7,627	7,627				10,449	10,449				8,123	8,123				8,890	8,890		
		11 - Number of GL Transactions												(649)	(649)				(649)	(649)		
		16 - Number of Phone Center Calls												14	14				4	4		
		20 - Number of Remittance Items												4	4				11	11		
		26 - Number of Stores Transactions		263	263																	
		28 - Number of Trans Pole Miles		29	29				4	4				2	2				42	42		
		31 - Number of Vehicles		14	14																	

Kentucky Power Company
AEPSC Charges by FERC Account, Allocation Factor and Allocation Type, net of share billed to Co-Owner
For 2020,2021,2022 and Test Year Ended March 2023

American Electric Power Service Corporation (AEPSC) is a wholly owned subsidiary of AEP and is the Centralized Service Company for the AEP System. AEPSC's activities are authorized by the FERC under the Public Utilities Holding Company Act of 2005. AEPSC performs, at cost, various corporate support services for subsidiaries of AEP, including Kentucky Power.

AEPSC transactions are accounted for through a work order system as required by the FERC. Costs for support services are accumulated in work orders and are billed to the company or companies benefiting from the service. Accounting within each work order is in accordance with the FERC Uniform System of Accounts. The costs for services benefiting only one company are directly assigned and are billed 100% to that company. Where services benefit more than one company, the costs for those services are allocated to the benefiting companies using an approved allocation factor. The allocation factor for any given allocation of costs is selected for use because it best reflects the cost driver associated with the service provided.

The FERC monitors the factors used for allocations, through required annual reporting, and can audit the validity of each factor. All services are billed at cost, with no profit charged, as required by the FERC's "at cost" rules.

			2020					2021					2022					TEST YEAR (12 Mo. Ended March 2023)				
Account Type	FERC Account	Allocation Factor	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net
		33 - Number of Workstations		14	14				6	6									1	1		
		39 - 100% to One Company	0		0																	
		48 - MW Generating Capability		246	246				181	181				42	42				42	42		
		49 - MWH's Generation		416	416				93	93				167	167				111	111		
		58 - Total Assets		8,426	8,426				4,008	4,008				4,674	4,674				2,907	2,907		
		60 - AEPSC Bill less Indir and Int		(60)	(60)				9	9				(17)	(17)				(6)	(6)		
		61 - Total Fixed Assets		26	26				12	12				31	31				23	23		
		63 - Total Gross Utility Plant		23	23									90	90				90	90		
	9260 - Employee Pensions & Benefits Total		0	17,072	17,072	(3,811)	13,261		14,767	14,767	(2,487)	12,281		12,831	12,831	(1,241)	11,590		11,775	11,775	(748)	11,027
	9280 - Regulatory Commission Exp	08 - Number of Electric Retail Cust		(17)	(17)				(0)	(0)				0	0				21	21		
		09 - Number of Employees		14	14				12	12				172	172				172	172		
		28 - Number of Trans Pole Miles		(11)	(11)				(65)	(65)				22	22				(53)	(53)		
		39 - 100% to One Company	1,434,953		1,434,953			407,180		407,180			1,160,748		1,160,748			1,452,412		1,452,412		
		48 - MW Generating Capability		(1,696)	(1,696)				(533)	(533)				29	29				(106)	(106)		
		58 - Total Assets		14,353	14,353				11,349	11,349				10,444	10,444				10,725	10,725		
		60 - AEPSC Bill less Indir and Int		(2,675)	(2,675)				(256)	(256)				92	92				(505)	(505)		
		61 - Total Fixed Assets		8,253	8,253				6,413	6,413				3,602	3,602				591	591		
	9280 - Regulatory Commission Exp Total		1,434,953	18,220	1,453,172	(209)	1,452,964	407,180	16,919	424,099	(4,252)	419,847	1,160,748	14,361	1,175,109	(733)	1,174,376	1,452,412	10,845	1,463,257	(362)	1,462,895
	9301 - General Advertising Expenses	08 - Number of Electric Retail Cust		905	905				227	227												
		09 - Number of Employees							9	9				67	67				60	60		
		33 - Number of Workstations							0	0												
		58 - Total Assets		4,338	4,338				7,439	7,439				9,759	9,759				5,288	5,288		
	9301 - General Advertising Expenses Total			5,243	5,243	0	5,243		7,676	7,676	0	7,676		9,825	9,825	0	9,825		5,348	5,348	0	5,348
	9302 - Misc General Expenses	06 - Number of Commercial Customers		7,673	7,673				8,103	8,103				10,730	10,730				9,087	9,087		
		08 - Number of Electric Retail Cust		(418)	(418)				49	49				19	19				(158)	(158)		
		09 - Number of Employees		17,172	17,172				27,149	27,149				28,947	28,947				30,016	30,016		
		11 - Number of GL Transactions												37	37				37	37		
		27 - Number of Telephones		1,316	1,316				1,746	1,746				141	141				1	1		
		28 - Number of Trans Pole Miles		2,494	2,494				3,471	3,471				3,383	3,383				3,876	3,876		
		32 - Number of Vendor Invoice Pay							(2,065)	(2,065)				24	24				16	16		
		33 - Number of Workstations							16,713	16,713				12,587	12,587				10,547	10,547		
		37 - AEPSC Past 3 Months Total Bill		6	6																	
		39 - 100% to One Company	160,356		160,356			108,383		108,383			59,314		59,314			53,095		53,095		
		40 - Equal Share Ratio							235	235				66,535	66,535				73,732	73,732		
		46 - Level of Const-Transmission							15	15												
		48 - MW Generating Capability		(779)	(779)				(63)	(63)				696	696				531	531		
		58 - Total Assets		133,672	133,672				156,576	156,576				183,532	183,532				148,799	148,799		
		60 - AEPSC Bill less Indir and Int		(825)	(825)				(25)	(25)				232	232				(770)	(770)		
		63 - Total Gross Utility Plant		23	23				19	19				(3)	(3)							
		70 - No Nonelectric OAR Invoices		268	268				503	503				255	255				169	169		
	9302 - Misc General Expenses Total		160,356	160,601	320,957	(105,988)	214,969	108,383	212,426	320,809	(62,570)	258,239	59,314	307,113	366,427	(30,308)	336,119	53,095	275,884	328,979	(14,218)	314,761
	9310 - Rents	08 - Number of Electric Retail Cust		(1)	(1)				1	1												
		09 - Number of Employees		189	189				164	164				2,833	2,833				2,759	2,759		
		11 - Number of GL Transactions		1,033	1,033				1,431	1,431				765	765				341	341		
		26 - Number of Stores Transactions												0	0							
		27 - Number of Telephones		8,077	8,077				5,462	5,462				1,770	1,770				827	827		
		28 - Number of Trans Pole Miles		273	273				441	441				331	331				293	293		
		32 - Number of Vendor Invoice Pay		8	8				4	4				0	0				0	0		
		33 - Number of Workstations		684	684				1,260	1,260				1,041	1,041				953	953		
		37 - AEPSC Past 3 Months Total Bill		54	54																	
		39 - 100% to One Company	21,742		21,742			34,200		34,200			14,917		14,917			8,860		8,860		
		40 - Equal Share Ratio		1	1				1	1				0	0				0	0		
		46 - Level of Const-Transmission		0	0				0	0												
		48 - MW Generating Capability		9,783	9,783				7,701	7,701				3,004	3,004				1,413	1,413		
		49 - MWH's Generation		46	46				40	40				19	19				8	8		
		58 - Total Assets		17,620	17,620				17,430	17,430				8,375	8,375				5,614	5,614		
		60 - AEPSC Bill less Indir and Int		11	11				10	10				7	7				1	1		
		61 - Total Fixed Assets		109	109				64	64				23	23				11	11		
		63 - Total Gross Utility Plant		0	0				0	0				0	0				0	0		
	9310 - Rents Total		21,742	37,889	59,631	(10,316)	49,315	34,200	34,008	68,208	(9,730)	58,479	14,917	18,169	33,086	(3,622)	29,464	8,860	12,219	21,079	(1,734)	19,345
	9350 - Maintenance of General Plant	05 - Number of CIS Customers Mail		448	448																	
		08 - Number of Electric Retail Cust		79,783	79,783				104,407	104,407				107,398	107,398				104,871	104,871		
		09 - Number of Employees		35,243	35,243				51,888	51,888				16,170	16,170				7,543	7,543		
		11 - Number of GL Transactions												3,758	3,758				3,758	3,758		
		26 - Number of Stores Transactions							228	228												
		27 - Number of Telephones		51,968	51,968				36,769	36,769				22,397	22,397				18,978	18,978		
		28 - Number of Trans Pole Miles		37	37				1,477	1,477				(485)	(485)				(201)	(201)		
		31 - Number of Vehicles												3,775	3,775				3,775	3,775		
		33 - Number of Workstations		401,883	401,883				438,931	438,931				374,538	374,538				337,496	337,496		
		37 - AEPSC Past 3 Months Total Bill		3,465	3,465				9	9				70	70				73	73		
		39 - 100% to One Company	924,893		924,893			536,271		536,271			444,131		444,131			460,322		460,322		
		46 - Level of Const-Transmission												1,189	1,189							
		48 - MW Generating Capability		145,049	145,049				137,031	137,031				142,669	142,669				98,636	98,636		
		49 - MWH's Generation							15,652	15,652				11,062	11,062				11,062	11,062		
		51 - Past 3 Mo MMBTU's Burned (Tot)		16,892	16,892				16,844	16,844				11,957	11,957				7,513	7,513		
		58 - Total Assets		74,376	74,376				71,841	71,841				95,053	95,053				109,199	109,199		
		60 - AEPSC Bill less Indir and Int		(13,499)	(13,499)				(3,576)	(3,576)				(4,542)	(4,542)				(3,583)	(3,583)		
		61 - Total Fixed Assets												742	742				742	742		
		63 - Total Gross Utility Plant		154,280	154,280				188,154	188,154				212,406	212,406				204,424	204,424		
		64 - Member/Peak Load		36,203	36,203				45,394	45,394				43,037	43,037				35,721	35,721		
	9350 - Maintenance of General Plant Total		924,893	986,129	1,911,023	(198,305)	1,712,718	536,271	1,105,049	1,641,320	(222,456)	1,418,864	444,131	1,041,192	1,485,323	(144,586)	1,340,737	460,322	940,007	1,400,329	(87,587)	1,312,742
Cost of Service Total			**13,692,794**	**24,810,449**	**38,503,243**	**(6,871,049)**	**31,632,194**	**13,324,155**	**26,033,670**	**39,357,825**	**(7,623,236)**	**31,734,589**	**9,554,348**	**25,228,808**	**34,783,156**	**(4,366,584)**	**30,416,572**	**10,438,474**	**22,028,726**	**32,467,201**	**(2,643,275)**	**29,823,925**
Non Cost of Service	1070 - Construction Work In Progress	06 - Number of Commercial Customers		2,915	2,915				10,089	10,089				4,716	4,716				1,314	1,314		
		08 - Number of Electric Retail Cust		2,554,852	2,554,852				1,446,692	1,446,692				1,966,530	1,966,530				2,081,459	2,081,459		
		09 - Number of Employees		119,967	119,967				119,859	119,859				188,482	188,482				212,590	212,590		
		11 - Number of GL Transactions		79,609	79,609				482,942	482,942				1,007,465	1,007,465				944,525	944,525		

Kentucky Power Company
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For 2020,2021,2022 and Test Year Ended March 2023

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The FERC monitors the factors used for allocations, through required annual reporting, and can audit the validity of each factor. All services are billed at cost, with no profit charged, as required by the FERC's "at cost" rules.

			2020					2021					2022					TEST YEAR (12 Mo. Ended March 2023)				
Account Type	FERC Account	Allocation Factor	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net	Direct	Allocated	AEPSC Billed to Kentucky Power	Share Billed to Co-Owner	AEPSC Billed to Kentucky Power, Net
		16 - Number of Phone Center Calls		2,175	2,175				(4)	(4)												
		17 - Number of Purchase Orders		120,375	120,375				177,547	177,547				69,004	69,004				63,201	63,201		
		26 - Number of Stores Transactions		41,213	41,213				13,718	13,718				5,954	5,954				7,123	7,123		
		27 - Number of Telephones												3,229	3,229				12,110	12,110		
		28 - Number of Trans Pole Miles		24,002	24,002				38,129	38,129				27,024	27,024				28,610	28,610		
		31 - Number of Vehicles		46,306	46,306				94,987	94,987				261,403	261,403				260,432	260,432		
		32 - Number of Vendor Invoice Pay							59,123	59,123				22,408	22,408				15,093	15,093		
		33 - Number of Workstations		1,412,918	1,412,918				2,307,464	2,307,464				1,469,215	1,469,215				1,503,520	1,503,520		
		37 - AEPSC Past 3 Months Total Bill		347,832	347,832				301,645	301,645				400,146	400,146				325,605	325,605		
		39 - 100% to One Company	11,449,614		11,449,614			14,168,620		14,168,620			14,357,399		14,357,399			12,081,472		12,081,472		
		44 - Level of Const-Distribution		277,297	277,297				232,127	232,127				263,528	263,528				262,508	262,508		
		45 - Level of Const-Production		933,406	933,406				617,015	617,015				647,610	647,610				463,880	463,880		
		46 - Level of Const-Transmission		2,539,850	2,539,850				3,168,076	3,168,076				3,769,860	3,769,860				3,493,022	3,493,022		
		48 - MW Generating Capability		744,948	744,948				662,730	662,730				410,597	410,597				340,511	340,511		
		49 - MWH's Generation		778	778									5,052	5,052				4,623	4,623		
		51 - Past 3 Mo MMBTU's Burned (Tot)		10,970	10,970				9,874	9,874				481	481				70	70		
		53 - Past 3 Mo MMBTU (Gas)		10,845	10,845				7,417	7,417				130	130				47	47		
		58 - Total Assets		790,689	790,689				729,466	729,466				927,564	927,564				978,819	978,819		
		60 - AEPSC Bill less Indir and Int		1,050,826	1,050,826				2,185,615	2,185,615				2,197,838	2,197,838				2,347,912	2,347,912		
		61 - Total Fixed Assets		49,608	49,608				13,134	13,134				92,360	92,360				99,803	99,803		
		63 - Total Gross Utility Plant		2,115,016	2,115,016				2,350,043	2,350,043				1,705,835	1,705,835				1,395,237	1,395,237		
		67 - Number of Banking Transactions		948	948																	
	1070 - Construction Work In Progress Total		11,449,614	13,277,346	24,726,960	(601,741)	24,125,219	14,168,620	15,027,687	29,196,307	(1,010,668)	28,185,639	14,357,399	15,446,433	29,803,832	(1,511,285)	28,292,547	12,081,472	14,842,014	26,923,486	(979,582)	25,943,904
	1080 - Accum Prov for Deprec of Plant	37 - AEPSC Past 3 Months Total Bill		36,554	36,554				24,628	24,628				18,742	18,742				17,856	17,856		
		39 - 100% to One Company	1,789,467		1,789,467			1,410,098		1,410,098			863,101		863,101			832,899		832,899		
		45 - Level of Const-Production		195	195				7	7				3	3				4	4		
		46 - Level of Const-Transmission		3,462	3,462				3,105	3,105				5,814	5,814				6,586	6,586		
		60 - AEPSC Bill less Indir and Int		(5,217)	(5,217)				763	763				(169)	(169)				(1,053)	(1,053)		
	1080 - Accum Prov for Deprec of Plant Total		1,789,467	34,994	1,824,461	(24,702)	1,799,760	1,410,098	28,504	1,438,602	(95,520)	1,343,082	863,101	24,390	887,491	(69,596)	817,895	832,899	23,394	856,293	(64,958)	791,335
	1220 - Depr & Amort of Nonutil Prop	39 - 100% to One Company	10,899		10,899			22,561		22,561			9,135		9,135			4,509		4,509		
	1220 - Depr & Amort of Nonutil Prop Total		10,899		10,899	0	10,899	22,561		22,561	0	22,561	9,135		9,135	0	9,135	4,509		4,509	0	4,509
	1240 - Other Investments	37 - AEPSC Past 3 Months Total Bill							173	173				10	10							
		39 - 100% to One Company	3,095		3,095			10,996		10,996			546		546							
	1240 - Other Investments Total		3,095		3,095	0	3,095	10,996	173	11,169	0	11,169	546	10	556	0	556				0	0
	1520 - Fuel Stock Exp Undistributed	09 - Number of Employees		233	233				1,222	1,222				11	11				11	11		
		11 - Number of GL Transactions							(338)	(338)				52	52				52	52		
		39 - 100% to One Company	245,607		245,607			209,605		209,605			112,644		112,644			77,909		77,909		
		48 - MW Generating Capability		503	503				11,002	11,002				13,334	13,334				842	842		
		51 - Past 3 Mo MMBTU's Burned (Tot)							26	26												
		52 - Past 3 Mo MMBTU Burned (Coal)		15,158	15,158				17,079	17,079				12,573	12,573				6,035	6,035		
		55 - Past 3 MMBTU Burned (Solid)		83,002	83,002				77,780	77,780				53,155	53,155				31,111	31,111		
		57 - Tons of Fuel Acquired		273,476	273,476				235,682	235,682				209,422	209,422				132,501	132,501		
		58 - Total Assets		36,585	36,585				33,385	33,385				17,507	17,507				17,174	17,174		
		60 - AEPSC Bill less Indir and Int		(844)	(844)				(258)	(258)				101	101				(101)	(101)		
	1520 - Fuel Stock Exp Undistributed Total		245,607	408,112	653,719	0	653,719	209,605	375,581	585,186	0	585,186	112,644	306,154	418,797	0	418,797	77,909	187,625	265,535	0	265,535
	1540 - Materials & Oper Supplies	28 - Number of Trans Pole Miles		0	0																	
	1540 - Materials & Oper Supplies Total			0	0	0	0				0	0				0	0				0	0
	1630 - Stores Expense Undistributed	08 - Number of Electric Retail Cust		20	20																	
		09 - Number of Employees		17,968	17,968				8,060	8,060				(2,165)	(2,165)				(20,903)	(20,903)		
		11 - Number of GL Transactions												16	16				16	16		
		17 - Number of Purchase Orders		1,357,409	1,357,409				1,357,485	1,357,485				1,181,627	1,181,627				1,014,597	1,014,597		
		26 - Number of Stores Transactions		416,948	416,948				292,571	292,571				291,730	291,730				191,566	191,566		
		28 - Number of Trans Pole Miles		6,913	6,913				7,350	7,350				7,196	7,196				7,047	7,047		
		31 - Number of Vehicles		14	14									1	1				1	1		
		32 - Number of Vendor Invoice Pay		2,993	2,993				1,086	1,086				288	288				24	24		
		33 - Number of Workstations		3,526	3,526				6,552	6,552				4,924	4,924				4,889	4,889		
		37 - AEPSC Past 3 Months Total Bill		26,636	26,636																	
		39 - 100% to One Company	516,560		516,560			462,105		462,105			173,375		173,375			123,951		123,951		
		44 - Level of Const-Distribution		483	483				1,071	1,071				3,833	3,833				3,746	3,746		
		48 - MW Generating Capability		136,876	136,876				21,943	21,943				5,972	5,972				5,538	5,538		
		51 - Past 3 Mo MMBTU's Burned (Tot)		28	28																	
		58 - Total Assets		164,396	164,396				281,388	281,388				360,853	360,853				288,533	288,533		
		60 - AEPSC Bill less Indir and Int		(26,152)	(26,152)				211	211				(939)	(939)				(1,880)	(1,880)		
		61 - Total Fixed Assets		295,434	295,434				260,664	260,664				217,598	217,598				189,673	189,673		
		63 - Total Gross Utility Plant		49,939	49,939				41,897	41,897				29,593	29,593				23,454	23,454		
	1630 - Stores Expense Undistributed Total		516,560	2,453,432	2,969,992	0	2,969,992	462,105	2,280,279	2,742,383	0	2,742,383	173,375	2,100,528	2,273,903	0	2,273,903	123,951	1,706,302	1,830,252	0	1,830,252
	1830 - Prelimin Surv&Investgtn Chrgs	08 - Number of Electric Retail Cust							1	1				(1)	(1)				(7)	(7)		
		09 - Number of Employees																	39	39		
		11 - Number of GL Transactions																	3,215	3,215		
		28 - Number of Trans Pole Miles		(182)	(182)				0	0				2	2				0	0		
		37 - AEPSC Past 3 Months Total Bill												28	28				28	28		
		39 - 100% to One Company	(249,841)		(249,841)			85,849		85,849			30,026		30,026			12,614		12,614		
		48 - MW Generating Capability		(3,665)	(3,665)				708	708				785	785				(8,234)	(8,234)		
		49 - MWH's Generation																	107	107		
		58 - Total Assets							11	11				20	20				26	26		
		60 - AEPSC Bill less Indir and Int		(1,833)	(1,833)				780	780				630	630				(6,012)	(6,012)		
		61 - Total Fixed Assets		3	3																	
	1830 - Prelimin Surv&Investgtn Chrgs Total		(249,841)	(5,677)	(255,518)	0	(255,518)	85,849	1,501	87,350	0	87,350	30,026	1,465	31,491	0	31,491	12,614	(10,837)	1,777	0	1,777
	1860 - MDD-Internal Billing Only	37 - AEPSC Past 3 Months Total Bill							176	176												
		39 - 100% to One Company	1,132,726		1,132,726			563,830		563,830			93,245		93,245			71,883		71,883		
		48 - MW Generating Capability												(23)	(23)							
		52 - Past 3 Mo MMBTU Burned (Coal)		0	0																	
		58 - Total Assets												12	12				12	12		
	1860 - MDD-Internal Billing Only Total		1,132,726	0	1,132,726	0	1,132,726	563,830	176	564,005	0	564,005	93,245	(11)	93,234	0	93,234	71,883	12	71,896	0	71,896
	1880 - R&D Expenses	08 - Number of Electric Retail Cust												504	504				507	507		
		28 - Number of Trans Pole Miles		79,013	79,013				141,320	141,320				84,922	84,922				69,494	69,494		

Kentucky Power Company
AEPSC Charges by FERC Account, Allocation Factor and Allocation Type, net of share billed to Co-Owner
For 2020,2021,2022 and Test Year Ended March 2023

American Electric Power Service Corporation (AEPSC) is a wholly owned subsidiary of AEP and is the Centralized Service Company for the AEP System. AEPSC's activities are authorized by the FERC under the Public Utilities Holding Company Act of 2005. AEPSC performs, at cost, various corporate support services for subsidiaries of AEP, including Kentucky Power.

AEPSC transactions are accounted for through a work order system as required by the FERC. Costs for support services are accumulated in work orders and are billed to the company or companies benefiting from the service. Accounting within each work order is in accordance with the FERC Uniform System of Accounts. The costs for services benefiting only one company are directly assigned and are billed 100% to that company. Where services benefit more than one company, the costs for those services are allocated to the benefiting companies using an approved allocation factor. The allocation factor for any given allocation of costs is selected for use because it best reflects the cost driver associated with the service provided.

The FERC monitors the factors used for allocations, through required annual reporting, and can audit the validity of each factor. All services are billed at cost, with no profit charged, as required by the FERC's "at cost" rules.

			2020					2021					2022					TEST YEAR (12 Mo. Ended March 2023)				
Account Type	**FERC Account**	**Allocation Factor**	**Direct**	**Allocated**	**AEPSC Billed to Kentucky Power**	**Share Billed to Co-Owner**	**AEPSC Billed to Kentucky Power, Net**	**Direct**	**Allocated**	**AEPSC Billed to Kentucky Power**	**Share Billed to Co-Owner**	**AEPSC Billed to Kentucky Power, Net**	**Direct**	**Allocated**	**AEPSC Billed to Kentucky Power**	**Share Billed to Co-Owner**	**AEPSC Billed to Kentucky Power, Net**	**Direct**	**Allocated**	**AEPSC Billed to Kentucky Power**	**Share Billed to Co-Owner**	**AEPSC Billed to Kentucky Power, Net**
		33 - Number of Workstations		17,313	17,313				18,006	18,006				15,103	15,103				11,524	11,524		
		48 - MW Generating Capability		18,734	18,734				10,612	10,612				7,996	7,996				5,225	5,225		
		51 - Past 3 Mo MMBTU's Burned (Tot)		367,902	367,902				375,327	375,327				268,614	268,614				169,614	169,614		
		52 - Past 3 Mo MMBTU Burned (Coal)		2,759	2,759				10,120	10,120				157	157				21	21		
		55 - Past 3 MMBTU Burned (Solid)		83	83				55	55				97	97				97	97		
		58 - Total Assets		4,757	4,757				5,058	5,058				5,571	5,571				4,256	4,256		
		60 - AEPSC Bill less Indir and Int		(1,106)	(1,106)				9	9				55	55				703	703		
		61 - Total Fixed Assets		132,996	132,996				222,114	222,114				191,692	191,692				141,195	141,195		
	1880 - R&D Expenses Total			622,450	622,450	0	622,450		782,621	782,621	0	782,621		574,711	574,711	0	574,711		402,636	402,636	0	402,636
	4010 - Operation Expense	48 - MW Generating Capability		0	0																	
	4010 - Operation Expense Total			0	0	0	0				0	0				0	0				0	0
	4210 - Misc Non-Operating Income	08 - Number of Electric Retail Cust		(1)	(1)				0	0				(0)	(0)				(0)	(0)		
		58 - Total Assets		(785)	(785)				(1,073)	(1,073)				(1,245)	(1,245)				(1,473)	(1,473)		
		60 - AEPSC Bill less Indir and Int		(629)	(629)				(16)	(16)				(0)	(0)				(7)	(7)		
	4210 - Misc Non-Operating Income Total			(1,414)	(1,414)	134	(1,281)		(1,089)	(1,089)	6	(1,083)		(1,245)	(1,245)	(1)	(1,245)		(1,481)	(1,481)	93	(1,388)
	4261 - Donations	60 - AEPSC Bill less Indir and Int		9,443	9,443				16,318	16,318				14,042	14,042				12,142	12,142		
	4261 - Donations Total			9,443	9,443	0	9,443		16,318	16,318	0	16,318		14,042	14,042	0	14,042		12,142	12,142	0	12,142
	4263 - Penalties	09 - Number of Employees		44	44				609	609				110	110				220	220		
		58 - Total Assets		430	430				437	437				327	327				134	134		
	4263 - Penalties Total			475	475	(116)	359		1,046	1,046	(216)	830		437	437	(47)	390		355	355	(2)	353
	4264 - Civic & Political Activities	08 - Number of Electric Retail Cust												0	0				0	0		
		28 - Number of Trans Pole Miles		0	0				0	0												
		39 - 100% to One Company						10,000		10,000			10,000		10,000							
		44 - Level of Const-Distribution												1,489	1,489				49	49		
		48 - MW Generating Capability		(0)	(0)				3	3				(3)	(3)				(4)	(4)		
		58 - Total Assets		174,865	174,865				191,519	191,519				192,212	192,212				165,856	165,856		
		60 - AEPSC Bill less Indir and Int		(1,755)	(1,755)				402	402				(306)	(306)				446	446		
	4264 - Civic & Political Activities Total			173,111	173,111	(6,022)	167,089	10,000	191,924	201,924	(3,615)	198,310	10,000	193,392	203,392	(3,239)	200,153		166,347	166,347	(2,370)	163,977
	4265 - Other Deductions	08 - Number of Electric Retail Cust												4	4				4	4		
		11 - Number of GL Transactions																	9	9		
		39 - 100% to One Company	7,943		7,943			70,869		70,869			379,877		379,877			124,120		124,120		
		48 - MW Generating Capability		26	26									(0)	(0)				(0)	(0)		
		58 - Total Assets		59,803	59,803				121,214	121,214				188,815	188,815				154,603	154,603		
		60 - AEPSC Bill less Indir and Int		13	13				(8)	(8)				(1)	(1)				36	36		
		61 - Total Fixed Assets		462	462																	
	4265 - Other Deductions Total		7,943	60,305	68,248	(9,305)	58,943	70,869	121,206	192,075	(45,213)	146,862	379,877	188,818	568,695	(186,831)	381,864	124,120	154,653	278,773	(53,662)	225,111
Non Cost of Service Total			**14,906,071**	**17,032,576**	**31,938,647**	**(641,752)**	**31,296,895**	**17,014,532**	**18,825,926**	**35,840,457**	**(1,155,225)**	**34,685,233**	**16,029,348**	**18,849,124**	**34,878,472**	**(1,770,999)**	**33,107,473**	**13,329,358**	**17,483,161**	**30,812,520**	**(1,100,481)**	**29,712,039**
Grand Total			**28,598,865**	**41,843,025**	**70,441,890**	**(7,512,802)**	**62,929,088**	**30,338,687**	**44,859,596**	**75,198,283**	**(8,778,461)**	**66,419,821**	**25,583,696**	**44,077,932**	**69,661,627**	**(6,137,583)**	**63,524,044**	**23,767,833**	**39,511,887**	**63,279,720**	**(3,743,756)**	**59,535,964**

Kentucky Power Company
Other Affiliates Charges by FERC Account, Allocation Factor and Allocation Type
For 2020,2021,2022 and Test Year Ended March 2023

Kentucky Power has a variety of transactions with affiliates on a normal basis. Transactions with affiliates generally fall into two categories. The first category, service payments, is a billing made when an affiliate provides a service to Kentucky Power, such as Appalachian Power providing assistance in distribution maintenance, generation engineering, or other affiliates providing assistance during storm recovery efforts. The second category, convenience payments, occurs when an affiliate company receives an invoice and the cost of that invoice should be borne by multiple AEP companies. For example, a legal invoice for a system-wide issue may be paid by one affiliate company, and that company then bills the other affiliates who benefit from the service.

Charges from affiliates are accumulated using a work order system. All affiliate services and convenience payments are billed to Kentucky Power at cost, per FERC affiliate requirements.

(1) Amounts billed from WPCo to KYPCo for Mitchell. In Sept 2022, WPCO assumed Operations of Mitchell and is billing KYPCo their ownership share.

				2020			2021			2022				TEST YEAR 12 MONTHS ENDED MARCH 2023			
Account Type	Affiliate	FERC Account	Allocation Factor	Direct	Allocated	Total	Direct	Allocated	Total	WPCO Mitchell Joint Billings Direct (1)	All Other Direct	Allocated	Total	WPCO Mitchell Joint Billings Direct (1)	All Other Direct	Allocated	Total
Cost of Service	Appalachian Power Company	5000 - Oper Supervision & Engineering	39 - 100% to One Company				365		365				-				-
			48 - MW Generating Capability		2,129	2,129		1,329	1,329			45,647	45,647			45,177	45,177
		5060 - Misc Steam Power Expenses	40 - Equal Share Ratio									864	864			1,111	1,111
			58 - Total Assets									149	149				-
		5100 - Maint Supv & Engineering	39 - 100% to One Company	839		839	5,969		5,969				-				-
		5110 - Maintenance of Structures	39 - 100% to One Company								13,503		13,503		13,503		13,503
		5120 - Maintenance of Boiler Plant	39 - 100% to One Company	7,843		7,843	3,826		3,826		3,427		3,427		3,427		3,427
		5130 - Maintenance of Electric Plant	39 - 100% to One Company	2,868		2,868							-				-
		5140 - Maintenance of Misc Steam Plt	39 - 100% to One Company								-		-		(8,000)		(8,000)
		5600 - Oper Supervision & Engineering	39 - 100% to One Company	11,100		11,100	6,069		6,069		7,176		7,176		6,505		6,505
			58 - Total Assets		153	153		1,276	1,276			1,947	1,947			1,214	1,214
		5630 - Overhead Line Expenses	28 - Number of Trans Pole Miles		17,262	17,262							-				-
		5660 - Misc Transmission Expenses	09 - Number of Employees									1	1			0	0
			58 - Total Assets		46	46		265	265			481	481			459	459
		5700 - Maint of Station Equipment	39 - 100% to One Company				1,500		1,500		698		698		198		198
		5710 - Maintenance of Overhead Lines	28 - Number of Trans Pole Miles					48,245	48,245			104,681	104,681			121,959	121,959
			39 - 100% to One Company	725		725	23,772		23,772		1,079		1,079		4,724		4,724
		5730 - Maint of Misc Trnsmssion Plt	39 - 100% to One Company	1,688		1,688	1,402		1,402		2,028		2,028		1,608		1,608
		5800 - Oper Supervision & Engineering	08 - Number of Electric Retail Cust		2,793	2,793		2,680	2,680			3,707	3,707			3,652	3,652
			09 - Number of Employees		1,122	1,122		1,207	1,207			484	484			620	620
			17 - Number of Purchase Orders		7	7		(0)	(0)				-				-
			39 - 100% to One Company	37,011		37,011	28,238		28,238		32,233		32,233		33,089		33,089
			58 - Total Assets		503	503		582	582			695	695			595	595
		5830 - Overhead Line Expenses	39 - 100% to One Company	109		109	2,398		2,398				-				-
		5860 - Meter Expenses	39 - 100% to One Company	59,864		59,864	60,232		60,232		87,653		87,653		98,085		98,085
		5870 - Customer Installations Exp	39 - 100% to One Company	139		139							-				-
		5880 - Miscellaneous Distribution Exp	08 - Number of Electric Retail Cust					41	41			148	148			148	148
			39 - 100% to One Company	32,640		32,640	2,315		2,315		139		139		735		735
		5890 - Rents	39 - 100% to One Company				15		15		3,350		3,350				-
		5930 - Maintenance of Overhead Lines	39 - 100% to One Company	436,026		436,026	75,315		75,315		158,408		158,408		146,297		146,297
		5940 - Maint of Underground Lines	39 - 100% to One Company								(117)		(117)		(117)		(117)
		5950 - Maint of Lne Trnf,Rglators&Dvi	39 - 100% to One Company	325		325	27,098		27,098		368		368		60		60
		5970 - Maintenance of Meters	39 - 100% to One Company				959		959		442		442		149		149
		5980 - Maint of Misc Distribution Plt	39 - 100% to One Company	1,522		1,522	3,323		3,323		2,310		2,310		1,226		1,226
		9030 - Cust Records & Collection Exp	39 - 100% to One Company	0		0							-		419		419
		9200 - Administrative & Gen Salaries	08 - Number of Electric Retail Cust		113	113		27	27			3,494	3,494			2,799	2,799
			09 - Number of Employees					80	80			200	200			142	142
			16 - Number of Phone Center Calls		47	47							-				-
			33 - Number of Workstations									121	121			121	121
			37 - AEPSC Past 3 Months Total Bill		16,631	16,631		456	456			10	10			10	10
			39 - 100% to One Company				20,664		20,664		14,209		14,209		13,770		13,770
			58 - Total Assets		16,707	16,707		9,971	9,971			2,762	2,762			1,930	1,930
		9210 - Office Supplies and Expenses	08 - Number of Electric Retail Cust		2	2		0	0			1	1			0	0
			09 - Number of Employees		0	0		3	3			21	21			19	19
			17 - Number of Purchase Orders		4,182	4,182		4,592	4,592			1,856	1,856			1,846	1,846
			37 - AEPSC Past 3 Months Total Bill		1,485	1,485							-				-
			39 - 100% to One Company	59,038		59,038	49		49		128		128		73		73
			44 - Level of Const-Distribution									1	1				-
			58 - Total Assets		4,364	4,364		985	985			329	329			132	132
		9220 - Administrative Exp Trnsf - Cr	58 - Total Assets		325	325							-				-
		9230 - Outside Services Employed	08 - Number of Electric Retail Cust		3,128	3,128		702	702			1,286	1,286			1,503	1,503
			09 - Number of Employees		6,631	6,631		5,504	5,504			12,277	12,277			11,683	11,683
			17 - Number of Purchase Orders									7	7				-
			33 - Number of Workstations		25	25		215	215			965	965			542	542
			37 - AEPSC Past 3 Months Total Bill		1	1							-				-
			58 - Total Assets		47,286	47,286		30,839	30,839			18,487	18,487			11,644	11,644
			61 - Total Fixed Assets		12,564	12,564		34,731	34,731			25,192	25,192			15,470	15,470
		9250 - Injuries and Damages	39 - 100% to One Company				(32)		(32)				-				-
			61 - Total Fixed Assets		5,145	5,145		679	679			4,101	4,101			3,865	3,865
		9301 - General Advertising Expenses	08 - Number of Electric Retail Cust					22	22				-				-
		9302 - Misc General Expenses	06 - Number of Commercial Customers					10	10			28	28			28	28
			39 - 100% to One Company	5,644		5,644							-		332		332
			40 - Equal Share Ratio										-			361	361
		9310 - Rents	11 - Number of GL Transactions		2	2		2	2			1	1			1	1
			39 - 100% to One Company	1,201		1,201	39		39		12		12		7		7
			48 - MW Generating Capability		1	1		1	1			5	5			4	4
			58 - Total Assets					0	0			0	0			0	0
		9350 - Maintenance of General Plant	39 - 100% to One Company	162,300		162,300	291,388		291,388		263,778		263,778		231,671		231,671
			58 - Total Assets									155	155			217	217
	Appalachian Power Company Total			820,882	142,653	963,534	554,904	144,444	699,347		590,823	230,102	820,925		547,762	227,249	775,012
	Southwestern Electric Power Company	5000 - Oper Supervision & Engineering	48 - MW Generating Capability		1,554	1,554		1,142	1,142			457	457			1,492	1,492
		5020 - Steam Expenses	48 - MW Generating Capability									5	5			5	5
		5060 - Misc Steam Power Expenses	39 - 100% to One Company				3,838		3,838		1,815		1,815		1,815		1,815
			40 - Equal Share Ratio									51	51			51	51
			48 - MW Generating Capability					11	11				-			1	1
		5100 - Maint Supv & Engineering	48 - MW Generating Capability		56	56							-			34	34
		5110 - Maintenance of Structures	39 - 100% to One Company	851		851							-				-
		5120 - Maintenance of Boiler Plant	39 - 100% to One Company	1,763		1,763	4,172		4,172		853		853		853		853
		5130 - Maintenance of Electric Plant	39 - 100% to One Company	6,992		6,992	614		614		853		853		853		853
		5140 - Maintenance of Misc Steam Plt	39 - 100% to One Company	7,475		7,475	1,282		1,282				-				-
		5530 - Maintenance of Generating Plt	39 - 100% to One Company	315		315							-				-
		5600 - Oper Supervision & Engineering	28 - Number of Trans Pole Miles		12	12							-				-
			58 - Total Assets		316	316		232	232			5,959	5,959			6,024	6,024

Kentucky Power Company
Other Affiliates Charges by FERC Account, Allocation Factor and Allocation Type
For 2020,2021,2022 and Test Year Ended March 2023

Kentucky Power has a variety of transactions with affiliates on a normal basis. Transactions with affiliates generally fall into two categories. The first category, service payments, is a billing made when an affiliate provides a service to Kentucky Power, such as Appalachian Power providing assistance in distribution maintenance, generation engineering, or other affiliates providing assistance during storm recovery efforts. The second category, convenience payments, occurs when an affiliate company receives an invoice and the cost of that invoice should be borne by multiple AEP companies. For example, a legal invoice for a system-wide issue may be paid by one affiliate company, and that company then bills the other affiliates who benefit from the service.

Charges from affiliates are accumulated using a work order system. All affiliate services and convenience payments are billed to Kentucky Power at cost, per FERC affiliate requirements.

(1) Amounts billed from WPCo to KYPCo for Mitchell. In Sept 2022, WPCO assumed Operations of Mitchell and is billing KYPCo their ownership share.

				2020			2021			2022				TEST YEAR 12 MONTHS ENDED MARCH 2023			
Account Type	Affiliate	FERC Account	Allocation Factor	Direct	Allocated	Total	Direct	Allocated	Total	WPCO Mitchell Joint Billings Direct (1)	All Other Direct	Allocated	Total	WPCO Mitchell Joint Billings Direct (1)	All Other Direct	Allocated	Total
		5660 - Misc Transmission Expenses	58 - Total Assets		24	24		575	575			409	409			423	423
		5700 - Maint of Station Equipment	39 - 100% to One Company	676		676							-				-
		5710 - Maintenance of Overhead Lines	28 - Number of Trans Pole Miles					0	0				-				-
			39 - 100% to One Company	(76)		(76)							-		112		112
		5730 - Maint of Misc Trnsmssion Plt	28 - Number of Trans Pole Miles					5	5				-				-
		5800 - Oper Supervision & Engineering	61 - Total Fixed Assets		0	0							-				-
		5830 - Overhead Line Expenses	39 - 100% to One Company								822		822		130		130
		5860 - Meter Expenses	39 - 100% to One Company	149		149	283		283		17		17		17		17
		5880 - Miscellaneous Distribution Exp	09 - Number of Employees		8,275	8,275		7,891	7,891			8,115	8,115			8,043	8,043
		5930 - Maintenance of Overhead Lines	08 - Number of Electric Retail Cust		169	169							-				-
			39 - 100% to One Company	24		24	245		245		(96)		(96)		(94)		(94)
		5980 - Maint of Misc Distribution Plt	28 - Number of Trans Pole Miles					(32)	(32)				-				-
		9030 - Cust Records & Collection Exp	39 - 100% to One Company				381		381				-				-
		9120 - Demonstrating & Selling Exp	08 - Number of Electric Retail Cust					45	45				-				-
		9200 - Administrative & Gen Salaries	08 - Number of Electric Retail Cust									1,060	1,060			876	876
			09 - Number of Employees		174	174		2	2				-				-
			16 - Number of Phone Center Calls		493	493							-				-
			33 - Number of Workstations		57	57							-				-
			37 - AEPSC Past 3 Months Total Bill		7,683	7,683							-				-
			55 - Past 3 MMBTU Burned (Solid)					167	167			23	23			23	23
			58 - Total Assets		9,835	9,835		6,044	6,044			599	599			570	570
		9210 - Office Supplies and Expenses	08 - Number of Electric Retail Cust		315	315							-				-
			17 - Number of Purchase Orders		2,650	2,650		1,948	1,948			844	844			218	218
			37 - AEPSC Past 3 Months Total Bill		1,267	1,267							-				-
			40 - Equal Share Ratio					0	0				-				-
			58 - Total Assets		9,268	9,268		918	918			9	9				-
		9230 - Outside Services Employed	17 - Number of Purchase Orders		1,417	1,417		714	714			3,894	3,894			63	63
			37 - AEPSC Past 3 Months Total Bill		36	36							-				-
			58 - Total Assets		19,564	19,564		12,599	12,599			6,911	6,911			5,947	5,947
			61 - Total Fixed Assets		3,965	3,965						293	293			293	293
		9310 - Rents	39 - 100% to One Company	5		5	21		21		15		15		3		3
			48 - MW Generating Capability		0	0		0	0			0	0			0	0
			58 - Total Assets		1	1		1	1			3	3			3	3
		9350 - Maintenance of General Plant	39 - 100% to One Company				4,767		4,767				-				-
	Southwestern Electric Power Company Total			18,175	67,130	85,305	15,603	32,263	47,866		4,280	28,631	32,912		3,690	24,066	27,756
	Public Service Company of Oklahoma	5000 - Oper Supervision & Engineering	39 - 100% to One Company								11,952		11,952		11,952		11,952
			48 - MW Generating Capability		1,364	1,364		6,349	6,349				-			176	176
		5020 - Steam Expenses	39 - 100% to One Company	132		132							-				-
		5060 - Misc Steam Power Expenses	39 - 100% to One Company				99		99				-				-
			40 - Equal Share Ratio									1,215	1,215			1,215	1,215
		5120 - Maintenance of Boiler Plant	39 - 100% to One Company	566		566							-				-
		5600 - Oper Supervision & Engineering	58 - Total Assets		235	235		2,058	2,058			1,479	1,479			1,779	1,779
		5612 - Load Dispatch-Mntr&Op TransSys	58 - Total Assets		28	28							-				-
		5650 - Trnsmssion of Elect by Others	39 - 100% to One Company				-		-				-				-
		5660 - Misc Transmission Expenses	58 - Total Assets		426	426		374	374			333	333			384	384
		5710 - Maintenance of Overhead Lines	09 - Number of Employees					4	4			1	1			1	1
		5860 - Meter Expenses	08 - Number of Electric Retail Cust		12	12							-				-
			39 - 100% to One Company	43		43					124		124		124		124
		5880 - Miscellaneous Distribution Exp	09 - Number of Employees		1,069	1,069		1,229	1,229			1,214	1,214			1,381	1,381
			39 - 100% to One Company	525		525					642		642				-
			58 - Total Assets		174	174						6	6			6	6
		5920 - Maint of Station Equipment	39 - 100% to One Company								1,205		1,205		1,205		1,205
		5930 - Maintenance of Overhead Lines	39 - 100% to One Company	3,776		3,776	12,044		12,044		112		112		12,056		12,056
		5950 - Maint of Lne Trnf,Rglators&Dvi	39 - 100% to One Company	2		2							-				-
		9120 - Demonstrating & Selling Exp	08 - Number of Electric Retail Cust									148	148			148	148
		9200 - Administrative & Gen Salaries	08 - Number of Electric Retail Cust									1,641	1,641			867	867
			09 - Number of Employees										-			2	2
			16 - Number of Phone Center Calls		1,008	1,008							-				-
			37 - AEPSC Past 3 Months Total Bill		15,163	15,163							-				-
			39 - 100% to One Company	718		718							-				-
			58 - Total Assets		11,297	11,297		7,768	7,768			187	187			108	108
		9210 - Office Supplies and Expenses	08 - Number of Electric Retail Cust									0	0			0	0
			09 - Number of Employees					8	8			0	0			1	1
			37 - AEPSC Past 3 Months Total Bill		1,560	1,560							-				-
			39 - 100% to One Company	1		1							-				-
			44 - Level of Const-Distribution		260	260		663	663			542	542			332	332
			58 - Total Assets		1,000	1,000		2,051	2,051			744	744			1,375	1,375
		9230 - Outside Services Employed	09 - Number of Employees					17	17			453	453			453	453
			37 - AEPSC Past 3 Months Total Bill		11	11							-				-
			58 - Total Assets		12,155	12,155		1,889	1,889			103	103			97	97
		9260 - Employee Pensions & Benefits	48 - MW Generating Capability		13	13							-				-
		9310 - Rents	11 - Number of GL Transactions		0	0		1	1			0	0			0	0
			39 - 100% to One Company	1		1	0		0		2		2				-
			48 - MW Generating Capability		1	1		7	7				-				-
			58 - Total Assets		15	15		5	5			0	0			0	0
		9350 - Maintenance of General Plant	58 - Total Assets									72	72			126	126
	Public Service Company of Oklahoma Total			5,763	45,793	51,556	12,143	22,422	34,565		14,036	8,140	22,176		25,336	8,453	33,789
	Indiana Michigan Power Company	5000 - Oper Supervision & Engineering	48 - MW Generating Capability		28	28		774	774			539	539			918	918
		5060 - Misc Steam Power Expenses	40 - Equal Share Ratio		19	19						695	695			695	695
			58 - Total Assets		(3)	(3)		18	18				-				-
		5140 - Maintenance of Misc Steam Plt	39 - 100% to One Company				-		-		4,942		4,942		4,942		4,942
		5600 - Oper Supervision & Engineering	58 - Total Assets		992	992		679	679			4,715	4,715			4,474	4,474
		5630 - Overhead Line Expenses	58 - Total Assets									10	10			10	10

Kentucky Power Company
Other Affiliates Charges by FERC Account, Allocation Factor and Allocation Type
For 2020,2021,2022 and Test Year Ended March 2023

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(1) Amounts billed from WPCo to KYPCo for Mitchell. In Sept 2022, WPCO assumed Operations of Mitchell and is billing KYPCo their ownership share.

				2020			2021			2022				TEST YEAR 12 MONTHS ENDED MARCH 2023			
Account Type	Affiliate	FERC Account	Allocation Factor	Direct	Allocated	Total	Direct	Allocated	Total	WPCO Mitchell Joint Billings Direct (1)	All Other Direct	Allocated	Total	WPCO Mitchell Joint Billings Direct (1)	All Other Direct	Allocated	Total
		5650 - Trnsmssion of Elect by Others	39 - 100% to One Company				363		363		2,013,554		2,013,554				-
		5660 - Misc Transmission Expenses	58 - Total Assets		9	9		1,304	1,304			639	639			1,074	1,074
		5691 - Maint of Computer Hardware	58 - Total Assets									1	1			1	1
		5710 - Maintenance of Overhead Lines	58 - Total Assets									5	5			2	2
		5730 - Maint of Misc Trnsmssion Plt	58 - Total Assets									4	4				-
		5860 - Meter Expenses	39 - 100% to One Company	556		556	277		277		10,227		10,227		5,382		5,382
		5880 - Miscellaneous Distribution Exp	08 - Number of Electric Retail Cust		3	3							-				-
			09 - Number of Employees		114	114		45	45			2	2				-
			39 - 100% to One Company	21		21	144		144				-				-
			58 - Total Assets		38	38							-				-
		5920 - Maint of Station Equipment	39 - 100% to One Company	2,106		2,106	221		221		2,490		2,490		2,490		2,490
		5930 - Maintenance of Overhead Lines	39 - 100% to One Company	267,161		267,161	365,301		365,301		508,344		508,344		508,344		508,344
		5950 - Maint of Lne Trnf,Rglators&Dvi	39 - 100% to One Company	0		0	2		2				-				-
		9030 - Cust Records & Collection Exp	39 - 100% to One Company								1,170		1,170		1,170		1,170
		9120 - Demonstrating & Selling Exp	08 - Number of Electric Retail Cust		(226)	(226)							-				-
		9200 - Administrative & Gen Salaries	08 - Number of Electric Retail Cust									843	843			173	173
			09 - Number of Employees		190	190		544	544			103	103			49	49
			16 - Number of Phone Center Calls		154	154							-				-
			37 - AEPSC Past 3 Months Total Bill		26,434	26,434							-				-
			58 - Total Assets		16,909	16,909		6,271	6,271			5,432	5,432			1,701	1,701
		9210 - Office Supplies and Expenses	09 - Number of Employees		0	0						2	2			9	9
			17 - Number of Purchase Orders					283	283				-				-
			37 - AEPSC Past 3 Months Total Bill		1,806	1,806							-				-
			39 - 100% to One Company				15		15				-				-
			58 - Total Assets		176	176		451	451			294	294			204	204
		9230 - Outside Services Employed	08 - Number of Electric Retail Cust										-			39	39
			09 - Number of Employees									10	10			10	10
			37 - AEPSC Past 3 Months Total Bill		325	325							-				-
			58 - Total Assets		(844)	(844)		2,508	2,508			2,632	2,632			3,787	3,787
			61 - Total Fixed Assets									179	179			355	355
		9302 - Misc General Expenses	06 - Number of Commercial Customers		14	14							-				-
		9310 - Rents	11 - Number of GL Transactions		1	1		1	1				-				-
			39 - 100% to One Company	1,343		1,343	780		780		16		16		2		2
			48 - MW Generating Capability					0	0				-				-
			58 - Total Assets		6	6		7	7			5	5			2	2
		9350 - Maintenance of General Plant	39 - 100% to One Company	93		93	513		513				-				-
	Indiana Michigan Power Company Total			271,279	46,145	317,424	367,616	12,886	380,502		2,540,744	16,109	2,556,853		522,331	13,502	535,833
	AEP Generation Resources	5060 - Misc Steam Power Expenses	39 - 100% to One Company				34		34				-				-
		5570 - Other Expenses	58 - Total Assets		1,720	1,720		2,268	2,268			1,245	1,245			1,245	1,245
		9200 - Administrative & Gen Salaries	37 - AEPSC Past 3 Months Total Bill		5,839	5,839							-				-
			58 - Total Assets		(1,629)	(1,629)							-				-
		9210 - Office Supplies and Expenses	37 - AEPSC Past 3 Months Total Bill		103	103							-				-
			48 - MW Generating Capability		66	66							-				-
			58 - Total Assets		(91)	(91)							-				-
		9230 - Outside Services Employed	58 - Total Assets		21,418	21,418		17,335	17,335			16,330	16,330			12,722	12,722
			61 - Total Fixed Assets		5,452	5,452		8,217	8,217			9,029	9,029			1,423	1,423
		9250 - Injuries and Damages	61 - Total Fixed Assets		526	526		1,584	1,584			4,122	4,122			2,886	2,886
	AEP Generation Resources Total				33,405	33,405	34	29,403	29,437			30,727	30,727			18,276	18,276
	AEP Texas Company	5600 - Oper Supervision & Engineering	09 - Number of Employees										-			7	7
			28 - Number of Trans Pole Miles					17	17				-				-
			58 - Total Assets		652	652		353	353			1,839	1,839			2,938	2,938
		5660 - Misc Transmission Expenses	58 - Total Assets		252	252		2,093	2,093			1,273	1,273			1,736	1,736
		5690 - Maintenance of Structures	58 - Total Assets									5	5			5	5
		5700 - Maint of Station Equipment	58 - Total Assets									2	2			2	2
		5710 - Maintenance of Overhead Lines	39 - 100% to One Company				1,401		1,401		(1,401)		(1,401)				-
			58 - Total Assets		4	4		1	1				-				-
		5800 - Oper Supervision & Engineering	08 - Number of Electric Retail Cust					141	141			563	563			599	599
			09 - Number of Employees									47	47			47	47
			58 - Total Assets					31	31				-				-
		5830 - Overhead Line Expenses	39 - 100% to One Company	14		14	116		116				-				-
		5850 - Street Lighting & Signal Sys E	39 - 100% to One Company				191		191				-				-
		5860 - Meter Expenses	39 - 100% to One Company	61		61	350		350		4,222		4,222		4,222		4,222
		5880 - Miscellaneous Distribution Exp	08 - Number of Electric Retail Cust		11	11						394	394			401	401
			09 - Number of Employees		70	70							-				-
			39 - 100% to One Company	594		594	663		663		896		896		896		896
			58 - Total Assets					26	26				-				-
		5930 - Maintenance of Overhead Lines	39 - 100% to One Company	1,235		1,235	9,984		9,984		2,853		2,853		3,293		3,293
		5940 - Maint of Underground Lines	39 - 100% to One Company								(1)		(1)		(1)		(1)
		5950 - Maint of Lne Trnf,Rglators&Dvi	39 - 100% to One Company	8		8	11		11				-				-
		5960 - Maint of Strt Lghtng & Sgnal S	39 - 100% to One Company	1		1	604		604				-				-
		5970 - Maintenance of Meters	39 - 100% to One Company								394		394		394		394
		9030 - Cust Records & Collection Exp	39 - 100% to One Company				155		155		399		399		399		399
		9200 - Administrative & Gen Salaries	08 - Number of Electric Retail Cust									416	416			473	473
			16 - Number of Phone Center Calls		237	237							-				-
			37 - AEPSC Past 3 Months Total Bill		12,793	12,793		1,996	1,996				-				-
			58 - Total Assets		31,073	31,073		9,671	9,671			1,422	1,422			779	779
		9210 - Office Supplies and Expenses	09 - Number of Employees		3	3						10	10			10	10
			37 - AEPSC Past 3 Months Total Bill		1,406	1,406							-				-
			58 - Total Assets		2,869	2,869		5,361	5,361			670	670			508	508
			61 - Total Fixed Assets		4	4							-				-
		9230 - Outside Services Employed	58 - Total Assets		3,689	3,689		557	557			63	63			77	77
		9260 - Employee Pensions & Benefits	58 - Total Assets		1	1						3	3			3	3
		9302 - Misc General Expenses	39 - 100% to One Company										-		429		429

Kentucky Power Company
Other Affiliates Charges by FERC Account, Allocation Factor and Allocation Type
For 2020,2021,2022 and Test Year Ended March 2023

Kentucky Power has a variety of transactions with affiliates on a normal basis. Transactions with affiliates generally fall into two categories. The first category, service payments, is a billing made when an affiliate provides a service to Kentucky Power, such as Appalachian Power providing assistance in distribution maintenance, generation engineering, or other affiliates providing assistance during storm recovery efforts. The second category, convenience payments, occurs when an affiliate company receives an invoice and the cost of that invoice should be borne by multiple AEP companies. For example, a legal invoice for a system-wide issue may be paid by one affiliate company, and that company then bills the other affiliates who benefit from the service.

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(1) Amounts billed from WPCo to KYPCo for Mitchell. In Sept 2022, WPCO assumed Operations of Mitchell and is billing KYPCo their ownership share.

				2020			2021			2022				TEST YEAR 12 MONTHS ENDED MARCH 2023			
Account Type	Affiliate	FERC Account	Allocation Factor	Direct	Allocated	Total	Direct	Allocated	Total	WPCO Mitchell Joint Billings Direct (1)	All Other Direct	Allocated	Total	WPCO Mitchell Joint Billings Direct (1)	All Other Direct	Allocated	Total
		9310 - Rents	11 - Number of GL Transactions					0	0				-				-
			39 - 100% to One Company				32		32		22		22		22		22
			58 - Total Assets		4	4		36	36			14	14			11	11
		9350 - Maintenance of General Plant	39 - 100% to One Company	2,777		2,777	4,202		4,202		13		13		13		13
	AEP Texas Company Total			4,690	53,069	57,759	17,709	20,283	37,992		7,396	6,721	14,117		9,666	7,595	17,262
	Ohio Power Company	5000 - Oper Supervision & Engineering	48 - MW Generating Capability					290	290				-				-
		5060 - Misc Steam Power Expenses	39 - 100% to One Company				(793)		(793)				-				-
		5600 - Oper Supervision & Engineering	28 - Number of Trans Pole Miles		10	10						61	61			61	61
			39 - 100% to One Company	22,783		22,783	6,828		6,828		1,961		1,961		1,283		1,283
			58 - Total Assets		395	395		618	618			1,407	1,407			1,567	1,567
		5630 - Overhead Line Expenses	58 - Total Assets					36	36				-				-
		5660 - Misc Transmission Expenses	58 - Total Assets		61	61		499	499			250	250			254	254
		5700 - Maint of Station Equipment	39 - 100% to One Company	4,203		4,203	7,053		7,053		2,172		2,172		1,796		1,796
		5800 - Oper Supervision & Engineering	08 - Number of Electric Retail Cust		2,115	2,115		30	30			98	98			79	79
			09 - Number of Employees		3,557	3,557		2,760	2,760			1,081	1,081			298	298
			33 - Number of Workstations		27	27		33	33			111	111			107	107
			39 - 100% to One Company	42,019		42,019	42,574		42,574		42,974		42,974		42,001		42,001
			44 - Level of Const-Distribution		77	77						48	48			48	48
			58 - Total Assets		258	258		290	290			73	73			9	9
		5830 - Overhead Line Expenses	39 - 100% to One Company				507		507		2		2				-
		5840 - Underground Line Expenses	39 - 100% to One Company	1,361		1,361							-				-
		5860 - Meter Expenses	08 - Number of Electric Retail Cust		47	47		54	54			66	66				-
			09 - Number of Employees									0	0				-
			39 - 100% to One Company	16,206		16,206	3,058		3,058		3,000		3,000		2,706		2,706
		5870 - Customer Installations Exp	39 - 100% to One Company				976		976				-				-
		5880 - Miscellaneous Distribution Exp	08 - Number of Electric Retail Cust									39	39			49	49
			09 - Number of Employees		963	963		697	697			736	736			724	724
			39 - 100% to One Company	10,164		10,164	13,156		13,156				-		240		240
			44 - Level of Const-Distribution		26	26						9	9			26	26
			58 - Total Assets		616	616		531	531			976	976			708	708
		5890 - Rents	33 - Number of Workstations		123	123		90	90				-				-
			39 - 100% to One Company								28		28		28		28
			44 - Level of Const-Distribution		115	115		80	80			45	45			45	45
		5920 - Maint of Station Equipment	39 - 100% to One Company								1,782		1,782				-
		5930 - Maintenance of Overhead Lines	39 - 100% to One Company	100,204		100,204	589,356		589,356		1,024,767		1,024,767		1,046,578		1,046,578
		5950 - Maint of Lne Trnf,Rglators&Dvi	39 - 100% to One Company	1		1	1		1		2		2		2		2
		5970 - Maintenance of Meters	39 - 100% to One Company	185		185							-				-
		9010 - Supervision - Customer Accts	58 - Total Assets		5	5							-				-
		9030 - Cust Records & Collection Exp	16 - Number of Phone Center Calls					(532)	(532)				-				-
			39 - 100% to One Company	1,989		1,989	1,082		1,082				-				-
			61 - Total Fixed Assets									92	92			(7)	(7)
		9070 - Supervision - Customer Service	09 - Number of Employees									(0)	(0)				-
		9080 - Customer Assistance Expenses	09 - Number of Employees		36	36		14	14				-				-
		9120 - Demonstrating & Selling Exp	06 - Number of Commercial Customers										-			72	72
		9200 - Administrative & Gen Salaries	08 - Number of Electric Retail Cust		409	409		1,613	1,613			1,023	1,023			1,193	1,193
			09 - Number of Employees		2,537	2,537		1,596	1,596			487	487			534	534
			16 - Number of Phone Center Calls		685	685						19	19			6	6
			33 - Number of Workstations		17	17						154	154			171	171
			37 - AEPSC Past 3 Months Total Bill		13,470	13,470		16	16				-				-
			39 - 100% to One Company	2,799		2,799	12,161		12,161		11,632		11,632		13,709		13,709
			40 - Equal Share Ratio					3	3				-				-
			48 - MW Generating Capability									64	64			67	67
			58 - Total Assets		10,656	10,656		669	669			846	846			774	774
		9210 - Office Supplies and Expenses	08 - Number of Electric Retail Cust									1	1			1	1
			09 - Number of Employees		10	10		1	1			1	1			3	3
			17 - Number of Purchase Orders					759	759			705	705			705	705
			37 - AEPSC Past 3 Months Total Bill		88	88							-				-
			40 - Equal Share Ratio		115	115						74	74				-
			48 - MW Generating Capability									1	1			1	1
			58 - Total Assets		258	258		719	719			1,371	1,371			661	661
		9230 - Outside Services Employed	08 - Number of Electric Retail Cust		713	713		223	223			118	118			31	31
			37 - AEPSC Past 3 Months Total Bill		22	22							-				-
			39 - 100% to One Company				21		21				-				-
			58 - Total Assets		18,986	18,986		2,138	2,138			2,132	2,132			2,541	2,541
			61 - Total Fixed Assets					76	76			180	180			57	57
		9260 - Employee Pensions & Benefits	26 - Number of Stores Transactions		1	1							-				-
			58 - Total Assets		851	851		308	308				-				-
		9310 - Rents	11 - Number of GL Transactions		3	3		3	3			1	1			1	1
			39 - 100% to One Company	290		290	2,664		2,664		25		25		16		16
			58 - Total Assets		0	0		0	0			0	0			0	0
		9350 - Maintenance of General Plant	08 - Number of Electric Retail Cust									166	166			166	166
			39 - 100% to One Company	22,254		22,254	32,213		32,213		8,480		8,480		5,385		5,385
	Ohio Power Company Total			224,460	57,251	281,710	710,856	13,616	724,472		1,096,823	12,439	1,109,262		1,113,745	10,952	1,124,696
	AEP Generating Company	5000 - Oper Supervision & Engineering	48 - MW Generating Capability										-			17	17
		5390 - Misc Hydr Power Generation Exp	48 - MW Generating Capability		106	106							-				-
		9230 - Outside Services Employed	58 - Total Assets		15	15							-				-
	AEP Generating Company Total				121	121							-			17	17
	Wheeling Power Company	5000 - Oper Supervision & Engineering	39 - 100% to One Company							954,416	48,420		1,002,836	1,472,506	96,357		1,568,864
		5010 - Fuel	39 - 100% to One Company							3,088,053			3,088,053	4,260,366			4,260,366
		5020 - Steam Expenses	39 - 100% to One Company							810,077			810,077	1,445,500			1,445,500
		5050 - Electric Expenses	39 - 100% to One Company							20,872			20,872	31,922			31,922
		5060 - Misc Steam Power Expenses	39 - 100% to One Company							920,762			920,762	1,613,491			1,613,491
		5090 - Allowance Consumption SO2	39 - 100% to One Company	(649)		(649)							-				-

Kentucky Power Company
Other Affiliates Charges by FERC Account, Allocation Factor and Allocation Type
For 2020,2021,2022 and Test Year Ended March 2023

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(1) Amounts billed from WPCo to KYPCo for Mitchell. In Sept 2022, WPCO assumed Operations of Mitchell and is billing KYPCo their ownership share.

				2020			2021			2022				TEST YEAR 12 MONTHS ENDED MARCH 2023			
Account Type	**Affiliate**	**FERC Account**	**Allocation Factor**	**Direct**	**Allocated**	**Total**	**Direct**	**Allocated**	**Total**	**WPCO Mitchell Joint Billings Direct (1)**	**All Other Direct**	**Allocated**	**Total**	**WPCO Mitchell Joint Billings Direct (1)**	**All Other Direct**	**Allocated**	**Total**
		5100 - Maint Supv & Engineering	39 - 100% to One Company							453,912			453,912	789,739			789,739
		5110 - Maintenance of Structures	39 - 100% to One Company				74		74	342,284	213		342,496	561,713	513		562,226
		5120 - Maintenance of Boiler Plant	39 - 100% to One Company				8,646		8,646	6,285,695	37		6,285,732	8,732,235	37		8,732,273
		5130 - Maintenance of Electric Plant	39 - 100% to One Company	1,111		1,111	17		17	1,547,981			1,547,981	1,909,071			1,909,071
		5140 - Maintenance of Misc Steam Plt	39 - 100% to One Company							414,539			414,539	621,923			621,923
		5570 - Other Expenses	39 - 100% to One Company							220,866			220,866	378,609			378,609
		5860 - Meter Expenses	39 - 100% to One Company				9		9				-				-
		5930 - Maintenance of Overhead Lines	39 - 100% to One Company	7,769		7,769	5,630		5,630		6,356		6,356		6,356		6,356
		9200 - Administrative & Gen Salaries	08 - Number of Electric Retail Cust									22	22			22	22
			37 - AEPSC Past 3 Months Total Bill		60	60							-				-
			39 - 100% to One Company							698,252			698,252	1,198,296			1,198,296
			58 - Total Assets		(63)	(63)		30	30				-				-
		9210 - Office Supplies and Expenses	37 - AEPSC Past 3 Months Total Bill		1	1							-				-
			39 - 100% to One Company							27,108			27,108	60,306			60,306
			58 - Total Assets		384	384		176	176			37	37			13	13
		9230 - Outside Services Employed	58 - Total Assets		46	46				395,268			395,268	486,012			486,012
		9240 - Property Insurance	39 - 100% to One Company							9,646			9,646	75,541			75,541
		9250 - Injuries and Damages	39 - 100% to One Company							(189,251)			(189,251)	(185,404)			(185,404)
		9260 - Employee Pensions & Benefits	39 - 100% to One Company							195,375			195,375	137,863			137,863
		9280 - Regulatory Commission Exp	39 - 100% to One Company							4,221			4,221	7,458			7,458
		9301 - General Advertising Expenses	39 - 100% to One Company							146			146	173			173
		9302 - Misc General Expenses	39 - 100% to One Company							15,397			15,397	26,110			26,110
		9310 - Rents	39 - 100% to One Company	30		30	22		22	38,064			38,064	39,944			39,944
		9350 - Maintenance of General Plant	39 - 100% to One Company							87,014			87,014	149,459			149,459
	Wheeling Power Company Total			8,261	428	8,689	14,398	206	14,604	16,340,695	55,026	59	16,395,780	23,812,834	103,263	35	23,916,133
	AEP Kentucky Transmission Company, Inc.	5600 - Oper Supervision & Engineering	58 - Total Assets					2,645	2,645			129	129			371	371
		9302 - Misc General Expenses	39 - 100% to One Company								184		184		1,129		1,129
	AEP Kentucky Transmission Company, Inc. Total							2,645	2,645		184	129	313		1,129	371	1,500
	Other - Affiliates Grand Total Billings less than $100K	5000 - Oper Supervision & Engineering	48 - MW Generating Capability		603	603							-				-
		5600 - Oper Supervision & Engineering	28 - Number of Trans Pole Miles		21	21							-				-
			58 - Total Assets		42	42		126	126			308	308			451	451
		5660 - Misc Transmission Expenses	58 - Total Assets		35	35		9	9			129	129			126	126
		5710 - Maintenance of Overhead Lines	39 - 100% to One Company	-		-							-				-
		5860 - Meter Expenses	39 - 100% to One Company								9		9		9		9
		5930 - Maintenance of Overhead Lines	39 - 100% to One Company	38,337		38,337							-				-
		9200 - Administrative & Gen Salaries	08 - Number of Electric Retail Cust									358	358			236	236
			09 - Number of Employees		28	28							-				-
			33 - Number of Workstations					1,359	1,359			2	2			2	2
			37 - AEPSC Past 3 Months Total Bill		47,198	47,198							-				-
			58 - Total Assets		(14,686)	(14,686)		7,521	7,521			1,912	1,912			409	409
		9210 - Office Supplies and Expenses	17 - Number of Purchase Orders									2	2				-
			37 - AEPSC Past 3 Months Total Bill		127	127							-				-
			44 - Level of Const-Distribution									0	0				-
			48 - MW Generating Capability					316	316				-				-
			58 - Total Assets		(8)	(8)		87	87			18	18			16	16
			61 - Total Fixed Assets									11	11			11	11
			67 - Number of Banking Transactions									12	12			12	12
		9230 - Outside Services Employed	17 - Number of Purchase Orders									1	1				-
			58 - Total Assets		2,998	2,998		40	40			8	8				-
		9310 - Rents	39 - 100% to One Company	170		170							-				-
		9350 - Maintenance of General Plant	39 - 100% to One Company								671		671		671		671
	Other - Affiliates Grand Total Billings less than $100K Total			38,507	36,358	74,866		9,458	9,458		680	2,761	3,441		680	1,264	1,944
Cost of Service Total				**1,392,018**	**482,351**	**1,874,369**	**1,693,263**	**287,627**	**1,980,890**	**16,340,695**	**4,309,993**	**335,818**	**20,986,506**	**23,812,834**	**2,327,603**	**311,780**	**26,452,217**
Non Cost of Service	Appalachian Power Company	1070 - Construction Work In Progress	39 - 100% to One Company	435,095		435,095	594,368		594,368		709,125		709,125		752,556		752,556
		1080 - Accum Prov for Deprec of Plant	39 - 100% to One Company	60,478		60,478	26,768		26,768		32,141		32,141		31,028		31,028
		1630 - Stores Expense Undistributed	09 - Number of Employees					8	8				-				-
			26 - Number of Stores Transactions		90,496	90,496		67,787	67,787			66,498	66,498			35,462	35,462
			39 - 100% to One Company	364,813		364,813	248,333		248,333		231,613		231,613		196,601		196,601
			48 - MW Generating Capability		22,191	22,191		8,333	8,333			7,181	7,181			6,736	6,736
			58 - Total Assets		5,907	5,907		4,530	4,530			4,482	4,482			3,626	3,626
			61 - Total Fixed Assets		10,076	10,076		10,272	10,272			7,410	7,410			5,089	5,089
		1840 - Clearing Accounts	08 - Number of Electric Retail Cust		2,299	2,299		955	955			3,863	3,863			3,916	3,916
			09 - Number of Employees		8	8							-				-
			31 - Number of Vehicles		4,944	4,944						160	160			160	160
			33 - Number of Workstations									66	66			18	18
			39 - 100% to One Company	3,812		3,812	6,991		6,991		1,184		1,184				-
			48 - MW Generating Capability					1	1			7	7			351	351
			58 - Total Assets		171	171		186	186			6	6				-
			63 - Total Gross Utility Plant									888	888			899	899
		1880 - R&D Expenses	60 - AEPSC Bill less Indir and Int		(0)	(0)							-				-
			61 - Total Fixed Assets		49	49							-				-
		4210 - Misc Non-Operating Income	39 - 100% to One Company	(794)		(794)	(27,183)		(27,183)				-				-
		4560 - Other Electric Revenues	39 - 100% to One Company	(72,846)		(72,846)	(109,394)		(109,394)		(151,053)		(151,053)		(152,744)		(152,744)
	Appalachian Power Company Total			790,558	136,141	926,699	739,882	92,072	831,954		823,010	90,561	913,572		827,441	56,257	883,698
	Southwestern Electric Power Company	1070 - Construction Work In Progress	39 - 100% to One Company	2,308		2,308	37		37		860		860		849		849
		1080 - Accum Prov for Deprec of Plant	39 - 100% to One Company	468		468	3		3		2,920		2,920		2,923		2,923
		1520 - Fuel Stock Exp Undistributed	61 - Total Fixed Assets		1,874	1,874							-				-
		1630 - Stores Expense Undistributed	09 - Number of Employees		28	28							-				-
			17 - Number of Purchase Orders		(16)	(16)		785	785			661	661			730	730
			26 - Number of Stores Transactions					215	215				-				-
			48 - MW Generating Capability		279	279							-				-
			58 - Total Assets		70	70							-				-
		1840 - Clearing Accounts	08 - Number of Electric Retail Cust		1,451	1,451		1,027	1,027			10,066	10,066			9,295	9,295

Kentucky Power Company
Other Affiliates Charges by FERC Account, Allocation Factor and Allocation Type
For 2020,2021,2022 and Test Year Ended March 2023

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				2020			2021			2022				TEST YEAR 12 MONTHS ENDED MARCH 2023			
Account Type	Affiliate	FERC Account	Allocation Factor	Direct	Allocated	Total	Direct	Allocated	Total	WPCO Mitchell Joint Billings Direct (1)	All Other Direct	Allocated	Total	WPCO Mitchell Joint Billings Direct (1)	All Other Direct	Allocated	Total
			27 - Number of Telephones									4,640	4,640			4,653	4,653
			33 - Number of Workstations									11	11			26	26
			48 - MW Generating Capability		880	880		324	324				-				-
			58 - Total Assets										-			57	57
			63 - Total Gross Utility Plant		76	76		38	38				-				-
		4261 - Donations	58 - Total Assets					137	137				-				-
	Southwestern Electric Power Company Total			2,775	4,642	7,417	41	2,526	2,566		3,780	15,378	19,158		3,772	14,761	18,532
	Public Service Company of Oklahoma	1070 - Construction Work In Progress	39 - 100% to One Company	2,056		2,056	14,552		14,552		1,138		1,138		6,834		6,834
		1080 - Accum Prov for Deprec of Plant	39 - 100% to One Company	353		353	2,091		2,091		536		536		1,251		1,251
		1510 - Fuel Stock	39 - 100% to One Company								(23,420)		(23,420)		(23,420)		(23,420)
		1630 - Stores Expense Undistributed	26 - Number of Stores Transactions		11	11		245	245				-				-
			39 - 100% to One Company				1,306		1,306				-				-
			48 - MW Generating Capability		836	836							-			570	570
			58 - Total Assets		4,730	4,730		951	951				-				-
		1830 - Prelimin Surv&Investgtn Chrgs	39 - 100% to One Company	-		-							-				-
		1840 - Clearing Accounts	08 - Number of Electric Retail Cust		563	563		2,936	2,936			8,612	8,612			9,035	9,035
			27 - Number of Telephones									1	1			19	19
			33 - Number of Workstations									46	46			45	45
			48 - MW Generating Capability					707	707				-			899	899
			58 - Total Assets		41	41		90	90				-			31	31
		1880 - R&D Expenses	60 - AEPSC Bill less Indir and Int		(0)	(0)		0	0				-				-
			61 - Total Fixed Assets		690	690		715	715				-				-
	Public Service Company of Oklahoma Total			2,409	6,872	9,281	17,949	5,643	23,592		(21,746)	8,659	(13,087)		(15,334)	10,598	(4,736)
	Indiana Michigan Power Company	1070 - Construction Work In Progress	39 - 100% to One Company	132,685		132,685	299,586		299,586		198,287		198,287		197,365		197,365
		1080 - Accum Prov for Deprec of Plant	39 - 100% to One Company	24,982		24,982	57,096		57,096		22,108		22,108		28,647		28,647
		1630 - Stores Expense Undistributed	09 - Number of Employees		1,078	1,078		3	3				-				-
			39 - 100% to One Company								7,481		7,481		10,497		10,497
			44 - Level of Const-Distribution		4	4							-				-
			58 - Total Assets		2,667	2,667		544	544			1,094	1,094			1,109	1,109
		1830 - Prelimin Surv&Investgtn Chrgs	49 - MWH's Generation										-			30	30
		1840 - Clearing Accounts	08 - Number of Electric Retail Cust		1,385	1,385		286	286			6,343	6,343			6,529	6,529
			27 - Number of Telephones									342	342			342	342
			33 - Number of Workstations									41	41			19	19
			58 - Total Assets		434	434							-			47	47
			63 - Total Gross Utility Plant		955	955		235	235			723	723			737	737
	Indiana Michigan Power Company Total			157,667	6,523	164,190	356,682	1,068	357,750		227,876	8,543	236,420		236,509	8,813	245,321
	AEP Generation Resources	1070 - Construction Work In Progress	39 - 100% to One Company				4,486		4,486				-				-
	AEP Generation Resources Total						4,486		4,486				-				-
	AEP Texas Company	1070 - Construction Work In Progress	39 - 100% to One Company	1,305		1,305	8,790		8,790		2,391		2,391		2,406		2,406
		1080 - Accum Prov for Deprec of Plant	39 - 100% to One Company	1,165		1,165	2,161		2,161		231		231		233		233
		1630 - Stores Expense Undistributed	09 - Number of Employees					23	23				-				-
			26 - Number of Stores Transactions		63	63		7	7				-				-
			58 - Total Assets		18,666	18,666		17,014	17,014			12,882	12,882			10,636	10,636
		1840 - Clearing Accounts	08 - Number of Electric Retail Cust		956	956		1,234	1,234			6,870	6,870			6,634	6,634
			31 - Number of Vehicles		56	56							-				-
			33 - Number of Workstations									81	81			19	19
			39 - 100% to One Company	(45)		(45)							-				-
			58 - Total Assets		21	21		20	20			102	102			812	812
			61 - Total Fixed Assets		2	2							-				-
		1860 - MDD-Internal Billing Only	39 - 100% to One Company				65		65				-				-
		1880 - R&D Expenses	60 - AEPSC Bill less Indir and Int					0	0			(0)	(0)				-
			61 - Total Fixed Assets					3	3				-				-
	AEP Texas Company Total			2,425	19,763	22,187	11,017	18,301	29,318		2,622	19,935	22,557		2,638	18,100	20,738
	Ohio Power Company	1070 - Construction Work In Progress	39 - 100% to One Company	68,503		68,503	498,894		498,894		419,043		419,043		428,614		428,614
		1080 - Accum Prov for Deprec of Plant	39 - 100% to One Company	8,334		8,334	93,466		93,466		43,805		43,805		45,091		45,091
		1540 - Materials & Oper Supplies	17 - Number of Purchase Orders		2,635	2,635							-				-
		1630 - Stores Expense Undistributed	09 - Number of Employees										-			64	64
			17 - Number of Purchase Orders									95	95			95	95
			26 - Number of Stores Transactions		53	53		157	157				-				-
			28 - Number of Trans Pole Miles		24	24							-				-
			58 - Total Assets		3,216	3,216		498	498				-			1	1
		1840 - Clearing Accounts	08 - Number of Electric Retail Cust		1,313	1,313		504	504			2,647	2,647			4,298	4,298
			09 - Number of Employees		1	1							-				-
			26 - Number of Stores Transactions		2	2							-				-
			31 - Number of Vehicles		620	620							-				-
			33 - Number of Workstations		50	50						28	28			38	38
			58 - Total Assets		48	48		164	164			12	12				-
			63 - Total Gross Utility Plant		132	132		58	58			42	42			59	59
		1850 - Temporary Facilities	39 - 100% to One Company								141		141		141		141
		1860 - MDD-Internal Billing Only	39 - 100% to One Company	7,850		7,850	5,069		5,069				-		4,913		4,913
		1880 - R&D Expenses	60 - AEPSC Bill less Indir and Int					0	0				-				-
			61 - Total Fixed Assets					55	55				-				-
		4170 - Revenues from Non-Util Oper	39 - 100% to One Company	(1,168)		(1,168)	-		-				-				-
		4540 - Rent From Electric Property	39 - 100% to One Company	(14,515)		(14,515)	(14,950)		(14,950)		(15,399)		(15,399)		(15,399)		(15,399)
		4560 - Other Electric Revenues	39 - 100% to One Company	(8,427)		(8,427)	(24,110)		(24,110)		7,137		7,137		(24,033)		(24,033)
		4561 - Revenues from Trans of electricity of others	39 - 100% to One Company	(19,155)		(19,155)							-				-
	Ohio Power Company Total			41,423	8,093	49,516	558,368	1,436	559,804		454,727	2,824	457,551		439,327	4,555	443,882
	AEP Generating Company	1520 - Fuel Stock Exp Undistributed	39 - 100% to One Company				446,773		446,773		158,777		158,777				-
		1630 - Stores Expense Undistributed	58 - Total Assets		0	0							-				-
	AEP Generating Company Total				0	0	446,773		446,773		158,777		158,777				-
	Wheeling Power Company	1070 - Construction Work In Progress	39 - 100% to One Company	3,984		3,984	(2,652)		(2,652)	8,540,328	2,414		8,542,742	10,437,104	2,414		10,439,519
		1080 - Accum Prov for Deprec of Plant	39 - 100% to One Company	663		663	13		13	2,818,662	272		2,818,935	3,323,911	272		3,324,183
		1540 - Materials & Oper Supplies	39 - 100% to One Company							(253,827)				(227,067)			

Kentucky Power Company
Other Affiliates Charges by FERC Account, Allocation Factor and Allocation Type
For 2020,2021,2022 and Test Year Ended March 2023

Kentucky Power has a variety of transactions with affiliates on a normal basis. Transactions with affiliates generally fall into two categories. The first category, service payments, is a billing made when an affiliate provides a service to Kentucky Power, such as Appalachian Power providing assistance in distribution maintenance, generation engineering, or other affiliates providing assistance during storm recovery efforts. The second category, convenience payments, occurs when an affiliate company receives an invoice and the cost of that invoice should be borne by multiple AEP companies. For example, a legal invoice for a system-wide issue may be paid by one affiliate company, and that company then bills the other affiliates who benefit from the service.

Charges from affiliates are accumulated using a work order system. All affiliate services and convenience payments are billed to Kentucky Power at cost, per FERC affiliate requirements.

(1) Amounts billed from WPCo to KYPCo for Mitchell. In Sept 2022, WPCO assumed Operations of Mitchell and is billing KYPCo their ownership share.

				2020			2021			2022				TEST YEAR 12 MONTHS ENDED MARCH 2023			
Account Type	Affiliate	FERC Account	Allocation Factor	Direct	Allocated	Total	Direct	Allocated	Total	WPCO Mitchell Joint Billings Direct (1)	All Other Direct	Allocated	Total	WPCO Mitchell Joint Billings Direct (1)	All Other Direct	Allocated	Total
		1630 - Stores Expense Undistributed	39 - 100% to One Company										-		216		216
			48 - MW Generating Capability										-			1,483	1,483
			58 - Total Assets		0	0							-				-
		1840 - Clearing Accounts	08 - Number of Electric Retail Cust										-			102	102
			39 - 100% to One Company	477		477							-				-
		1860 - MDD-Internal Billing Only	39 - 100% to One Company							395,668				378,064			
		4081 - Taxes Other Than Inc Tax, UOI	39 - 100% to One Company	544,102		544,102				1,237,942	775,568		2,013,510	2,080,678	775,568		2,856,246
		4210 - Misc Non-Operating Income	39 - 100% to One Company							(168)				(257)			
		4263 - Penalties	39 - 100% to One Company							74				109			
		4264 - Civic & Political Activities	39 - 100% to One Company							890				2,463			
		4265 - Other Deductions	39 - 100% to One Company							40,252				42,395			
	Wheeling Power Company Total			549,225	0	549,225	(2,639)		(2,639)	12,779,820	778,254		13,558,075	16,037,400	778,471	1,584	16,817,455
	AEP Kentucky Transmission Company, Inc.	1070 - Construction Work In Progress	39 - 100% to One Company	2,130		2,130	35,000		35,000		162,327		162,327		261,009		261,009
		1840 - Clearing Accounts	27 - Number of Telephones									210	210			210	210
	AEP Kentucky Transmission Company, Inc. Total			2,130		2,130	35,000		35,000		162,327	210	162,538		261,009	210	261,220
	Other - Affiliates Grand Total Billings less than $100K	1070 - Construction Work In Progress	39 - 100% to One Company	19,928		19,928	85		85		3,158		3,158		4,261		4,261
		1080 - Accum Prov for Deprec of Plant	39 - 100% to One Company	3,534		3,534							-				-
		1630 - Stores Expense Undistributed	39 - 100% to One Company	57		57							-				-
			58 - Total Assets		286	286		458	458			177	177			56	56
		1840 - Clearing Accounts	08 - Number of Electric Retail Cust					527	527			972	972			807	807
			27 - Number of Telephones									321	321			1,549	1,549
			33 - Number of Workstations					2,069	2,069			415	415			125	125
			48 - MW Generating Capability		278	278		79	79				-				-
			58 - Total Assets		3	3							-				-
			63 - Total Gross Utility Plant					91	91			11	11			11	11
	Other - Affiliates Grand Total Billings less than $100K Total			23,519	567	24,087	85	3,224	3,309		3,158	1,895	5,053		4,261	2,547	6,807
Non Cost of Service				**1,572,131**	**182,602**	**1,754,733**	**2,167,644**	**124,269**	**2,291,914**	**12,779,820**	**2,592,787**	**148,006**	**15,520,613**	**16,037,400**	**2,538,093**	**117,425**	**18,692,919**
Grand Total				**2,964,148**	**664,953**	**3,629,101**	**3,860,908**	**411,896**	**4,272,803**	**29,120,516**	**6,902,780**	**483,824**	**36,507,119**	**39,850,235**	**4,865,696**	**429,205**	**45,145,135**

Kentucky Power Company
Other Affiliate Charges Billed to Co-Owner by Kentucky Power
For 2020,2021,2022 and Test Year Ended March 2023

(1) Amounts billed by KYPCo to WPCo for Mitchell through Aug 2022 while KPCo was Operator of Mitchell.
(2) Amounts include billings from WPCo to KYPCo for Mitchell. In Sept 2022, WPCO assumed Operations of Mitchell and is billing KYPCo their ownership share.

		2020			2021			2022			TEST YEAR 12 MONTHS ENDED MARCH 2023		
Account Type	**FERC Account**	Other Affiliates Billed to Kentucky Power	Share Billed to Co-Owner (1)	Total	Other Affiliates Billed to Kentucky Power	Share Billed to Co-Owner (1)	Total	Other Affiliates Billed to Kentucky Power (2)	Share Billed to Co-Owner (1)	Total	Other Affiliates Billed to Kentucky Power (2)	Share Billed to Co-Owner (1)	Total
Cost of Service	5000 - Oper Supervision & Engineering	5,680	(1,747)	3,933	10,249	(4,169)	6,080	1,061,430	(18,341)	1,043,089	1,628,595	(17,758)	1,610,837
	5010 - Fuel							3,088,053		3,088,053	4,260,366		4,260,366
	5020 - Steam Expenses	132	0	132		0	0	810,082	0	810,082	1,445,505	0	1,445,505
	5050 - Electric Expenses							20,872		20,872	31,922		31,922
	5060 - Misc Steam Power Expenses	16	(7)	9	3,207	342	3,548	925,552	0	925,552	1,618,380	0	1,618,380
	5090 - Allowance Consumption SO2	(649)	0	(649)		0	0	0	0	0	0	0	0
	5100 - Maint Supv & Engineering	895	(24)	871	5,969	(454)	5,516	453,912	0	453,912	789,773	0	789,773
	5110 - Maintenance of Structures	851	(426)	425	74	(37)	37	355,999	0	355,999	575,728	0	575,728
	5120 - Maintenance of Boiler Plant	10,172	(4,922)	5,250	16,644	(7,930)	8,714	6,290,012	(2,159)	6,287,853	8,736,552	(2,159)	8,734,394
	5130 - Maintenance of Electric Plant	10,971	(5,486)	5,485	632	(316)	316	1,548,835	(427)	1,548,408	1,909,924	(427)	1,909,498
	5140 - Maintenance of Misc Steam Plt	7,475	(3,738)	3,738	1,282	0	1,282	419,481	(2,471)	417,010	618,865	(2,471)	616,394
	5390 - Misc Hydr Power Generation Exp	106	0	106		0	0	0	0	0	0	0	0
	5530 - Maintenance of Generating Plt	315	0	315		0	0	0	0	0	0	0	0
	5570 - Other Expenses	1,720	(725)	995	2,268	(956)	1,312	222,112	(377)	221,735	379,854	(377)	379,477
	5600 - Oper Supervision & Engineering	36,713	0	36,713	20,901	0	20,901	26,982	0	26,982	26,675	0	26,675
	5612 - Load Dispatch-Mntr&Op TransSys	28	0	28		0	0	0	0	0	0	0	0
	5630 - Overhead Line Expenses	17,262	0	17,262	36	0	36	10	0	10	10	0	10
	5650 - Trnsmssion of Elect by Others		0	0	363	0	363	2,013,554	0	2,013,554	0	0	0
	5660 - Misc Transmission Expenses	853	0	853	5,119	0	5,119	3,515	0	3,515	4,455	0	4,455
	5690 - Maintenance of Structures		0	0		0	0	5	0	5	5	0	5
	5691 - Maint of Computer Hardware		0	0		0	0	1	0	1	1	0	1
	5700 - Maint of Station Equipment	4,879	0	4,879	8,553	0	8,553	2,872	0	2,872	1,996	0	1,996
	5710 - Maintenance of Overhead Lines	653	0	653	73,422	0	73,422	104,365	0	104,365	126,798	0	126,798
	5730 - Maint of Misc Trnsmssion Plt	1,688	0	1,688	1,407	0	1,407	2,031	0	2,031	1,608	0	1,608
	5800 - Oper Supervision & Engineering	89,490	0	89,490	78,566	0	78,566	82,114	0	82,114	81,143	0	81,143
	5830 - Overhead Line Expenses	123	0	123	3,020	0	3,020	824	0	824	130	0	130
	5840 - Underground Line Expenses	1,361	0	1,361		0	0	0	0	0	0	0	0
	5850 - Street Lighting & Signal Sys E		0	0	191	0	191	0	0	0	0	0	0
	5860 - Meter Expenses	76,938	0	76,938	64,263	0	64,263	105,318	0	105,318	110,547	0	110,547
	5870 - Customer Installations Exp	139	0	139	976	0	976	0	0	0	0	0	0
	5880 - Miscellaneous Distribution Exp	55,302	0	55,302	26,738	0	26,738	13,316	0	13,316	13,357	0	13,357
	5890 - Rents	238	0	238	185	0	185	3,423	0	3,423	74	0	74
	5920 - Maint of Station Equipment	2,106	0	2,106	221	0	221	5,477	0	5,477	3,695	0	3,695
	5930 - Maintenance of Overhead Lines	854,702	0	854,702	1,057,876	0	1,057,876	1,700,744	0	1,700,744	1,722,831	0	1,722,831
	5940 - Maint of Underground Lines		0	0		0	0	(118)	0	(118)	(118)	0	(118)
	5950 - Maint of Lne Trnf,Rglators&Dvi	336	0	336	27,112	0	27,112	369	0	369	62	0	62
	5960 - Maint of Strt Lghtng & Sgnal S	1	0	1	604	0	604	0	0	0	0	0	0
	5970 - Maintenance of Meters	185	0	185	959	0	959	836	0	836	542	0	542
	5980 - Maint of Misc Distribution Plt	1,522	0	1,522	3,291	0	3,291	2,310	0	2,310	1,226	0	1,226
	9010 - Supervision - Customer Accts	5	0	5		0	0	0	0	0	0	0	0
	9030 - Cust Records & Collection Exp	1,989	0	1,989	1,085	0	1,085	1,661	0	1,661	1,981	0	1,981
	9070 - Supervision - Customer Service		0	0		0	0	(0)	0	(0)	0	0	0
	9080 - Customer Assistance Expenses	36	0	36	14	0	14	0	0	0	0	0	0
	9120 - Demonstrating & Selling Exp	(226)	0	(226)	45	0	45	148	0	148	220	0	220
	9200 - Administrative & Gen Salaries	235,037	(331,983)	(96,946)	88,629	(274,788)	(186,159)	747,292	(137,347)	609,945	1,239,812	(64,716)	1,175,096
	9210 - Office Supplies and Expenses	92,708	(13,336)	79,373	19,386	(7,042)	12,344	34,792	(1,688)	33,104	66,457	(959)	65,498
	9220 - Administrative Exp Trnsf - Cr	325	0	325		0	0	0	0	0	0	0	0
	9230 - Outside Services Employed	159,600	(24,665)	134,934	118,327	(37,729)	80,598	495,819	(10,633)	485,186	554,746	(1,977)	552,770
	9240 - Property Insurance							9,646		9,646	75,541		75,541
	9250 - Injuries and Damages	5,671	(2,386)	3,285	2,230	(954)	1,276	(181,028)	(1,675)	(182,702)	(178,653)	(959)	(179,612)
	9260 - Employee Pensions & Benefits	866	(5)	861	308	0	308	195,377	0	195,377	137,866	0	137,866
	9280 - Regulatory Commission Exp							4,221		4,221	7,458		7,458
	9301 - General Advertising Expenses		0	0	22	0	22	146	0	146	173	0	173
	9302 - Misc General Expenses	5,658	(23,351)	(17,694)	10	(23,769)	(23,759)	15,608	(22,344)	(6,735)	28,389	226	28,615
	9310 - Rents	3,074	(106)	2,968	3,622	(67)	3,556	38,187	(21)	38,165	40,017	(12)	40,005
	9350 - Maintenance of General Plant	187,424	(14,859)	172,565	333,082	(35,182)	297,901	360,348	(24,142)	336,206	387,709	(15,808)	371,901
Cost of Service Total		**1,874,369**	**(427,765)**	**1,446,604**	**1,980,890**	**(393,051)**	**1,587,839**	**20,986,506**	**(221,624)**	**20,764,882**	**26,452,217**	**(107,397)**	**26,344,820**
Non Cost of Service	1070 - Construction Work In Progress	667,993	(2,834)	665,158	1,453,146	(23,490)	1,429,656	10,039,072	(9,857)	10,029,215	12,093,412	(9,857)	12,083,555
	1080 - Accum Prov for Deprec of Plant	99,976	0	99,976	181,598	(1,916)	179,682	2,920,675	(7,962)	2,912,713	3,433,356	(4,401)	3,428,955
	1510 - Fuel Stock		0	0		0	0	(23,420)	0	(23,420)	(23,420)	0	(23,420)

Kentucky Power Company
Other Affiliate Charges Billed to Co-Owner by Kentucky Power
For 2020,2021,2022 and Test Year Ended March 2023

(1) Amounts billed by KYPCo to WPCo for Mitchell through Aug 2022 while KPCo was Operator of Mitchell.
(2) Amounts include billings from WPCo to KYPCo for Mitchell. In Sept 2022, WPCO assumed Operations of Mitchell and is billing KYPCo their ownership share.

		2020			2021			2022			TEST YEAR 12 MONTHS ENDED MARCH 2023		
Account Type	**FERC Account**	Other Affiliates Billed to Kentucky Power	Share Billed to Co-Owner (1)	Total	Other Affiliates Billed to Kentucky Power	Share Billed to Co-Owner (1)	Total	Other Affiliates Billed to Kentucky Power (2)	Share Billed to Co-Owner (1)	Total	Other Affiliates Billed to Kentucky Power (2)	Share Billed to Co-Owner (1)	Total
	1520 - Fuel Stock Exp Undistributed	1,874	0	1,874	446,773	0	446,773	158,777	0	158,777	0	0	0
	1540 - Materials & Oper Supplies	2,635	0	2,635		0	0	(253,827)	0	(253,827)	(227,067)	0	(227,067)
	1630 - Stores Expense Undistributed	525,537	0	525,537	361,467	0	361,467	339,574	0	339,574	272,968	0	272,968
	1830 - Prelimin Surv&Investgtn Chrgs	0	0	0		0	0	0	0	0	30	0	30
	1840 - Clearing Accounts	20,931	0	20,931	18,520	0	18,520	48,711	0	48,711	51,741	0	51,741
	1850 - Temporary Facilities		0	0		0	0	141	0	141	141	0	141
	1860 - MDD-Internal Billing Only	7,850	0	7,850	5,135	0	5,135	395,668	0	395,668	382,977	0	382,977
	1880 - R&D Expenses	739	0	739	774	0	774	(0)	0	(0)	0	0	0
	4081 - Taxes Other Than Inc Tax, UOI	544,102	(272,051)	272,051		0	0	2,013,510	(387,784)	1,625,726	2,856,246	(387,784)	2,468,462
	4170 - Revenues from Non-Util Oper	(1,168)	0	(1,168)	0	0	0	0	0	0	0	0	0
	4210 - Misc Non-Operating Income	(794)	0	(794)	(27,183)	0	(27,183)	(168)	0	(168)	(257)	0	(257)
	4261 - Donations		0	0	137	0	137	0	0	0	0	0	0
	4263 - Penalties		0			0		74	0	74	109	0	109
	4264 - Civic & Political Activities		0			0		890	0	890	2,463	0	2,463
	4265 - Other Deductions		0			0		40,252	0	40,252	42,395	0	42,395
	4540 - Rent From Electric Property	(14,515)	0	(14,515)	(14,950)	0	(14,950)	(15,399)	0	(15,399)	(15,399)	0	(15,399)
	4560 - Other Electric Revenues	(81,273)	0	(81,273)	(133,504)	0	(133,504)	(143,916)	0	(143,916)	(176,777)	0	(176,777)
	4561 - Revenues from Trans of electricity of others	(19,155)	0	(19,155)		0	0	0	0	0	0	0	0
Non Cost of Service Total		**1,754,733**	**(274,885)**	**1,479,847**	**2,291,914**	**(25,406)**	**2,266,508**	**15,520,613**	**(405,603)**	**15,115,010**	**18,692,919**	**(402,042)**	**18,290,877**
Grand Total		**3,629,101**	**(702,650)**	**2,926,451**	**4,272,803**	**(418,457)**	**3,854,347**	**36,507,119**	**(627,227)**	**35,879,892**	**45,145,135**	**(509,439)**	**44,635,696**

RATE SCHEDULE NO. 303

MITCHELL PLANT OPERATING AGREEMENT

KENTUCKY POWER COMPANY

WHEELING POWER COMPANY

and

AMERICAN ELECTRIC POWER SERVICE CORPORATION, AS AGENT

Tariff Submitter: **Kentucky Power Company**
FERC Program Name: **FERC FPA Electric Tariff**
Tariff Title: **KPCo Rate Schedules and Service Agreement Tariffs**
Tariff Proposed Effective Date: **12/31/2014**
Tariff Record Title: **Mitchell Plant Operating Agreement**
Option Code: **A**
Record Content Description: **Rate Schedule No. 303**

THIS MITCHELL PLANT OPERATING AGREEMENT ("Agreement"), with an effective date of December 31, 2014 ("Effective Date"), is by and among Kentucky Power Company, a Kentucky corporation qualified as a foreign corporation in West Virginia ("KPCo"), and Wheeling Power Company, a West Virginia corporation ("WPCo") (such two parties hereinafter sometimes referred to as the "Owners"); and American Electric Power Service Corporation, a New York corporation qualified as a foreign corporation in West Virginia ("Agent"). KPCo, WPCo and Agent may hereinafter be referred to as a "Party" or collectively as the "Parties".

WITNESSETH:

WHEREAS, KPCo acquired a fifty percent (50%) undivided ownership interest in the Mitchell Power Generation Facility consisting of two 800MW generating units and associated plant, equipment and real estate, located in Moundsville, West Virginia (the "Mitchell Facility") on December 31, 2013; and

WHEREAS, AEP Generation Resources Inc. ("AEPGR"), an affiliate of the Parties, acquired a fifty percent (50%) undivided ownership interest in the Mitchell Facility, also on December 31, 2013; and

WHEREAS, pursuant to an Asset Contribution Agreement between AEPGR and Newco Wheeling Inc., a West Virginia corporation merged or to be merged into WPCo upon the closing of the transactions (the "Transfer Date") set forth in such Asset Contribution Agreement (the "ACA"), AEPGR transferred its fifty percent (50%) undivided interest in the Mitchell Facility to Newco Wheeling Inc., exclusive of its interest in the Conner Run Fly Ash Impoundment and Dam ("Conner Run"), which interest in Conner Run was retained on the Transfer Date by AEPGR; and

WHEREAS, this Agreement shall be effective upon the Effective Date but the rights and obligations set forth herein shall not commence until 12:01 AM on the day following the Transfer Date; and

WHEREAS, the Owners desire that KPCo shall operate and maintain the Mitchell Facility, exclusive of Conner Run (the "Mitchell Plant"), in accordance with the provisions set forth herein; and

WHEREAS, the Owners are subsidiaries of American Electric Power Company, Inc. ("AEP"), the parent company in an integrated public utility holding company system, and use the services of Agent (an affiliated company engaged solely in the business of furnishing essential services to the Owners and to other affiliated companies), as outlined in the service agreements between Agent and KPCo and between Agent and WPCo.

NOW THEREFORE, in consideration of the premises and for the purposes hereinabove recited, and in consideration of the mutual covenants hereinafter contained, the signatories agree as follows:

ARTICLE ONE

FUNCTIONS OF KPCO AND AGENT

1.1 KPCo shall operate and maintain the Mitchell Plant in accordance with good utility practice consistent with procedures employed by KPCo at its other generating stations, and in conformity with the terms and conditions of this Agreement.

1.2 KPCo shall keep all necessary books of record, books of account and memoranda of all transactions involving the Mitchell Plant, and shall make computations and allocations on behalf of the Owners, as required under this Agreement. The books of record, books of account and memoranda shall be kept in such manner as to conform, where so required, to the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission ("FERC") for Public Utilities and Licensees ("Uniform System of Accounts"), and to the rules and regulations of other regulatory bodies having jurisdiction as they may from time to time be in effect.

1.3 The Owners shall establish such bank accounts as may from time to time be required or appropriate.

1.4 As soon as practicable after the end of the month, KPCo shall furnish to WPCo a statement setting forth the dollar amounts associated with the operation and maintenance of the Mitchell Plant as allocated hereunder to KPCo and WPCo for such month. The Owners shall, on a timely basis, deposit sufficient dollar amounts in the appropriate bank accounts to cover their respective allocations of such costs.

1.5 KPCo shall be responsible for the day to day operation and maintenance of the Mitchell Plant. KPCo shall obtain such materials, labor and other services as it considers necessary in connection with the performance of the functions to be performed by it hereunder from such sources or through such persons as it may designate.

1.6 Agent, as directed by the Operating Committee and consistent with Agent's service agreements with KPCo and WPCo, shall provide services necessary for the safe and efficient operation and maintenance of the Mitchell Plant.

ARTICLE TWO

APPORTIONMENT OF CAPACITY AND ENERGY

2.1 The Total Net Capability of the Mitchell Plant at the Mitchell Unit 1 and Unit 2 low-voltage busses, after taking into account auxiliary load demand, is 1,560,000 kilowatts. The Owners may from time to time modify the Total Net Capability of the Mitchell Plant as they may mutually agree.

2.2 The Total Net Generation of the Mitchell Plant during a given period, as determined by the requirements of KPCo and WPCo, shall mean the electrical output of the Mitchell Plant generators during such period, measured in kilowatt hours by suitable instruments, reduced by the energy used by auxiliaries for the Mitchell Unit 1 and Unit 2 during such period.

2.3 Except as set forth in Section 7.6 (including Section 7.6 Subsections), in any hour, KPCo and WPCo shall share the minimum load responsibility of Mitchell Unit 1 and Unit 2 in respective amounts proportionate to their ownership interests in the Mitchell Plant at such time. Each Owner may independently dispatch its share of the generating capacity between minimum and full load.

2.4 In any hour during which the Mitchell Units are out of service, the energy used by the out-of-service Units' auxiliaries during such hour shall be provided by KPCo and WPCo in respective amounts proportionate to their ownership interests in the Mitchell Plant at such time.

ARTICLE THREE

REPLACEMENTS, ADDITIONS, AND RETIREMENTS

3.1 KPCo shall from time to time make or cause to be made any additions to, replacements of, and retirements of, capitalizable facilities associated with the Mitchell Plant in accordance with the approved annual budget.

3.2 The dollar amounts associated with any additions to, replacements of, or retirements of, capitalizable facilities associated with the Mitchell Plant shall be allocated to KPCo and WPCo in respective amounts proportionate to their ownership interests in the Mitchell Plant at the time such additions, replacements, or retirements are made.

ARTICLE FOUR

WORKING CAPITAL REQUIREMENTS

4.1 KPCo and WPCo shall periodically mutually determine the amount of funds required for use as working capital in meeting payrolls and other expenses incurred in the operation and maintenance of the Mitchell Plant, and in buying materials and supplies (exclusive of fuel) for the Mitchell Plant.

4.2 KPCo and WPCo shall from time to time provide their share of working capital requirements in respective amounts proportionate to their ownership interests at such time in the Mitchell Plant.

ARTICLE FIVE

INVESTMENT IN FUEL

5.1 KPCo and Agent shall establish and maintain reserves of coal in stock piles for the Mitchell Plant of such quality and in such quantities as the Operating Committee shall determine to be required to provide adequate fuel reserves against interruptions of normal fuel supply, provided each Owner, subject to the approval of the Operating Committee and subject to no adverse impact on the operation of the Mitchell Plant, will have the right, but not the obligation, to directly purchase coal, transportation and consumables for its ownership interest. For the purposes of this Agreement, "consumables" shall be as defined in FERC account 502.

5.2 Except as provided in Section 5.1 for an Owner to elect to procure coal for its own interest, the Owners shall make such monthly investments in the common coal stock piles associated with the Mitchell Plant as are necessary to maintain the number of tons in such coal stock piles, after taking into account the coal consumption from the common coal stock piles by Mitchell Unit 1 and Unit 2 during such month.

5.3 At any time, KPCo's and WPCo's respective shares of the investment in the common coal stock piles shall be proportionate to their ownership interests in the Mitchell Plant, unless an Owner elects to procure its own coal as provided in Section 5.1, in which case inventories will be separately maintained for accounting purposes.

5.4 Fuel oil and consumables charged to operation for the Mitchell Plant shall be owned and accounted for between the Owners in the same manner as coal.

ARTICLE SIX

APPORTIONMENT OF STATION COSTS

6.1 Except in the case where an Owner has elected to purchase coal for its own interest as provided for in Section 5.1 (in which case the allocation to the Owners of fuel expense shall be in accordance with procedures and processes approved by the Operating Committee), the allocation to the Owners of fuel expense associated with Mitchell Unit 1 and Unit 2 shall be determined by KPCo and Agent as follows:

(a) In any calendar month, the average unit cost of coal available for consumption from the Mitchell Plant common coal stock piles shall be determined based on the prior month's ending inventory dollar and ton balances plus current month receipts delivered to the Mitchell Plant common coal stock piles. Each Owner's average unit cost will be the same, and receipts and inventory available for consumption amounts will be allocated to each Owner based on monthly usage.

(b) The number of tons of coal consumed by the Mitchell Plant in each calendar month from the Mitchell Plant common coal stock piles shall be determined and shall be converted into a dollar amount equal to the product of (i) the average cost per ton of coal associated with the Mitchell Plant in the Mitchell Plant common coal stock pile at the close of such month, and (ii) the number of tons of coal consumed by the Mitchell Plant from the Mitchell Plant common coal stock piles during such month. Such dollar amount shall be credited to the

Mitchell Plant fuel in stock pile and charged to Mitchell Plant fuel consumed.

(c) In each calendar month, KPCo's and WPCo's respective shares of the Mitchell Plant fuel consumed expense as determined by the provisions of Section 6.1(b) shall be proportionate to each Owner's dispatch of the Mitchell Plant in such month.

(d) Fuel oil reserves will be owned and accounted for in the same manner as coal stock piles, and fuel oil consumed will be allocated to the Owners in the same manner as coal consumed.

6.2 For purposes of this Agreement, KPCo's Assigned Capacity in the Mitchell Plant shall be equal to 50% of the Total Net Capability, and WPCo's Assigned Capacity shall be equal to 50% of the Total Net Capability.

6.3 For each calendar month, KPCo and Agent will, to the extent practicable, determine all Mitchell Plant operations expenses and associated overheads, as accounted for under the FERC Uniform System of Accounts.

6.4 For each calendar month, KPCo and Agent will, to the extent practicable, determine all Mitchell Plant maintenance expenses and associated overheads, as accounted for under the FERC Uniform System of Accounts.

6.5 In each calendar month, KPCo's and WPCo's respective shares of operations and maintenance expenses associated with the Mitchell Plant, as determined in accordance with Sections 6.3 and 6.4, shall be allocated as follows:

(a) In each calendar month, KPCo's and WPCo's respective shares of the Mitchell Plant steam expenses as recorded in FERC Account 502, and emission tons, with allowance expenses as recorded in FERC Account 509, shall be proportionate to each Owner's dispatch of the Mitchell Plant in such month.

(b) In each calendar month, the maintenance of boiler plant expenses as recorded in FERC Account 512, and maintenance of electric plant expenses as recorded in FERC Account 513, shall be directly assigned to Mitchell Unit 1 or Unit 2 or designated as a common expense attributable to both units. In each calendar month, KPCo's and WPCo's respective shares of these expenses shall be proportionate to each Owner's dispatch of the applicable unit, or both units in the case of common expenses, over the previous sixty (60) calendar months. Dispatch is assumed to have been allocated fifty percent (50%) to each Owner for months that are prior to this Agreement.

(c) In each calendar month, KPCo's and WPCo's respective shares of all other operations, maintenance, administrative and general expenses shall be proportionate to their respective ownership interests.

6.6 Each Owner shall bear the cost of all taxes attributable to its respective ownership interest in the Mitchell Plant.

ARTICLE SEVEN

OPERATING COMMITTEE AND OPERATIONS

7.1 By written notice to each other, the Owners and Agent each shall name one representative ("Operating Representative") and one alternate to act for it in matters pertaining to operating arrangements under this Agreement. Any Party may change its Operating Representative or alternate at any time by written notice to the other

Parties. The Operating Representatives for the respective Parties, or their alternates, shall comprise the Operating Committee. All decisions, directives, or other actions by the Operating Committee must be by unanimous agreement of the Operating Representatives of the Owners. The Operating Representative of Agent, or of any third party that provides services in replacement of Agent, shall be free to express the views of Agent or such third party on any matter, but shall not have a vote on the Operating Committee. Except as otherwise provided in Sections 11.1, 11.2 and 11.3 with respect to a dispute referred to the Operating Committee by an Owner, the failure of the Owners' respective Operating Representatives to unanimously agree with respect to a matter pending before the Operating Committee shall not be considered to be a dispute that would be subject to resolution under Article Eleven.

7.2 The Operating Committee shall have the following responsibilities:

(a) Review and approval of an annual budget and annual operating plan, including determination of the emission allowances required to be acquired by KPCo and WPCo. If the Operating Committee fails to approve an annual budget, the approved annual budget from the previous year will continue to apply until such time as the new annual budget is approved.

(b) Establishment and review of procedures and systems for dispatch, notification of dispatch, and unit commitment under this Agreement, including any commitment of Called Capacity pursuant to Section 7.6.2.

(c) Establishment and monitoring of procedures for communication and coordination with respect to the Mitchell Plant capacity availability, fuel-firing options, and scheduling of outages for maintenance, repairs, equipment replacements, scheduled inspections, and other foreseeable cause of outages, as well as the return to availability following an unplanned outage.

(d) Decisions on capital expenditures, including unit upgrades and re-powering.

(e) Determinations as to changes in the unit capability and decisions on unit retirement.

(f) Establishment and modification of billing procedures under this Agreement.

(g) Approval of material contracts for fuel, transportation or consumable supply. Establishment of specification of fuels, oversight of fuel inspection and certification procedures, management of fuel inventories, and allocation of rights under fuel supply, transportation and consumable contracts. Establishment of an Owner's procurement rights and procedures if the Owner elects to purchase coal, transportation or consumables for its own interest.

(h) Establishment of, termination of, and approval of any change or amendment to the operating arrangements between KPCo and Agent or any replacement third party with respect to the Mitchell Plant generating units; provided, however, that Agent or any replacement third party shall participate in discussions pursuant to this subsection 7.2(h) only if and to the extent requested to do so by both Owners.

(i) Review and approval of plans and procedures designed to ensure compliance with any environmental law, regulation, ordinance or permit, including procedures for allocating and using emission allowances or for any programs that permit averaging at more than one unit for compliance.

(j) Other duties as assigned by agreement of the Owners.

7.3 The Operating Committee shall meet at least annually, and at such other times as any Party may reasonably request.

7.4 The Parties shall cooperate in providing to the Operating Committee the information it reasonably needs to carry out its duties, and to supplement or correct such information on a timely basis.

7.5 The Owners will each make an initial unit commitment one business day ahead of real-time dispatch.

7.6 Application of this Section 7.6 (including subsections) is subject to (i) the receipt of any necessary regulatory approvals or waivers expressly granted for this Section 7.6; and (ii) the Operating Committee establishing and approving procedures and systems for dispatch. As used in this Section and subsections of this Section, the terms "Party" or "Parties" refers only to KPCo and WPCo, or both of them, as the case may be.

7.6.1 If Mitchell Unit 1 or Unit 2 is designated to be committed by both Parties, such unit will be brought on line or kept on line. If neither Party designates Mitchell Unit 1 or Unit 2 to be committed, such unit will remain off line or be taken offline.

7.6.2 When a Mitchell Unit is designated to be committed by one Party, but designated not to be committed by the other Party, the unit will be brought on line or kept on line if the Party designating the unit for commitment undertakes to pay any applicable start-up costs for the unit, as well as any applicable minimum running costs for the unit thereafter, in which event the unit shall be brought on line or kept on line, as the case may be. The Party so designating the unit to be committed shall have the right to schedule and dispatch up to all of the Available Capacity of the unit. Available Capacity means that portion of the Owners' aggregate Assigned Capacity that is currently capable of being dispatched. The Party exercising this right shall be referred to as the "Calling Party," and the capacity called by that Party in excess of its Assigned Capacity Percentage of the Available Capacity of that unit shall be referred to as its "Called Capacity." The other Party shall be referred to as the "Non-Calling Party". The Calling Party shall provide reasonable notice to the Non-Calling Party of its call, including any start-up or shut-down time for the Unit. For purposes of this Agreement, KPCo's Assigned Capacity Percentage shall be 50%, and WPCo's Assigned Capacity Percentage shall be 50%.

7.6.3 The Non-Calling Party can reclaim any Called Capacity attributable to its Assigned Capacity share by giving the Calling Party notice equal to the normal cold start-up time for the unit. At the end of the notice period, the Non-Calling Party shall have the right to schedule and dispatch the recalled capacity. At that point, the Non-

Calling Party shall resume its responsibility for its share of any applicable start-up costs for the unit and prospectively shall bear its responsibility for the costs associated with its Assigned Capacity from the unit.

7.6.4 If any capacity remains available but is not dispatched from a Party's Available Capacity committed as a result of the initial unit commitment, the other Party may only schedule and dispatch such capacity pursuant to agreement with the non-dispatching Party.

7.7 KPCo and WPCo shall be individually responsible for any fees charged by FERC on the basis of the sales or transmission by each of capacity or energy at wholesale in interstate commerce.

7.8 Emission Allowances. On the Transfer Date pursuant to the ACA, AEPGR, the previous owner of WPCo's interest in the Mitchell Plant, will assign to WPCo all Emission Allowances allocated to AEPGR for the Mitchell Plant for each vintage year after 2014, issued by the U.S. Environmental Protection Agency ("USEPA") pursuant to Title IV of the Clean Air Act Amendments of 1990 and any regulations thereunder, and any other emission allowance trading program created under the Clean Air Act and administered by USEPA or the State of West Virginia, including but not limited to the Clean Air Interstate Rule 40 CFR Parts 96 and 97, and any amendments thereto ("Emission Allowances"), and all Emission Allowances for 2014 and any vintage year prior to 2014 that were allocated to the Mitchell Plant and that have not been expended as of the date of assignment. To the extent that additional Emission Allowances are required for operation of the Mitchell Plant, KPCo and WPCo will each be responsible for acquiring sufficient Emission

Allowances to satisfy the Emission Allowances required because of its dispatch of energy from the Mitchell Plant, and the Emission Allowances required to satisfy the Emission Allowance surrender obligations attributable to the Mitchell Plant imposed under the Consent Decree between USEPA and Ohio Power Company entered on December 10, 2007, in Civil Action No. C2-99-1182 and consolidated cases by the U.S. District Court in the Southern District of Ohio. On or before January 10 of each year, Agent shall determine and notify KPCo and WPCo of the number of additional annual Emission Allowances consumed by each of them through December 31 of the previous year, and KPCo and WPCo shall each transfer into the Mitchell Plant U.S. EPA Allowance Transfer System account that number of Emission Allowances with a small compliance margin by January 31 of that year. For seasonal Emission Allowance programs, Agent shall determine and notify KPCo and WPCo of the number of additional seasonal Emission Allowances consumed by each of them during the applicable compliance period by the 10th day of the first month following the end of the compliance period, and KPCo and WPCo shall each transfer into the appropriate Mitchell Plant U.S. EPA Allowance Transfer System Account that number of Emission Allowances with a small compliance margin by the last day of the first month following the end of the compliance period. In the event that KPCo or WPCo fails to surrender the required number of Emission Allowances by January 31 or the last day of the first month following any seasonal compliance period, Agent shall purchase the required number of Emission Allowances, and KPCo or WPCo, as the case may be, shall reimburse Agent for such purchases, with interest at the Federal Funds Rate (as published by the Board of

Governors of the Federal Reserve System as from time to time in effect) running from the date of such purchases to the date of payment. The Operating Committee will develop procedures to be implemented after the end of each calendar year to account for the Emission Allowances required by the use of the Mitchell Plant by KPCo and WPCo and to correct any imbalance between Emission Allowances supplied and Emission Allowances used through the end of the preceding year by settlement or payment.

7.9 Capital repairs and improvements to the Mitchell Plant will be determined by the Operating Committee pursuant to the annual budgeting process set forth in Section 7.10. Expenditures that the Operating Committee determines have been or will be incurred exclusively for one Owner shall be assigned exclusively to that Owner.

7.10 At least 90 days before the start of each operating year, KPCo and Agent shall submit to the Operating Committee a proposed annual budget with respect to the Mitchell Plant, a proposed annual operating plan, and an estimate and schedule of costs to be incurred for major maintenance or replacement items during the next six-year period. The annual budget shall be presented on a month-by-month basis for each month during the next operating year, and shall include an operating budget, a capital budget, an estimate of the cost of any major repairs that are anticipated will occur during such operating year with respect to the Mitchell Plant, and an itemized estimate of all projected non-fuel variable operating expenses relating to the operation of the Mitchell Plant during that operating year. The members of the Operating Committee will meet and work in good faith to agree upon the final annual budget and final annual operating plan. Once approved, the annual budget and annual operating plan shall remain in effect throughout the applicable operating year, subject to such changes, revisions, amendments, and updating as the Operating Committee may determine.

ARTICLE EIGHT

EFFECTIVE DATE AND TERM

8.1 Subject to FERC approval or acceptance for filing, the Effective Date of this Agreement shall be December 31, 2014.

8.2 Subject to FERC approval or acceptance, if necessary, this Agreement shall remain in force until such time as (i) KPCo or WPCo has divested itself of all or any portion of its ownership interest in the Mitchell Plant, other than assignment or other transfer of such ownership interests to another AEP affiliate; or (ii) either KPCo or WPCo is no longer a direct or indirect wholly owned subsidiary of AEP; or (iii) KPCo and WPCo may mutually agree to terminate this Agreement.

ARTICLE NINE

GENERAL

9.1 This Agreement shall inure to the benefit of and be binding upon the signatories hereto and their respective successors and assigns, but this Agreement may not be assigned by any signatory without the written consent of the others, which consent shall not be unreasonably withheld.

9.2 This Agreement is subject to the regulatory authority of any State or Federal agency having jurisdiction.

9.3 The interpretation and performance of this Agreement shall be in accordance with the laws of the State of Ohio, excluding conflict of laws principles that would require the application of the laws of a different jurisdiction.

9.4 This Agreement supersedes all previous representations, understandings, negotiations, and agreements, either written or oral between the signatories or their representatives with respect to operation of the Mitchell Plant, and constitutes the entire agreement of the signatories with respect to the operation of the Plant. Notwithstanding the foregoing, this Agreement does not supersede any previous agreements among any of the signatories allocating or transferring rights to capacity and associated energy, or ownership, of the Mitchell Plant.

9.5 Each Party shall designate in writing a representative to receive any and all notices required under this Agreement. Notices shall be in writing and shall be given to the representative designated to receive them, either by personal delivery, certified mail, facsimile, e-mail or any similar means, properly addressed to such representative at the address specified below:

KENTUCKY POWER COMPANY
Gregory G. Pauley
President & COO

Attn:

Phone: (502) 696-7007

Facsimile: (502) 696-7006

Email: ggpauley@aep.com

WHEELING POWER COMPANY
Charles R. Patton
President

Attn:

Phone: (304) 348-4152

Facsimile: (304) 348-4198

Email: crpatton@aep.com

AMERICAN ELECTRIC POWER SERVICE CORPORATION
Mark C. McCullough
Executive Vice President – Generation

Attn:

Phone: (614) 716-2400

Facsimile: (614) 716-1331

Email: mcmccullough@aep.com

All notices shall be effective upon receipt, or upon such later date following receipt as set forth in the notice. Any Party may, by written notice to the other Parties, change the representative or the address to which such notices are to be sent.

ARTICLE TEN

LIMITATION OF LIABILITY

10.1 Notwithstanding anything in this Agreement to the contrary, neither of the Owners or Agent shall be liable under this Agreement for special, consequential, indirect, punitive or exemplary damages, or for lost profits or business interruption damages, whether arising by statute, in tort or contract or otherwise.

ARTICLE ELEVEN

DISPUTE RESOLUTION

11.1 If either Owner believes that a dispute has arisen as to the meaning or application of this Agreement, it shall present that matter to the Operating Committee in writing, and shall provide a copy of that writing to the other Owner.

11.2 If the Operating Committee is unable to reach agreement on a dispute submitted to the Operating Committee pursuant to Section 11.1within thirty (30) days after the dispute is presented to it, the matter shall be referred to the chief operating officers of the Owners for resolution in the manner that such individuals shall agree is appropriate; provided, however, that either Owner involved in the dispute may invoke the arbitration provisions set forth in Section 11.3 at any time after the end of the thirty (30) day period provided for the Operating Committee to reach agreement if the Operating Committee has not reached agreement.

11.3 If the Owners are unable to resolve a dispute through the Operating Committee within thirty (30) days after the dispute is presented to the Operating Committee pursuant to Section 11.1, or through reference of the matter to the chief operating officers of the Owners pursuant to Section 11.2, either Owner may commence arbitration proceedings by providing written notice to the other Owner, detailing the nature of the dispute, designating the issue(s) to be arbitrated, identifying the provisions of this Agreement under which the dispute arose, and setting forth such Owner's proposed resolution of such dispute.

11.3.1 Within ten (10) days of the date of the notice of arbitration, a representative of each Owner shall meet for the purpose of selecting an arbitrator. If the Owners' representatives are unable to agree on an arbitrator within fifteen (15) days of the date of the notice of arbitration, then an arbitrator shall be selected in accordance with the procedures of the American Arbitration Association ("AAA"). Whether the arbitrator is selected by the Owners' representatives or in accordance with the procedures of the AAA, the arbitrator shall have the qualifications and experience in the occupation, profession, or discipline relevant to the subject matter of the dispute.

11.3.2 Any arbitration proceeding shall be subject to the Federal Arbitration Act, 9 U.S.C. §§ 1 *et seq.* (1994), as it may be amended, or any successor enactment thereto, and shall be conducted in accordance with the commercial arbitration rules of the AAA in effect on the date of the notice to the extent not inconsistent with the provisions of this Article.

11.3.3 The arbitrator shall be bound by the provisions of this Agreement where applicable, and shall have no authority to modify any terms and conditions of this Agreement in any manner. The arbitrator shall render a decision resolving the dispute in an equitable manner, and may determine that monetary damages are due to an Owner or may issue a directive that an Owner take certain actions or refrain from taking certain actions, but shall not be authorized to order any other form of relief; provided, however, that nothing in this Article shall preclude the arbitrator from rendering a decision that adopts the resolution of the dispute proposed by an Owner. Unless otherwise agreed to by the Owners, the arbitrator shall render a decision within one hundred twenty (120) days of appointment, and shall notify the Owners in writing of such decision and the reasons supporting such decision. The decision of the arbitrator shall be final and binding upon the Owners, and any award may be enforced in any court of competent jurisdiction.

11.3.4 The fees and expenses of the arbitrator shall be shared equally by the Owners, unless the arbitrator specifies a different allocation. All other expenses and costs of the arbitration proceeding shall be the responsibility of the Owner incurring such expenses and costs.

11.3.5 Unless otherwise agreed by the Owners, any arbitration proceedings shall be conducted in Columbus, Ohio.

11.3.6 Except as provided in this Article, the existence, contents, or results of any arbitration proceeding under this Article may not be disclosed without the prior written consent of the Owners, provided, however, that either Owner may make disclosures as may be required to fulfill regulatory obligations to any agencies having jurisdiction, and may inform its lenders, affiliates, auditors, and insurers, as necessary, under pledge of confidentiality, and may consult with expert consultants as required in connection with an arbitration proceeding under pledge of confidentiality.

11.3.7 Nothing in this Agreement shall be construed to preclude either Owner from filing a petition or complaint with FERC with respect to any claim over which FERC has jurisdiction. In such case, the other Owner may request that FERC reject the petition or complaint or otherwise decline to exercise its jurisdiction. If FERC declines to act with respect to all or part of a claim, the portion of the claim not so accepted by FERC may be resolved through arbitration, as provided in this Article. To the extent that FERC asserts or accepts jurisdiction over all or part of a claim, the decisions, findings of fact, or orders of FERC shall be final and binding, subject to judicial review under the Federal Power Act, 16 U.S.C. § 791a *et seq.,* as amended from time to time, and any arbitration proceedings that may have commenced prior to the assertion or acceptance of jurisdiction by FERC shall be stayed, pending the outcome of the FERC proceedings. The arbitrator shall have no authority to modify, and shall be conclusively bound by, any decisions, findings of fact, or orders of FERC; provided, however, that to the extent that any decisions, findings of fact, or orders of FERC do not provide a final or complete remedy to an Owner seeking relief, such Owner may proceed to arbitration under this Article to secure such a remedy, subject to any FERC decisions, findings, or orders.

11.4 The procedures set forth in this Article shall be the exclusive means for resolving disputes arising under this Agreement and shall survive this Agreement to the extent necessary to resolve any disputes pertaining to this Agreement. Except as provided in Sections 11.3 and 11.3.7, neither Owner shall have the right to bring any dispute for resolution before a court, agency, or other entity having jurisdiction over this Agreement, unless both Owners agree in writing to such procedure.

11.5 To the extent that a dispute involves the actions, inactions or responsibilities of Agent under this Agreement, the provisions of this Article shall be applicable to such dispute. For such purposes, Agent shall be treated as an Owner in applying the provisions of this Article.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their officers thereunto duly authorized as of the date first above written.

KENTUCKY POWER COMPANY

By: Greg G. Pauley
Gregory G. Pauley

Title: President & COO

WHEELING POWER COMPANY

By:________________________
Charles R. Patton

Title: President

AMERICAN ELECTRIC POWER SERVICE CORPORATION

By:________________________
Mark C. McCullough

Title: Executive Vice President - Generation

11.5 To the extent that a dispute involves the actions, inactions or responsibilities of Agent under this Agreement, the provisions of this Article shall be applicable to such dispute. For such purposes, Agent shall be treated as an Owner in applying the provisions of this Article.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their officers thereunto duly authorized as of the date first above written.

KENTUCKY POWER COMPANY

By:____________________________
Gregory G. Pauley

Title: President & COO

WHEELING POWER COMPANY

By: Charles R. Patton
Charles R. Patton

Title: President

AMERICAN ELECTRIC POWER SERVICE CORPORATION

By:____________________________
Mark C. McCullough

Title: Executive Vice President - Generation

11.5 To the extent that a dispute involves the actions, inactions or responsibilities of Agent under this Agreement, the provisions of this Article shall be applicable to such dispute. For such purposes, Agent shall be treated as an Owner in applying the provisions of this Article.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their officers thereunto duly authorized as of the date first above written.

KENTUCKY POWER COMPANY

By:______________________________
Gregory G. Pauley

Title: President & COO

WHEELING POWER COMPANY

By:______________________________
Charles R. Patton

Title: President

AMERICAN ELECTRIC POWER SERVICE CORPORATION

By: [signature]
Mark C. McCullough

Title: Executive Vice President - Generation

WRITTEN CONSENT ACTION
OF THE MITCHELL OPERATING COMMITTEE
September 1, 2022

The undersigned, being all of the Owners' Operating Representatives of the Operating Committee (the "Committee") of the Mitchell Plant Operating Agreement (the "Agreement"), do hereby consent to the adoption of the following resolutions, which resolutions shall be deemed to be adopted as of the date hereof ("Effective Date") and to have the same force and effect as if such resolutions had been adopted at a meeting duly called therefor:

1. <u>Waiver of Notice.</u>

RESOLVED, that any and all notice to take any action in adopting the following resolutions be, and it hereby is, waived by the undersigned.

2. <u>Approval of Resolutions To Implement the Agreement</u>

WHEREAS, Wheeling Power Company ("Wheeling Power") and Kentucky Power Company ("Kentucky Power") recognize that the Public Service Commission of West Virginia ("WVPSC") and the Kentucky Public Service Commission ("KPSC") approved different investments in response to federal environmental rules at the Mitchell Plant and different approaches to operating and owning the Mitchell Plant after December 31, 2028;

WHEREAS, the WVPSC in its orders authorized Wheeling Power to make any improvements or upgrades to the Mitchell Plant to enable compliance with the Effluent Limitations Guidelines ("ELG Rule"), and agreed exclusively to fund all of the capital expenditures associated with implementation of the ELG Rule ("ELG Upgrades"), and to make other necessary improvements or upgrades to the Mitchell Plant, to preserve the option to operate the plant past 2028;

WHEREAS, the KPSC in its orders authorized Kentucky Power to make only the improvements and upgrades to the Mitchell Plant to enable compliance with the Coal Combustion Residuals Rule ("CCR Rule"), and agreed to fund only its ownership share of the capital expenditures associated with the CCR Rule ("CCR Upgrades"), but not the ELG Rule, and acknowledged that because the ELG Upgrades are needed to operate the Mitchell Plant after 2028, approving the CCR and not the ELG Upgrades results in Kentucky Power being permitted only to operate the Mitchell Plant until the end of 2028;

WHEREAS, on November 19, 2021, each Owner filed with its Commission a proposed Mitchell Plant Operations and Maintenance Agreement and a proposed Mitchell Plant Ownership Agreement ("Proposed Mitchell Agreements") to replace the Agreement to facilitate compliance with the KPSC's and WVPSC's respective orders regarding compliance with the CCR and ELG Rules at the Mitchell Plant;

WHEREAS, the Committee believed that replacement of the Agreement with the New Mitchell Agreements at the soonest practical date was advisable and in the best interests of

Kentucky Power Company, Wheeling Power Company, and their respective customers;

WHEREAS, the KPSC and WVPSC issued orders adopting versions of the Mitchell Agreements on May 3, 2022 and July 1, 2022, respectively, that differ in material respects, such that the Owners are unable to enter into new agreements at the current time;

WHEREAS, the Agreement remains in full force and effect in accordance with its terms pending future negotiation of longer term arrangements by the Owners that replace the Agreement, subject to state and other applicable regulatory approvals;

WHEREAS, in light of the foregoing developments, the Operating Committee believes it is now in the best interests of the Mitchell Plant and their respective customers to continue operating under the Agreement in the short term to accomplish the operational objectives necessitated by the KPSC and WVPSC in their orders and prevent any delays in constructing the ELG Upgrades, which could have a negative effect on future plant outages and unit availability;

WHEREAS, the Committee must establish certain operating principles pursuant to its authority under the Agreement to appoint Wheeling Power as the operator of the Mitchell Plant, to enable the ELG Upgrades to be performed by Wheeling Power, and to adopt the procedures necessary to properly allocate costs between the two Owners such that Wheeling Power will pay for all of the costs of the ELG Upgrades, in accordance with the authority of the Committee under the Agreement;

WHEREAS, the Committee must also appropriately allocate costs between the two Owners such that Wheeling Power will pay for the cost of capital investments to the extent they have a depreciable life after December 31, 2028;

WHEREAS, the Committee is vested with certain enumerated rights and duties under the Agreement, as well as other duties as agreed by the Owners (Section 7.2(j));

WHEREAS, the rights and responsibilities of the Committee include, but are not limited to, (1) review and approval of an annual budget and operating plan (Section 7.2(a)); (2) decisions on capital expenditures (Section 7.2(d)); establishment and modification of billing procedures (Section 7.2(f)); (3) establishment of, termination of, and approval of any change or amendment to the operating arrangements between Kentucky Power and Agent pertaining to the Mitchell Plant (Section 7.2(h)); and (4) review and approval of plans and procedures designed to ensure compliance with any environmental law, regulation ordinance or permit (Section 7.2(i));

WHEREAS, pursuant to Section 7.9 of the Agreement, capital repairs and improvements to the Mitchell Plant will be determined by the Committee pursuant to the annual budgeting process which shall, pursuant to Section 7.10 of the Agreement, remain in effect throughout the applicable operating year subject to such changes, revisions, amendments and updating as the Committee may determine; and

WHEREAS, further pursuant to Section 7.9, the expenditures that the Committee determines have been or will be incurred exclusively for one Owner shall be assigned exclusively to that owner, and, pursuant to Section 7.2(d), decisions on capital expenditures are among the responsibilities of the Committee.

NOW, THEREFORE, BE IT RESOLVED, that Kentucky Power's rights and obligations to operate and maintain the Mitchell Plant are delegated to Wheeling Power, and Wheeling Power accepts and consents to such delegation, effective as of the Effective Date, including, but not limited to, Kentucky Power's rights and obligations under Sections 1.1 (Appointment of Operator), 1.2 (Maintenance of Books and Records), 1.4 (Monthly Statements), 1.5 (Daily Operations), 3.1 (Capital Work), 5.1 (Coal Procurement), 6.3 (Accounting - Operating Expenses), 6.4 (Accounting – Maintenance Expenses), and 7.10 (Budgeting) of the Agreement, including the following which shall occur on or after the Effective Date:

a. Kentucky Power's employees who work at the Mitchell Plant shall become employees of Wheeling Power;

b. All open and active contracts on the Effective Date for the purchase of fuel, transportation, goods and services for the operation, maintenance and improvement of the Mitchell Plant and all collective bargaining agreements for labor at Mitchell Plant shall be assigned by Kentucky Power to Wheeling Power and assumed by Wheeling Power;

c. All leased property used in support of the Mitchell Plant, including but not limited to vehicles and computer equipment, shall be transferred on the books of the lessor from the leased assets account of Kentucky Power to the leased assets account of Wheeling Power; and

d. Ownership or other beneficial interest of the tugboat used at Mitchell Plant shall be transferred to Wheeling Power.

RESOLVED, that Wheeling Power will have the power and obligation as the operator of the Mitchell Plant to enter into and hold permits in its name on behalf of both Owners or on its own behalf, as the circumstances require, including the ELG permits, and all existing permits not held by Wheeling Power will be transferred to it in an orderly manner.

RESOLVED, that pursuant to Sections 7.2(d) and 7.9 of the Agreement, the Owners jointly recognize Wheeling Power's right to carry out and pay for the ELG Upgrades under the Agreement and approve the following procedures to facilitate that work consistent with the orders of the WVPSC and KPSC, and to protect Kentucky ratepayers from the associated costs and risks:

a. The permits related to the ELG Upgrades at the Mitchell Plant will be transferred to Wheeling Power to the extent not held by Wheeling Power, and all prior action taken by the Owners in furtherance of the foregoing is ratified and approved;

b. All construction and other contracts related to the ELG Upgrades will be in the name of Wheeling Power such that Wheeling Power (and not Kentucky Power) is contractually responsible for those contracts;

c. The appropriate work orders and supporting accounting will be implemented to assign to Wheeling Power all costs associated with the ELG Upgrades;

d. The appropriate work orders and supporting accounting will be implemented to assign to Wheeling Power and Kentucky Power equally all costs associated with the CCR Upgrades;

e. The expenditures associated with the CCR Upgrades, in which the Owners share equally, and the ELG Upgrades, which will be the exclusive responsibility of Wheeling Power, will be classified in accordance with the recommendations of the independent engineer's report identifying the ELG Upgrades and CCR Upgrades and their associated costs, as previously adopted by this Committee.

RESOLVED, that to further implement and clarify Sections 3.2 and 7.9 of the Agreement, the Owners approve the following procedures related to capital items which have a depreciable life extending beyond, or with an in-service date not occurring until after, December 31, 2028:

a. Wheeling Power will exclusively pay for any capital item whose in-service date is reasonably expected to be after December 31, 2028;

b. Wheeling Power's Operating Representative may unilaterally authorize any capital expenditure that will be assigned exclusively to Wheeling Power, including the ELG Upgrades;

c. if a capital expenditure has a depreciable life that extends beyond December 31, 2028, Kentucky Power's responsibility for the cost of that item will be limited to its 50% ownership share of the cost of the asset ratably allocated to the portion of such depreciable life occurring prior to December 31, 2028, and Wheeling Power will be responsible for the remainder;

d. any other capital expenditures shall be allocated 50% to (and paid for by) each Owner, subject to the written approval of the Operating Committee;

e. to the extent either Owner funds any capital item in excess of 50%, that capital item will be owned by the Owners in proportion to their investment in that asset for regulatory, tax and other purposes; and

f. an Owner's Operating Representative may unilaterally authorize any capital expenditure for which such Owner shall be allocated greater than 75% of the capital costs, up to an aggregate amount of such capital costs that does not exceed $3 million per year allocated to the other Owner.

IN WITNESS WHEREOF, the undersigned have signed this written consent action effective as of the Effective Date.

OPERATING REPRESENTATIVES:

DocuSigned by:
Deryle Brett Mattison
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D. Brett Mattison

DocuSigned by:
Christian T. Beam
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Christian T. Beam

Kentucky Power Integrat Consol			
Category ($000s)	**2023**	**2024**	**2025**
Environmental Generation	8,805	4,529	781
Other Generation	7,364	4,987	4,369
Transmission	84,444	70,561	69,010
Distribution	62,574	65,671	69,578
Corporate/Other	9,394	13,655	12,676
	172,581	**159,403**	**156,413**

Income Statement - Detail
2022 Control Budget
($000)

2022 Control Budget	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Year 2022
Kentucky Power													
REVENUES													
Revenue - Retail Sales	58,051	49,682	50,065	39,942	41,271	43,054	48,459	47,353	41,878	41,107	46,286	56,325	563,474
Revenue - Transmission	2,226	2,039	2,209	2,150	2,190	4,142	2,231	2,241	2,143	2,191	2,118	2,214	28,095
Revenue - Sales for Resale	4,173	3,080	1,779	1,672	1,605	2,089	2,162	2,027	1,144	1,046	825	2,432	24,035
Revenue - Other Operating	1,247	1,237	1,112	1,002	999	960	1,000	1,032	984	1,049	961	1,037	12,622
TOTAL OPERATING REVENUES	65,698	56,037	55,166	44,765	46,066	50,246	53,853	52,653	46,150	45,393	50,188	62,009	628,226
FUEL & PURCHASED POWER EXPENSES													
Total Fuel for Electric Generation	12,288	9,341	6,696	9,028	5,830	7,556	10,391	10,268	5,826	6,710	6,507	9,783	100,223
Total Purchased Power	14,308	12,139	13,981	6,692	9,836	9,314	8,136	7,877	10,466	9,547	10,481	10,376	123,154
Total Cost of Sales	26,596	21,480	20,677	15,720	15,666	16,870	18,528	18,145	16,292	16,257	16,989	20,159	223,377
GROSS MARGIN	39,102	34,557	34,489	29,045	30,399	33,376	35,326	34,508	29,858	29,137	33,200	41,851	404,849
OPERATING EXPENSES													
Total Operational and Maintenance Expenses	13,567	16,025	16,756	17,114	16,353	13,943	15,536	15,894	17,296	17,323	16,513	14,888	191,208
Depreciation & Amortization	9,194	10,293	10,867	11,016	11,060	9,571	9,634	10,139	10,614	10,528	10,196	10,600	123,713
Taxes Other Than Income Taxes	2,392	2,393	2,393	2,395	2,396	2,397	2,397	2,397	2,399	2,399	2,397	2,397	28,755
TOTAL OPERATING EXPENSES	25,153	28,711	30,016	30,526	29,808	25,911	27,568	28,430	30,310	30,251	29,106	27,885	343,677
OPERATING INCOME	13,949	5,846	4,473	(1,481)	591	7,465	7,758	6,078	(451)	(1,115)	4,094	13,965	61,172
NON-OPERATING INCOME/(EXPENSES)													
Total Interest & Dividend Income	2	3	2	2	3	1	2	2	2	2	6	3	32
Interest & Dividend Carrying Charges													
Other Pension Components	384	384	384	384	384	384	384	384	384	384	384	384	4,611
AFUDC Equity	133	152	172	204	233	220	195	202	223	230	190	162	2,315
Gain on Disposition of Equity Investment													
INTEREST EXPENSE													
Total Interest Charges	2,784	2,763	3,052	2,863	2,106	2,555	2,841	2,838	2,878	2,928	2,868	2,948	33,423
INCOME BEFORE INCOME TAXES and EQUITY EARNINGS	11,685	3,624	1,980	(3,753)	(895)	5,516	5,497	3,828	(2,720)	(3,426)	1,805	11,566	34,707
INCOME TAXES and EQUITY EARNINGS													
Total Income Taxes	(8,278)	(2,567)	(1,402)	2,658	634	(3,908)	(3,894)	(2,712)	1,927	2,427	(1,279)	(8,194)	(24,586)
Equity Earnings of Subs													
INCOME AFTER INCOME TAXES and EQUITY EARNINGS	19,963	6,191	3,382	(6,411)	(1,529)	9,424	9,391	6,540	(4,648)	(5,854)	3,084	19,760	59,294
Extraordinary Income / (Expenses)													
NET INCOME	19,963	6,191	3,382	(6,411)	(1,529)	9,424	9,391	6,540	(4,648)	(5,854)	3,084	19,760	59,294

Income Statement - Detail
2023 Control Budget
($000)

2023 KPCO Control Budget	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Year 2023
Kentucky Power													
REVENUES													
Revenue - Retail Sales	65,180	54,933	53,041	44,668	44,674	47,675	53,140	49,946	43,371	40,874	49,389	57,207	604,098
Revenue - Transmission	2,302	2,107	2,262	2,162	2,256	2,201	2,249	2,294	2,168	2,262	2,226	2,262	26,750
Revenue - Sales for Resale	2,885	1,498	726	446	421	880	858	935	468	3,376	2,906	2,868	18,267
Revenue - Other Operating	750	852	854	690	727	733	753	738	831	919	881	835	9,565
TOTAL OPERATING REVENUES	71,118	59,390	56,883	47,966	48,079	51,489	57,000	53,912	46,839	47,431	55,402	63,172	658,680
FUEL & PURCHASED POWER EXPENSES													
Total Fuel for Electric Generation	17,468	11,669	9,978	2,453	5,415	8,239	9,041	10,836	4,090	14,736	14,838	18,043	126,805
Total Purchased Power	8,944	10,586	11,370	16,667	12,656	10,961	10,751	8,270	11,775	3,186	4,582	5,266	115,014
Total Cost of Sales	26,412	22,255	21,348	19,120	18,071	19,199	19,792	19,105	15,865	17,922	19,420	23,309	241,819
GROSS MARGIN	44,705	37,136	35,535	28,846	30,008	32,290	37,208	34,807	30,974	29,509	35,981	39,863	416,861
OPERATING EXPENSES													
Total Operational and Maintenance Expenses	15,389	15,237	14,849	14,636	14,150	14,379	14,605	14,118	14,057	13,720	14,195	14,560	173,895
Depreciation & Amortization	10,537	10,586	10,725	10,658	10,710	10,841	10,768	10,809	10,940	10,847	10,888	11,014	129,322
Taxes Other Than Income Taxes	2,726	2,726	2,726	2,726	2,726	2,726	2,725	2,725	2,725	2,725	2,725	2,731	32,712
TOTAL OPERATING EXPENSES	28,652	28,548	28,300	28,019	27,586	27,945	28,098	27,652	27,723	27,292	27,808	28,306	335,929
OPERATING INCOME	16,053	8,588	7,235	826	2,422	4,345	9,110	7,155	3,251	2,217	8,173	11,557	80,932
NON-OPERATING INCOME/(EXPENSES)													
Total Interest & Dividend Income	2	2	2	2	363	416	114	134	130	486	860	430	2,942
Interest & Dividend Carrying Charges													
Other Pension Components	409	409	409	409	409	409	409	409	409	409	409	409	4,908
AFUDC Equity	87	108	113	91	63	140	253	255	256	258	237	239	2,100
Gain on Disposition of Equity Investment													
INTEREST EXPENSE													
Total Interest Charges	4,213	4,179	4,543	4,257	4,138	4,821	4,755	4,771	4,819	5,763	6,637	6,735	59,631
INCOME BEFORE INCOME TAXES and EQUITY EARN	12,339	4,927	3,216	(2,928)	(880)	489	5,131	3,181	(774)	(2,393)	3,043	5,901	31,252
INCOME TAXES and EQUITY EARNINGS													
Total Income Taxes	(11,496)	(4,591)	(2,996)	2,728	820	(455)	(4,780)	(2,964)	721	(2,281)	(2,271)	(1,552)	(29,117)
Equity Earnings of Subs													
INCOME AFTER INCOME TAXES and EQUITY EARNI	23,834	9,518	6,213	(5,657)	(1,700)	944	9,911	6,145	(1,494)	(111)	5,314	7,452	60,369
Extraordinary Income / (Expenses)													
NET INCOME	23,834	9,518	6,213	(5,657)	(1,700)	944	9,911	6,145	(1,494)	(111)	5,314	7,452	60,369