

THIS FILING IS

Item 1: An Initial (Original) Submission OR Resubmission No. _____

Form 60 Approved
OMB No. 1902-0215
Expires 05/31/2019



FERC FINANCIAL REPORT

FERC FORM No. 60: Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)

American Electric Power Service Corporation

Year of Report

Dec 31, 2018

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 369.1 for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company (see § 367.2) in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification. Respondents must submit the Corporate Officer Certification electronically.

IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 369.1 of the Commission's regulations.

V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 367) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

VIII. Accuratness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IX. Applicability

For any page(s) that is not applicable to the respondent, enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

X. Date Format

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III. above).

XI. Number Format

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

XII. Required Entries

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

XIII. Prior Year References

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

XIV. Where to Send Comments on Public Reporting Burden

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data-needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission, (Attention: Information Clearance Officer, CIO),
888 First Street NE,
Washington, DC 20426
or by email to DataClearance@ferc.gov

And to:

Office of Information and Regulatory Affairs,
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Office for the Federal
Energy Regulatory Commission).
Comments to OMB should be submitted by email to: oir_submission@omb.eop.gov

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

DEFINITIONS
I. Respondent -- The person, corporation, or other legal entity in whose behalf the report is made.

**FERC FORM NO. 60
ANNUAL REPORT FOR SERVICE COMPANIES**

IDENTIFICATION

01 Exact Legal Name of Respondent American Electric Power Service Corporation		02 Year of Report Dec 31, <u>2018</u>
03 Previous Name (If name changed during the year)		04 Date of Name Change / /
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 1 Riverside Plaza, Columbus, OH 43215	06 Name of Contact Person Brian T. Lysiak	
07 Title of Contact Person Accounting Sr Mgr, Regulated Acctg - AEPSC	08 Address of Contact Person 1 Riverside Plaza, Columbus, OH 43215	
09 Telephone Number of Contact Person (614) 716-2666	10 E-mail Address of Contact Person btlysiak@aep.com	
11 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	12 Resubmission Date (Month, Day, Year) / /	
13 Date of Incorporation 12/17/1937	14 If Not Incorporated, Date of Organization / /	
15 State or Sovereign Power Under Which Incorporated or Organized NEW YORK		
16 Name of Principal Holding Company Under Which Reporting Company is Organized: American Electric Power		

CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

17 Name of Signing Officer Jeffrey W. Hoersdig	19 Signature of Signing Officer	20 Date Signed (Month, Day, Year)
18 Title of Signing Officer Assistant Controller	Jeffrey W. Hoersdig	04/29/2019

List of Schedules and Accounts

1. Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages.

Line No.	Description (a)	Page Reference (b)	Remarks (c)
1	Schedule I - Comparative Balance Sheet	101-102	
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Schedule I - Comparative Balance Sheet

1. Give balance sheet of the Company as of December 31 of the current and prior year.

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		Service Company Property			
2	101	Service Company Property	103	237,767,121	225,229,262
3	101.1	Property Under Capital Leases	103	91,474,287	92,330,583
4	106	Completed Construction Not Classified		14,488,684	14,504,472
5	107	Construction Work In Progress	103	15,978,787	11,300,485
6		Total Property (Total Of Lines 2-5)		359,708,879	343,364,802
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	128,287,915	125,662,633
8	111	Less: Accumulated Provision for Amortization of Service Company Property		4,792,911	4,697,136
9		Net Service Company Property (Total of Lines 6-8)		226,628,053	213,005,033
10		Investments			
11	123	Investment In Associate Companies	105		
12	124	Other Investments	105	193,109,088	203,763,183
13	128	Other Special Funds	105	98,304,060	114,045,900
14		Total Investments (Total of Lines 11-13)		291,413,148	317,809,083
15		Current And Accrued Assets			
16	131	Cash		29,989,715	22,855,834
17	134	Other Special Deposits		3,134,508	1,932,591
18	135	Working Funds		18,304,500	11,109,500
19	136	Temporary Cash Investments			
20	141	Notes Receivable			
21	142	Customer Accounts Receivable		5,443,854	2,289,642
22	143	Accounts Receivable		3,066,870	17,146,422
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	182,929,169	212,709,453
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		578,042	614,232
27	163	Stores Expense Undistributed	108		
28	165	Prepayments		42,171,363	31,292,652
29	171	Interest And Dividends Receivable			
30	172	Rents Receivable			
31	173	Accrued Revenues			
32	174	Miscellaneous Current and Accrued Assets		(3,195)	
33	175	Derivative Instrument Assets	109		
34	176	Derivative Instrument Assets – Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		285,614,826	299,950,326
36		Deferred Debits			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets		438,413,462	376,095,660
39	183	Preliminary Survey And Investigation Charges			
40	184	Clearing Accounts			
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		585,841	1,619,470
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes		58,788,600	90,573,738
46		Total Deferred Debits (Total of Lines 37-45)		497,787,903	468,288,868
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		1,301,443,930	1,299,053,310

Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		Proprietary Capital			
49	201	Common Stock Issued	201	1,350,000	1,350,000
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	7,052,116	7,052,116
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201		
54	219	Accumulated Other Comprehensive Income	201		
55		Total Proprietary Capital (Total of Lines 49-54)		8,402,116	8,402,116
56		Long-Term Debt			
57	223	Advances From Associate Companies	202		
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)			
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current		70,481,031	72,039,425
64	228.2	Accumulated Provision for Injuries and Damages		301,459	345,553
65	228.3	Accumulated Provision For Pensions and Benefits		314,234,940	297,367,146
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		385,017,430	369,752,124
68		Current and Accrued Liabilities			
69	231	Notes Payable			
70	232	Accounts Payable		124,315,559	94,727,964
71	233	Notes Payable to Associate Companies	203	224,735,513	259,331,329
72	234	Accounts Payable to Associate Companies	203	52,165,446	80,276,576
73	236	Taxes Accrued		6,375,727	6,206,066
74	237	Interest Accrued		632,416	692,832
75	241	Tax Collections Payable		702,314	710,573
76	242	Miscellaneous Current and Accrued Liabilities	203	307,999,888	255,692,454
77	243	Obligations Under Capital Leases – Current		20,989,561	20,290,818
78	244	Derivative Instrument Liabilities			
79	245	Derivative Instrument Liabilities – Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		737,916,424	717,928,612
81		Deferred Credits			
82	253	Other Deferred Credits		59,985,722	75,075,470
83	254	Other Regulatory Liabilities		19,076,991	21,341,507
84	255	Accumulated Deferred Investment Tax Credits			38,158
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property		28,016,922	10,342,149
87	283	Accumulated deferred income taxes-Other		63,028,325	96,173,174
88		Total Deferred Credits (Total of Lines 82-87)		170,107,960	202,970,458
89		TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)		1,301,443,930	1,299,053,310

Schedule II - Service Company Property

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote.
2. Describe each construction work in progress on lines 18 through 30 in Column (b).

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	38,455	(37,535)	675		245
3	306	Leasehold Improvements	5,182,570	2,087,811	16,813		7,253,568
4	389	Land and Land Rights	7,394,806				7,394,806
5	390	Structures and Improvements	213,259,110	2,165,291	648,821		214,775,580
6	391	Office Furniture and Equipment	76,949,687	13,206,979	16,496,747	(8,427)	73,651,492
7	392	Transportation Equipment	27,912,571	4,188,433	1,008,049	578,498	31,671,453
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment	21,193,802	5,697,926	229,351		26,662,377
10	395	Laboratory Equipment	8,284,951	451,994	95,852		8,641,093
11	396	Power Operated Equipment					
12	397	Communications Equipment	16,354,991	5,277,419	800,562		20,831,848
13	398	Miscellaneous Equipment	3,184,839	772,467	32,315		3,924,991
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		Total Service Company Property (Total of Lines 1-15)	379,755,782	33,810,785	19,329,185	570,071	394,807,453
17	107	Construction Work in Progress:					
18		Capitalized Software	21,623	15,712			37,335
19		General and Misc Equipment	9,021,435	(4,544,747)			4,476,688
20		Improvements to Office Buildings	2,257,427	9,207,337			11,464,764
21							
22							
23							
24							
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26							
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28							
29							
30							
31		Total Account 107 (Total of Lines 18-30)	11,300,485	4,678,302			15,978,787
32		Total (Lines 16 and Line 31)	391,056,267	38,489,087		0	410,786,240

Name of Respondent	This Report is:	Resubmission Date	Year of Report
American Electric Power Service Corporation	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2018
FOOTNOTE DATA			

Schedule Page: 103 Line No.: 32 Column: c

Page 103 Footnote:

Schedule Page: 103 Line No. 32, Column: c

	Balance at Beginning of Year
101 Service Company Property	\$ 225,229,262
101.1 Property Under Capital Lease*	140,022,048
106 Completed Construction Not Classified	14,504,472
107 Construction Work In Progress	11,300,485
	<u>\$ 391,056,267</u>

* Provision for leased assets in the amount of \$(47,691,465) included in FERC Account 101.1 is shown on page 104.

Schedule Page: 103 Line No.: 32 Column: f

	Other Changes
Lease Transfers	\$ 570,071
	<u>\$ 570,071</u>

Schedule Page: 103 Line No.: 32 Column: g

Schedule Page: 103 Line No. 32, Column: g

	Balance at End of Year
101 Service Company Property	\$ 237,767,121
101.1 Property Under Capital Lease*	142,551,648
106 Completed Construction Not Classified	14,488,684
107 Construction Work In Progress	15,978,787
	<u>\$ 410,786,240</u>

* Provision for leased assets in the amount of \$(51,077,361) included in FERC Account 101.1 is shown on the footnote for page 104.

Reconciliation to Balance Sheet:	End of Year	Beginning of Year
101.1 Property Under Capital Lease per above	\$142,551,648	\$140,022,048
Provision for leased assets per above	(\$51,077,361)	(\$47,691,465)
101.1 Property Under Capital Lease Page 101	<u>\$91,474,287</u>	<u>\$92,330,583</u>

Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property

1. Provide an explanation of Other Charges in Column (f) considered material in a footnote.

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	11,585	2,654	675	(14,149)	(585)
3	306	Leasehold Improvements	4,961,411	122,162	16,813		5,066,760
4	389	Land and Land Rights					
5	390	Structures and Improvements	118,207,119	1,757,454	648,821	172,103	119,487,855
6	391	Office Furniture and Equipment	33,481,603	301,400	16,428,908	13,737,657	31,091,752
7	392	Transportation Equipment	7,310,858		998,977	3,523,238	9,835,119
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment	2,338,156	1,089,719	229,012	325,251	3,524,114
10	395	Laboratory Equipment	4,514,656	121,978	95,852	420,177	4,960,959
11	396	Power Operated Equipment					
12	397	Communications Equipment	6,336,842	223,941	794,210	3,465,389	9,231,962
13	398	Miscellaneous Equipment	889,004	66,024	32,315	37,538	960,251
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		Total	178,051,234	3,685,332	19,245,583	21,667,204	184,158,187

Name of Respondent	This Report is:	Resubmission Date	Year of Report
American Electric Power Service Corporation	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2018
FOOTNOTE DATA			

Schedule Page: 104 Line No.: 16 Column: c

Footnote Column C

	Balance at Beginning of Year
101.1 Property Under Capital Lease*	\$ 47,691,465
108 Accumulated Provision for Depreciation of Service Company Property	125,662,633
111 Accumulated Provision for Amortization of Service Company Property	4,697,136
	<u>\$ 178,051,234</u>

* FERC Account 101.1 includes \$47,691,465 of provision for leased assets.

Schedule Page: 104 Line No.: 16 Column: f

Footnote Column F:

Other Changes:	Amount
Lease Additions and Transfers	21,965,169
Retirement Work In Progress	109,962
Expense related to the Aircraft Hangar reclassification	59,749
Cost of Removal for 1RP and 125/155 Nationwide Blvd	(453,527)
Reserve Transfers Related to Service Corporation	(14,149)
	<u>\$ 21,667,204</u>

Schedule Page: 104 Line No.: 16 Column: g

Footnote Column G:

	Balance at End of Year
101.1 Property Under Capital Lease*	\$ 51,077,361
108 Accumulated Provision for Depreciation of Service Company Property	128,287,915
111 Accumulated Provision for Amortization of Service Company Property	4,792,911
	<u>\$ 184,158,187</u>

* FERC Account 101.1 includes \$51,077,361 of provision for leased assets.

Schedule IV – Investments

1. For other investments (Account 124) and other special funds (Account 128), in a footnote state each investment separately, with description including the name of issuing company, number of shares held or principal investment amount.
2. For temporary cash investments (Account 136), list each investment separately in a footnote.
3. Investments less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies		
2	124	Other Investments	203,763,183	193,109,088
3	128	Other Special Funds	114,045,900	98,304,060
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)	317,809,083	291,413,148

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FOOTNOTE DATA			

Schedule Page: 105 Line No.: 5 Column: d

ACCOUNT DESCRIPTION	Balance at Beginning of Year	Balance at End of Year
Cash Surrender Value of Deferred Compensation Plan, issued by Northwest Mutual Life and John Hancock.	\$ 19,798,367	\$ 18,635,760
Cash Surrender Value of Umbrella Trust, issued by Prudential Life and Wells Fargo	183,964,096	173,449,789
Cash Surrender Value of Central and South West Supplemental Executive Retirement Plan, issued by The Newport Group	720	105,352
Cash Surrender Value of Deferred Compensation Plan, for Central and South West Legacy		25,614
Umbrella Trust, issued by Wells Fargo - Interest & Dividends		892,573
Total Other Investment	\$ 203,763,183	\$ 193,109,088

ACCOUNT DESCRIPTION	Balance at End of Year	
Account 128 - Other Special Funds		
PRW Net Funded Position	\$ 114,045,900	\$ 98,304,060
Total Other Special Funds	\$ 114,045,900	\$ 98,304,060

Schedule V – Accounts Receivable from Associate Companies

1. List the accounts receivable from each associate company.
2. If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	Accounts Receivable From Associate Companies		
2		Associate Company:		
3		Total Accounts Receivable from Associated Companies	212,709,453	182,929,169
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40	Total		212,709,453	182,929,169

Name of Respondent	This Report is:	Resubmission Date	Year of Report
American Electric Power Service Corporation	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2018
FOOTNOTE DATA			

Schedule Page: 106 Line No.: 3 Column: c

**American Electric Power Service Corporation
146 Accounts Receivable from Associate Companies**

Associate Company	Balance at Beginning of Year	Balance at Close of Year
AEP Amazon	146	36
AEP Appalachian Transmission Company, Inc.	188,260	416,261
AEP C&I Company LLC	142,966	0
AEP Coal, Inc.	1,874	13,259
AEP Credit, Inc.	169,278	53,640
AEP Desert Sky GP, LLC	1,145	0
AEP Desert Sky LP II, LLC	1,019	0
AEP Energy Partners, Inc.	889,272	811,966
AEP Energy Service Gas Holding Company	2,929	83
AEP Energy Services, Inc.	102,876	48,549
AEP Energy Supply LLC	115,229	25,110
AEP Energy, Inc	185,880	288,949
AEP Generating Company	149,516	160,886
AEP Generation Resources	4,962,611	2,179,941
AEP Indiana Michigan Transmission Company, Inc.	6,512,432	5,646,905
AEP Kentucky Coal, LLC	815	0
AEP Kentucky Transmission Company, Inc.	633,058	500,971
AEP Nonutility Funding LLC	1,825	1,230
AEP Ohio Transmission Company, Inc.	10,617,950	10,772,272
AEP Oklahoma Transmission Company, Inc.	2,822,131	2,451,322
AEP OnSite Partners, LLC	259,781	239,110
AEP Pro Serv, Inc.	224,554	140,033
AEP Renewables, LLC	19,248	121,750
Appalachian Rate Relief Fund	0	35,132
AEP Retail Energy Partners LLC	2,649	27,988
AEP River Operations LLC	0	0
AEP Southwestern Transmission Company, Inc.	10,467	6,977
AEP System Pool	77,162	205,982
AEP T&D Services, LLC	92,383	84,622
AEP Texas Company	24,171,199	22,279,617
AEP Transmission Company, LLC	3,587	0
AEP Transmission Holding Company, LLC	2,980,116	240,616
AEP Transmission Partner LLC	469	0
AEP Utility Funding LLC	40,201	12,374
AEP West Virginia Transmission Company, Inc.	4,308,911	4,523,551
AEP Wind GP, LLC	741	0
AEP Wind Holding Company, LLC	55,018	0
AEP Wind LP II, LLC	852	0
American Electric Power Company	1,511,182	138,887
Appalachian Power Company	37,009,486	32,159,748
Blackhawk Coal Company	723	308
BSE Solutions LLC	123	121
Cardinal Operating Company	1,774,513	0
Cedar Coal Company	508	1,422

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2018
American Electric Power Service Corporation			

FOOTNOTE DATA

Central Appalachian Coal Company	342	0
Central Coal Company	792	13
Conesville Coal Preparation Company	709	438
CSW Energy, Inc.	26,063	124,142
Desert Sky Wind Farm LLC	0	4,297
Desert Sky Wind Farm LP	60,179	0
Dolet Hills Lignite Co, LLC	664,739	612,365
Electric Transmission TX, LLC	5,527,642	3,462,376
Grid Assurance LLC	76,845	219,002
Indiana Michigan Power Company	26,762,032	23,779,383
Jacumba Solar LLC	0	102
Kentucky Power Company	8,640,206	10,926,424
Kingsport Power Company	929,090	889,560
Ohio Franklin Realty, LLC	92,260	12,065
Ohio Power Company	27,406,635	23,856,593
Oxbow Lignite Company, LLC	9,606	4,706
Public Liability	0	0
Public Service Company of Oklahoma	18,680,017	13,154,657
Snowcap Coal Company, Inc.	729	738
Solar LLCs	1,513	7,529
Southern Appalachian Coal Company	640	13
Southwestern Electric Power Company	20,771,978	18,356,812
Transource Energy, LLC	0	70,676
Transource Maryland	339,859	288,147
Transource Missouri, LLC	377,038	345,329
Transource Pennsylvania	785,612	1,169,214
Transource West Virginia, LLC	305,464	709,976
Trent Wind Farm LLC	0	43,199
Trent Wind Farm LP	111,267	0
United Sciences Testing, Inc.	312,290	591,295
Wheeling Power Company	780,819	710,500
Total	212,709,453	182,929,169

**American Electric Power Service Corporation
Summary of Convenience Payments**

Associate Company	Amount
AEP Appalachian Transmission Company, Inc.	140,583
AEP C&I Company LLC	300
AEP Coal, Inc.	284,665
AEP Credit, Inc.	225
AEP Energy Partners, Inc.	1,678,584
AEP Energy Service Gas Holding Company	225
AEP Energy Services, Inc.	704
AEP Energy Supply LLC	300
AEP Energy, Inc	825,761
AEP Generating Company	337,506
AEP Generation Resources	3,723,962
AEP Indiana Michigan Transmission Company, Inc.	16,641,357

Name of Respondent	This Report is:	Resubmission Date	Year of Report
American Electric Power Service Corporation	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2018

FOOTNOTE DATA

AEP Investments, Inc.	3,562
AEP Kentucky Coal, LLC	95,019
AEP Kentucky Transmission Company, Inc.	723,210
AEP Nonutility Funding LLC	300
AEP Ohio Transmission Company, Inc.	10,214,996
AEP Oklahoma Transmission Company, Inc.	2,548,309
AEP OnSite Partners, LLC	169,223
AEP Pro Serv, Inc.	10,472,861
AEP Properties, L.L.C.	1,057
AEP Renewables, LLC	2,118,132
AEP Retail Energy Partners LLC	6,842
AEP Southwestern Transmission Company, Inc.	380
AEP System Pool	3,452
AEP T&D Services, LLC	1,047,561
AEP Texas Company	90,517,821
AEP Transmission Company, LLC	426
AEP Transmission Holding Company, LLC	1,338
AEP Transmission Partner LLC	300
AEP Utility Funding LLC	300
AEP West Virginia Transmission Company, Inc.	4,137,445
American Electric Power Company	240,889
Appalachian Power Company	135,964,730
Appalachian Rate Relief Fund	35,132
Blackhawk Coal Company	19
BSE Solutions LLC	500
Cardinal Operating Company	87,130
Cedar Coal Company	602
Central Appalachian Coal Company	26
Central Coal Company	26
CSW Energy, Inc.	23,087
Desert Sky Wind Farm LLC	302,401
Desert Sky Wind Farm LP	7,261
Dolet Hills Lignite Co, LLC	294,955
Electric Transmission TX, LLC	3,949,866
Franklin Real Estate Company	369,422
Grid Assurance LLC	300
Indiana Franklin Realty, Inc.	206,648
Indiana Michigan Power Company	84,205,545
Jacumba Solar LLC	5,645,635
Kentucky Power Company	6,944,728
Kingsport Power Company	1,043,497
Kyte Works, LLC	4,747
Mutual Energy SWEPCO L.P	300
Ohio Franklin Realty, LLC	170,900
Ohio Power Company	169,908,870
Oxbow Lignite Company, LLC	52
PATH WV Transmission Company, LLC	26
Public Liability	586
Public Service Company of Oklahoma	18,130,171
Snowcap Coal Company, Inc.	225

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FOOTNOTE DATA			

Solar LLCs	554
Southern Appalachian Coal Company	26
Southwestern Electric Power Company	23,897,471
Transource Energy, LLC	535,948
Transource Maryland	55,233
Transource Missouri, LLC	2,543
Transource Pennsylvania	82,801
Transource West Virginia, LLC	201,079
Trent Wind Farm LLC	1,153,178
Trent Wind Farm LP	469,450
United Sciences Testing, Inc.	808,946
Wheeling Power Company	849,401
Total	601,291,611

Schedule VI – Fuel Stock Expenses Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company.
2. In a separate footnote, describe in a narrative the fuel functions performed by the service company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3		AEP Generation Resources	181,149	79,526	260,675
4		AEP Texas Company	9,475	46,090	55,565
5		Appalachian Power Company	1,354,680	694,485	2,049,165
6		Indiana Michigan Power Company	1,277,495	493,292	1,770,787
7		Kentucky Power Company	636,692	250,580	887,272
8		Public Service Company of Oklahoma	585,720	213,538	799,258
9		Southwestern Electric Power Company	1,652,307	658,707	2,311,014
10		Other	71,796	23,323	95,119
11		Less Amount Billed	(5,769,314)	(2,459,541)	(8,228,855)
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40	Total				0

Name of Respondent	This Report is:	Resubmission Date	Year of Report
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FOOTNOTE DATA			

Schedule Page: 107 Line No.: 40 Column: e

Page 107, Footnote Regarding Fuel Functions of AEP Service Company

The fuel functions performed by AEP Service Company include:

The coordination of fuel delivery to fossil fuel power plants which includes responding to power plant tests and monitoring the location of equipment such as barges and railcars that transport the fuel.

The provision of technical and economic analysis and investigation necessary to resolve problems.

The pricing of fuel consumed, the establishment of fuel inventory value, the recording and monitoring of accounting records for fuel purchased and fuel consumed including quantity and cost information.

The performance of laboratory analyses of coal and water samples for quality control purposes.

The production and distribution of specific Fuel filings which includes preparation of schedules, exhibits, and testimony.

Tasks performed to process invoices relating to purchase order and/or non-purchase order transactions for payment. It also includes preparation account/work order classification, verification, and release of disbursement checks.

The procurement of fuel and other combustion products, including all tasks necessary to negotiate, develop and administer fuel supply and pipeline agreements with fuel and pipeline vendors. This includes all processes involved in maintaining a business relationship with fuel vendors and pipeline companies, from establishing contact to approving pricing for payment of fuel delivered.

Tasks associated with the receipt of fuel, storage of fuel, operation and monitoring of the fuel feed system and related components up to and including the bunkers/silo.

Schedule VII – Stores Expense Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3		AEP Appalachian Transmission Company, Inc.	113,068	12,913	125,981
4		AEP C&I Company LLC	1,960	568	2,528
5		AEP Credit, Inc.	592	155	747
6		AEP Energy Partners, Inc.	19,847	6,522	26,369
7		AEP Energy Services, Inc.	10,090	2,643	12,733
8		AEP Energy Supply LLC	3,181	2,694	5,875
9		AEP Energy, Inc	5,297	3,396	8,693
10		AEP Generating Company	37,625	14,726	52,351
11		AEP Generation Resources	1,343,934	83,794	1,427,728
12		AEP Indiana Michigan Transmission Company, Inc.	1,692,064	323,570	2,015,634
13		AEP Investments, Inc.	372	90	462
14		AEP Kentucky Transmission Company, Inc.	66,458	17,858	84,316
15		AEP Nonutility Funding LLC	33	10	43
16		AEP Ohio Transmission Company, Inc.	3,025,189	534,801	3,559,990
17		AEP Oklahoma Transmission Company, Inc.	381,916	151,281	533,197
18		AEP OnSite Partners, LLC	12,762	20,329	33,091
19		AEP Pro Serv, Inc.	26,380	829	27,209
20		AEP Renewables, LLC	6,693	16,687	23,380
21		AEP Retail Energy Partners LLC	2	1	3
22		AEP Southwestern Transmission Company, Inc.	18	11	29
23		AEP T&D Services, LLC	1,801	97	1,898
24		AEP Texas Company	3,180,235	1,318,103	4,498,338
25		AEP Transmission Company, LLC	19	12	31
26		AEP Transmission Holding Company, LLC	(142)	286	144
27		AEP Utility Funding LLC	3,766	1,615	5,381
28		AEP West Virginia Transmission Company, Inc.	916,607	600,009	1,516,616
29		American Electric Power Company	26,539	4,320	30,859
30		Appalachian Power Company	6,829,510	2,066,243	8,895,753
31		Bold Transmission, LLC	341	158	499
32		BSE Solutions LLC	20	4	24
33		Cardinal Operating Company	371,840	38,863	410,703
34		CSW Energy, Inc.	16,611	34,658	51,269
35		Desert Sky Wind Farm LLC	18	10	28
36		Desert Sky Wind Farm LP	2	1	3
37		Dolet Hills Lignite Co, LLC	204,542	106,493	311,035
38		Electric Transmission America	5	2	7
39		Electric Transmission TX, LLC	366,469	33,207	399,676

Schedule VII – Stores Expense Undistributed (continued)

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3		Grid Assurance LLC	45,142	10,296	55,438
4		Indiana Michigan Power Company	3,712,917	1,247,059	4,959,976
5		Kentucky Power Company	2,158,443	512,829	2,671,272
6		Kingsport Power Company	68,010	29,375	97,385
7		Ohio Power Company	4,724,686	1,309,089	6,033,775
8		Public Service Company of Oklahoma	3,232,694	837,335	4,070,029
9		RITELine Indiana, LLC	3	2	5
10		Southwestern Electric Power Company	4,516,819	1,283,551	5,800,370
11		Transource Energy, LLC	641	330	971
12		Transource Maryland	529	232	761
13		Transource Missouri, LLC	10,263	1,394	11,657
14		Transource Pennsylvania	1,161	509	1,670
15		Transource West Virginia, LLC	9,401	7,178	16,579
16		Trent Wind Farm LLC	11	7	18
17		Trent Wind Farm LP	54	29	83
18		United Sciences Testing, Inc.	924	632	1,556
19		Wheeling Power Company	85,427	46,328	131,755
20		Less Amount Billed	(37,232,789)	(10,683,134)	(47,915,923)
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40	Total				

Schedule VIII - Miscellaneous Current and Accrued Assets

1. Provide detail of items in this account. Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	Miscellaneous Current and Accrued Assets		
2		Item List:		
3		Other		(3,195)
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40	Total			(3,195)

Schedule IX - Miscellaneous Deferred Debits

1. Provide detail of items in this account. Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3		Deferred Aviation Expenses	1,072,204	
4		Deferred Aviation Expenses - Current	119,134	
5		Deferred Employee Expenses		166,839
6		Deferred Information Technology Expenses	216,366	159,755
7		Deferred Intercompany Expenses	53,394	9,966
8		Deferred Lease Assets - NonTaxable	77,579	170,356
9		Items less than \$50,000 (8 items)	80,793	78,925
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40	Total		1,619,470	585,841

Schedule X - Research, Development, or Demonstration Expenditures

1. Describe each material research, development, or demonstration project that incurred costs by the service corporation during the year. Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	Research, Development, or Demonstration Expenditures	
2		Project List:	
3		Electric Power Research Institute (EPRI) Environmental Science	3,544,320
4		Transmission Electric Power Research Institute (EPRI) Annual Portfolio	1,656,136
5		Electric Power Research Institute (EPRI) Environmental Controls	1,038,383
6		Electric Power Research Institute EPRI Annual Portfolio	797,187
7		Generation Asset Management - Program Management	608,551
8		Information Technology - Electric Power Research Institute (EPRI) Annual Portfolio	444,417
9		Distribution - Electric Power Research Institute (EPRI) Annual Portfolio	371,495
10		Corporate Technology Program Management	161,584
11		National Electric Energy Testing, Research & Applications Center (NEETRAC) Membership	148,280
12		Electric Power Research Institute (EPRI) Renewable Annual Portfolio	131,549
13		Phase Transformation and Post Weld Heat Treatment (PWHT) on Grade 91 Steel	112,003
14		Advanced Generation Program Management	109,797
15		Transmission Research & Development Program Management	106,770
16		Clean Energy Solar Pilot Project	106,690
17		Improved Hg (Mercury) Control	87,960
18		Closed Ash Pond Monitoring	85,000
19		CEA (Canadian Electric Association) Membership & Projects	77,913
20		Strategic Technology Research	73,422
21		Albedo Test	63,972
22		Natural Gas-Electric Interface	62,500
23		Dolan Technology Center Walnut Maintenance	60,711
24		34 items under \$50,000	409,616
25		Less Amount Billed	(10,258,256)
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40	Total		

Schedule XI - Proprietary Capital

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.

2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	20,000
2			Par or Stated Value per Share	100.00
3			Outstanding Number of Shares	13,500
4			Close of Period Amount	1,350,000
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		7,052,116
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	
13			Net Income or (Loss)	
14			Dividend Paid	
15			Balance at Close of Year	

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FOOTNOTE DATA			

Schedule Page: 201 Line No.: 9 Column: d

The Miscellaneous Paid-In Capital for \$7,052,116 is made up of three capital contributions.

The first capital contribution of \$99,500 represents the net investment of Central and South West Services, LP with AEPSC when the two service corporations combined as a result of the merger of Central and South West Corporation and American Electric Power in June of 2000.

The second capital contribution of \$8,123,156 was due to an American Electric Power Company Inc. board resolution in April 2009 which transferred a parking garage to AEPSC. The resolution approved the contribution of the Marconi Street Unassigned Parking Garage to AEPSC as a capital contribution in the amount of the net book value of the property. The contribution of the unassigned garage to AEPSC was proposed to align its ownership with its primary user i.e. AEPSC.

In association with the AEP Texas Inc. merger and pursuant to a December 2016 American Electric Power Company Inc. board resolution, the liabilities associated with the Central and South West's Corporate Directors Compensation Plan and its Deferred Compensation Plan were transferred to AEPSC. This transaction was treated as a distribution of paid-in capital because AEPSC assumed the liabilities with these plans.

Schedule XII – Long Term Debt

1. For the advances from associate companies (Account 223), describe in a footnote the advances on notes and advances on open accounts. Names of associate companies from which advances were received shall be shown under the class and series of obligation in Column (c).
2. For the deductions in Column (h), please give an explanation in a footnote.
3. For other long-term debt (Account 224), list the name of the creditor company or organization in Column (b).

Line No.	Account Number	Title of Account	Term of Obligation Class & Series of Obligation	Date of Maturity	Interest Rate	Amount Authorized	Balance at Beginning of Year	Additions Deductions	Balance at Close of Year
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	223	Advances from Associate Companies							
2		Associate Company:							
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9									
10									
11									
12									
13		TOTAL							
14	224	Other Long-Term Debt							
15		List Creditor:							
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27									
28		TOTAL							

Schedule XIII – Current and Accrued Liabilities

1. Provide the balance of notes and accounts payable to each associate company (Accounts 233 and 234).
2. Give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than \$50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies	259,331,329	224,735,513
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24	234	Accounts Payable to Associate Companies	80,276,576	52,165,446
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33				
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35				
36				
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41	242	Miscellaneous Current and Accrued Liabilities	255,692,454	307,999,888
42				
43				
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49				
50		(Total)	595,300,359	584,900,847

Name of Respondent	This Report is:	Resubmission Date	Year of Report
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FOOTNOTE DATA			

Schedule Page: 203 Line No.: 1 Column: d

AEP has a direct financing relationship with AEPSC to meet its short term borrowing needs.

Schedule Page: 203 Line No.: 24 Column: d

Account 234 - Accounts Payable to Associate Companies	BALANCE AT BEGINNING OF YEAR	BALANCE AT CLOSE OF YEAR
AEP C&I Company LLC	37,735	0
AEP Energy Partners, Inc.	38,184	390
AEP Energy Services, Inc.	37,735	0
AEP Generating Company	1,111,382	320
AEP Generation Resources	3,847	2,919
AEP Indiana Michigan Transmission Company, Inc.	557	87,622
AEP Investments, Inc.	324,436	336,986
AEP Kentucky Transmission Company, Inc.	0	14
AEP Ohio Transmission Company, Inc.	557,164	628,316
AEP Oklahoma Transmission Company, Inc.	271,987	188,140
AEP OnSite Partners, LLC	5,523	8,827
AEP Pro Serv, Inc.	37,735	0
AEP Renewables, LLC	136,140	146,292
AEP T&D Services, LLC	50,866	0
AEP Texas Company	4,122,993	1,293,856
AEP Transmission Company, LLC	1,048	163,449
AEP Transmission Holding Company, LLC	0	18
AEP West Virginia Transmission Company, Inc.	79,766	76,157
AEP Wind Holding Company, LLC	37,735	0
American Electric Power Company	244,596	1,131,654
Appalachian Power Company	13,641,737	10,143,275
Appalachian Rate Relief Fund	0	5,063
Blackhawk Coal Company	2,509	0
Cardinal Operating Company	209,126	0
CSW Energy, Inc.	37,735	0
Houston Pipe Line Company	0	0
Indiana Michigan Power Company	5,890,832	7,029,085
Jacumba Solar LLC	167,937	193,341
Kentucky Power Company	1,335,403	1,670,669
Kingsport Power Company	151,264	533,405
Kyte Works, LLC	0	29,706
Ohio Franklin Realty, LLC	5,541	79,022
Ohio Power Company	22,767,138	15,357,591
Oxbow Lignite Company, LLC	11	0
Public Liability	0	51,006
Public Service Company of Oklahoma	9,202,184	3,064,966
Solar LLCs	0	36,374
Southwestern Electric Power Company	14,229,502	6,744,703
Transource Energy, LLC	1,678,728	2,823,366
Transource West Virginia, LLC	0	44
Trent Wind Farm LP	12	0

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FOOTNOTE DATA			

United Sciences Testing, Inc.	37,735	0
Wheeling Power Company	3,819,753	338,870
Grand Total	\$ <u>80,276,576</u>	\$ <u>52,165,446</u>

Schedule Page: 203 Line No.: 41 Column: d

<u>ACCOUNT DESCRIPTION</u>	<u>BALANCE AT BEGINNING OF YEAR</u>	<u>BALANCE AT CLOSE OF YEAR</u>
Account 242 - Miscellaneous Current and Accrued Liabilities		
Accrued Payroll	\$ 22,060,607	\$ 25,535,066
Banking Fees	0	230,000
Control Cash Disburse Account	5,473,660	5,182,609
Deferred Compensation Benefits	388,499	208,268
Employee Benefits	20,619,235	20,338,080
Incentive Pay	126,896,705	172,640,065
Lease Expense	76,137	0
Lease Rent Holidays	200,317	253,076
Real and Personal Property Taxes	1,213,105	32,139
Severance Pay	2,981,285	5,459,040
Software Contract Liabilities	16,300,911	17,810,669
Unclaimed Funds	20,693	20,738
Vacation Pay	57,764,698	58,722,976
Worker's Compensation	1,696,602	1,567,162
	\$ <u>255,692,454</u>	\$ <u>307,999,888</u>

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2018
Schedule XIV- Notes to Financial Statements			

1. Use the space below for important notes regarding the financial statements or any account thereof.
2. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year.
3. Furnish particulars as to any significant increase in services rendered or expenses incurred during the year.
4. Furnish particulars as to any amounts recorded in Account 434, Extraordinary Income, or Account 435, Extraordinary Deductions.
5. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.
6. Describe the annual statement supplied to each associate service company in support of the amount of interest on borrowed capital and compensation for use of capital billed during the calendar year. State the basis for billing of interest to each associate company. If a ratio, describe in detail how ratio is computed. If more than one ratio explain the calculation. Report the amount of interest borrowed and/or compensation for use of capital billed to each associate company.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

AEPSC is a wholly-owned subsidiary of AEP. AEPSC provides certain managerial and professional services, including administrative and engineering services, to affiliated companies in the AEP System and periodically to nonaffiliated companies. AEPSC also acts as an agent on behalf of affiliated companies in the AEP System for certain contractual arrangements, such as purchases and sales of risk management assets and liabilities. The activity associated with the agency relationship is excluded from AEPSC's financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rates and Service Regulation

AEPSC's intercompany service billings, which are AEPSC's fully allocated cost, including taxes, are regulated by the FERC under the 2005 Public Utility Holding Company Act and the Federal Power Act. The FERC also has jurisdiction over the issuances and acquisitions of securities of public utility subsidiaries, the acquisition or sale of certain utility assets and mergers with another electric utility or holding company. In addition, both the FERC and state regulatory commissions are permitted to review and audit the relevant books and records of companies within a public utility holding company system.

Accounting for the Effects of Cost-Based Regulation

As a cost-based regulated entity, AEPSC's financial statements reflect the actions of regulators that result in the recognition of certain revenues and expenses in different time periods than enterprises that are not rate-regulated. In accordance with accounting guidance for "Regulated Operations," AEPSC records regulatory assets (deferred expenses) and regulatory liabilities (deferred revenue reductions or refunds) in accordance with regulatory actions to match expenses and revenues in cost-based rates. Regulatory assets are expected to be recovered in future periods through billings to affiliated companies and regulatory liabilities are expected to reduce future billings to affiliated companies. In the event that a portion of AEPSC's business no longer met those requirements, all amounts would be recoverable from affiliated companies. In the event AEPSC would require financing or other support outside the cost reimbursement billings, this financing would be provided by AEP. Costs charged to capitalized projects of AEPSC customers are included in the financial statements of AEPSC.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates include, but are not limited to, the effects of regulation, the effects of contingencies and certain assumptions made in accounting for pension and postretirement benefits. The estimates and assumptions used are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could ultimately differ from those estimates.

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Cash and Cash Equivalents

Cash and Cash Equivalents include temporary cash investments with original maturities of three months or less.

Accounts Receivable

Accounts Receivable primarily includes receivables from affiliated companies for professional services rendered. AEPSC bills affiliated companies for services rendered on a monthly basis based on a work order system that is in accordance with the 2005 Public Utility Holding Company Act. The affiliated companies generally remit these payments within 30 days.

Property and Equipment

Property is stated at original cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the property. The annual composite depreciation rate was 1.5% and 1.6% for the years ended December 31, 2018 and 2017, respectively.

Long-lived assets are required to be tested for impairment when it is determined that the carrying value of the assets may no longer be recoverable or when the assets meet the held-for-sale criteria under the accounting guidance for "Impairment or Disposal of Long-Lived Assets."

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, as opposed to a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and are used as the basis for the measurement, if available. In the absence of quoted prices for identical or similar assets in active markets, fair value is estimated using various internal and external valuation methods including cash flow analysis and appraisals.

Deferred Compensation

Investments include the cash surrender value of trust-owned life insurance policies held under a grantor trust to provide funds for nonqualified deferred compensation plans that AEPSC sponsors.

Valuation of Nonderivative Financial Instruments

The book values of Cash and Cash Equivalents, Advances to/from Affiliates, Accounts Receivable and Accounts Payable approximate fair value because of the short-term maturity of these instruments.

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Fair Value Measurements of Assets and Liabilities

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.

AEP utilizes its trustee’s external pricing service to estimate the fair value of the underlying investments held in the benefit plan trusts. AEP’s investment managers review and validate the prices utilized by the trustee to determine fair value. AEP’s investment managers perform their own valuation testing to verify the fair values of the securities. AEP receives audit reports of the trustee’s operating controls and valuation processes. The trustee uses multiple pricing vendors for the assets held in the trusts.

Assets in the benefits trusts are classified using the following methods. Equities are classified as Level 1 holdings if they are actively traded on exchanges. Items classified as Level 1 are investments in money market funds, fixed income and equity mutual funds and equity securities. They are valued based on observable inputs primarily unadjusted quoted prices in active markets for identical assets. Items classified as Level 2 are primarily investments in individual fixed income securities. Fixed income securities generally do not trade on exchanges and do not have an official closing price but their valuation inputs are based on observable market data. Pricing vendors calculate bond valuations using financial models and matrices. The models use observable inputs including yields on benchmark securities, quotes by securities brokers, rating agency actions, discounts or premiums on securities compared to par prices, changes in yields for U.S. Treasury securities, corporate actions by bond issuers, prepayment schedules and histories, economic events and, for certain securities, adjustments to yields to reflect changes in the rate of inflation. Other securities with model-derived valuation inputs that are observable are also classified as Level 2 investments. Investments with unobservable valuation inputs are classified as Level 3 investments. Investments classified as Other are valued using Net Asset Value as a practical expedient. Items classified as Other are primarily cash equivalent funds, common collective trusts, commingled funds, structured products, private equity, real estate, infrastructure and alternative credit investments. These investments do not have a readily determinable fair value or they contain redemption restrictions which may include the right to suspend redemptions under certain circumstances. Redemption restrictions may also prevent certain investments from being redeemed at the reporting date for the underlying value.

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Revenues and Expenses

AEPSC provides certain managerial and professional services to both affiliated and nonaffiliated companies. The costs of the services are billed on a direct-charge basis, whenever possible. Costs incurred to perform services that benefit more than one company are allocated to the benefiting companies using one of 80 FERC accepted allocation factors. The allocation factors used to bill for services performed by AEPSC are based upon formulae that consider factors such as number of customers, number of employees, number of transmission pole miles, number of invoices and other factors. The data upon which these formulae are based are updated monthly, quarterly, semi-annually or annually, depending on the particular factor and its volatility. The billings for services are made at cost and include no compensation for a return on investment.

Income Taxes and Investment Tax Credits

AEPSC uses the liability method of accounting for income taxes. Under the liability method, deferred income taxes are provided for all temporary differences between the book and tax basis of assets and liabilities which will result in a future tax consequence. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. AEPSC revalued deferred tax assets and liabilities at the new federal corporate income tax rate of 21% in December 2017. See Note 6 - Income Taxes for additional information related to Tax Reform.

When the flow-through method of accounting for temporary differences is required by a regulator to be reflected in regulated revenues (that is, when deferred taxes are not included in the cost of service for determining regulated rates), deferred income taxes are recorded and related regulatory assets and liabilities are established to match the regulated revenues and tax expense.

AEPSC applies the deferral methodology for the recognition of ITC. Deferred ITC is amortized to income tax expense over the life of the asset that generated the credit. Amortization of deferred ITC begins when the asset is placed into service, except where regulatory commissions reflect ITC in the rate-making process, then amortization begins when the cash tax benefit is recognized.

AEPSC accounts for uncertain tax positions in accordance with the accounting guidance for "Income Taxes." AEPSC classifies interest expense or income related to uncertain tax positions as interest expense or income as appropriate and classifies penalties as Other Operation expense.

Pension and OPEB Plans

AEPSC participates in an AEP sponsored qualified pension plan and two unfunded nonqualified pension plans. Substantially all of AEPSC's employees are covered by the qualified plan or both the qualified and nonqualified pension plans. AEPSC also participates in OPEB plans sponsored by AEP to provide health and life insurance benefits for retired employees. AEPSC accounts for its participation in the AEP sponsored pension and OPEB plans using multiple- employer accounting. See Note 5 - Benefit Plans for additional information including significant accounting policies associated with the plans.

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Investments Held in Trust for Future Liabilities

AEP has several trust funds with significant investments intended to provide for future payments of pension and OPEB benefits. All of the trust funds' investments are diversified and managed in compliance with all laws and regulations. The investment strategy for the trust funds is to use a diversified portfolio of investments to achieve an acceptable rate of return while managing the investment risk of the assets relative to the associated liabilities. To minimize investment risk, the trust funds are broadly diversified among classes of assets, investment strategies and investment managers. Management regularly reviews the actual asset allocations and periodically rebalances the investments to targeted allocations when appropriate. Investment policies and guidelines allow investment managers in approved strategies to use financial derivatives to obtain or manage market exposures and to hedge assets and liabilities. The investments are reported at fair value under the "Fair Value Measurements and Disclosures" accounting guidance.

Benefit Plans

All benefit plan assets are invested in accordance with each plan's investment policy. The investment policy outlines the investment objectives, strategies and target asset allocations by plan.

The investment philosophies for AEP's benefit plans support the allocation of assets to minimize risks and optimize net returns. Strategies used include:

- Maintaining a long-term investment horizon.
- Diversifying assets to help control volatility of returns at acceptable levels.
- Managing fees, transaction costs and tax liabilities to maximize investment earnings.
- Using active management of investments where appropriate risk/return opportunities exist.
- Keeping portfolio structure style-neutral to limit volatility compared to applicable benchmarks.
- Using alternative asset classes such as real estate and private equity to maximize return and provide additional portfolio diversification.

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The objective of the investment policy for the pension fund is to maintain the funded status of the plan while providing for growth in the plan assets to offset the growth in the plan liabilities. The current target asset allocations are as follows:

<u>Pension Plan Assets</u>	<u>Target</u>
Equity	25%
Fixed Income	59%
Other Investments	15%
Cash and Cash Equivalents	1%

<u>OPEB Plans Assets</u>	<u>Target</u>
Equity	49%
Fixed Income	49%
Cash and Cash Equivalents	2%

The investment policy for each benefit plan contains various investment limitations. The investment policies establish concentration limits for securities and prohibit the purchase of securities issued by AEP (with the exception of proportionate and immaterial holdings of AEP securities in passive index strategies). However, the investment policies do not preclude the benefit trust funds from receiving contributions in the form of AEP securities, provided that the AEP securities acquired by each plan may not exceed the limitations imposed by law.

For equity investments, the concentration limits are as follows:

- No security in excess of 5% of all equities.
- Cash equivalents must be less than 10% of an investment manager's equity portfolio.
- No individual stock may be more than 10% and 7% for pension and OPEB investments, respectively, of each manager's equity portfolio.
- No investment in excess of 5% of an outstanding class of any company.
- No securities may be bought or sold on margin or other use of leverage.

For fixed income investments, each investment manager's portfolio is compared to investment grade, diversified long and intermediate benchmark indices.

A portion of the pension assets is invested in real estate funds to provide diversification, add return and hedge against inflation. Real estate properties are illiquid, difficult to value and not actively traded. The pension plan uses external real estate investment managers to invest in commingled funds that hold real estate properties. To mitigate investment risk in the real estate portfolio, commingled real estate funds are used to ensure that holdings are diversified by region, property type and risk classification. Real estate holdings include core, value-added and opportunistic classifications and some investments in Real Estate Investment Trusts, which are publicly traded real estate securities.

A portion of the pension assets is invested in private equity. Private equity investments add return and provide diversification and typically require a long-term time horizon to evaluate investment performance. Private equity is classified as an alternative investment because it is illiquid, difficult to value and not actively traded. The pension plan uses limited partnerships and commingled funds to invest across the private equity investment spectrum. The private equity holdings are with multiple general partners who help monitor the investments and provide investment selection expertise. The holdings are currently comprised of venture capital, buyout and hybrid debt and equity investment instruments.

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AEP participates in a securities lending program with BNY Mellon to provide incremental income on idle assets and to provide income to offset custody fees and other administrative expenses. AEP lends securities to borrowers approved by BNY Mellon in exchange for collateral. All loans are collateralized by at least 102% of the loaned asset's market value and the collateral is invested. The difference between the rebate owed to the borrower and the collateral rate of return determines the earnings on the loaned security. The securities lending program's objective is to provide modest incremental income with a limited increase in risk. As of December 31, 2018 and 2017, the fair value of securities on loan as part of the program was \$240.7 million and \$491.8 million, respectively. Cash and securities obtained as collateral exceeded the fair value of the securities loaned as of December 31, 2018 and 2017.

Trust owned life insurance (TOLI) underwritten by The Prudential Insurance Company is held in the OPEB plan trusts. The strategy for holding life insurance contracts in the taxable Voluntary Employees' Beneficiary Association trust is to minimize taxes paid on the asset growth in the trust. Earnings on plan assets are tax-deferred within the TOLI contract and can be tax-free if held until claims are paid. Life insurance proceeds remain in the trust and are used to fund future retiree medical benefit liabilities. With consideration to other investments held in the trust, the cash value of the TOLI contracts is invested in two diversified funds. A portion is invested in a commingled fund with underlying investments in stocks that are actively traded on major international equity exchanges. The other portion of the TOLI cash value is invested in a diversified, commingled fixed income fund with underlying investments in government bonds, corporate bonds and asset-backed securities.

Cash and cash equivalents are held in each trust to provide liquidity and meet short-term cash needs. Cash equivalent funds are used to provide diversification and preserve principal. The underlying holdings in the cash funds are investment grade money market instruments including commercial paper, certificates of deposit, treasury bills and other types of investment grade short-term debt securities. The cash funds are valued each business day and provide daily liquidity.

Stock-Based Compensation Plans

As of December 31, 2018, AEPSC had performance units and restricted stock units outstanding under the American Electric Power System 2015 Long-Term Incentive Plan (2015 LTIP). Upon vesting, performance units awarded prior to 2017 are settled in cash and restricted stock units are settled in AEP common shares, except for restricted stock units granted after January 1, 2013 and prior to January 1, 2017 that vest to executive officers, which are settled in cash. All performance units and restricted stock units awarded after January 1, 2017 will be settled in AEP common shares.

AEPSC maintains a variety of tax qualified and nonqualified deferred compensation plans for employees that include, among other options, an investment in or an investment return equivalent to that of AEP common stock. This includes AEP career shares maintained under the American Electric Power System Stock Ownership Requirement Plan (SORP), which facilitates executives in meeting minimum stock ownership requirements assigned to them by the Human Resources Committee of AEP's Board of Directors. AEP career shares are derived from vested performance units granted to employees under the 2015 LTIP. AEP career shares accrue additional dividend shares in an amount equal to dividends paid on AEP common shares at the closing market price on the dividend payments date. All AEP career shares are paid out in AEP common stock after the executive's service with AEP ends.

Performance units awarded after January 1, 2017 are classified as temporary equity in the Mezzanine Equity section on the Parent's balance sheets. These awards may be settled in cash upon an employee's qualifying termination due to a change in control. Because such event is not solely within the control of the company, these awards are classed outside of permanent equity.

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AEPSC measures and recognizes compensation expense for all share-based payment awards to employees based on estimated fair values. For share-based payment awards with service only vesting conditions, AEPSC recognizes compensation expense on a straight-line basis. Stock-based compensation expense recognized on AEPSC's statements of operations for the years ended December 31, 2018 and 2017 is based on the number of outstanding awards at the end of each period without a reduction for estimated forfeitures. AEPSC accounts for forfeitures in the period in which they occur.

For the years ended December 31, 2018 and 2017, compensation cost is included in Net Income for the performance units, career shares and restricted stock units. Compensation cost may also be capitalized. See Note 9 - Stock-based Compensation for additional information.

Contract Software Liabilities

On May 31, 2017, AEPSC entered into a 10-year strategic agreement with Oracle. The agreement provides perpetual unlimited deployment rights to Oracle's catalog of on premise licenses, as long as support payments continue to be made in accordance with the contract terms. In total, \$255 million (excluding sales tax) will be paid over the 10-year term for licenses and technical support. A capitalized software asset of \$110 million, including sales tax, was recorded in June 2017 for the value of the licenses, and will depreciate over the 10-year term.

Subsequent Events

Management reviewed subsequent events through March 28, 2019, the date that AEPSC's 2018 Annual Report was available to be issued.

2. NEW ACCOUNTING PRONOUNCEMENTS

During FASB's standard-setting process and upon issuance of final pronouncements, management reviews the new accounting literature to determine its relevance, if any, to AEPSC's business. The following pronouncements will impact the financial statements.

ASU 2014-09 "Revenue from Contracts with Customers" (ASU 2014-09)

In May 2014, the FASB issued ASU 2014-09 changing the method used to determine the timing and requirements for revenue recognition on the statements of operations. Under the new standard, an entity must identify the performance obligations in a contract with a customer, determine the transaction price and allocate the price to specific performance obligations to recognize the revenue when the obligation is completed. The amendments in this update also require disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Management adopted ASU 2014-09 effective January 1, 2018, by means of the modified retrospective approach for all contracts within the scope of the new standard. The adoption of ASU 2014-09 did not have a material impact on results of operations, financial position or cash flows. In that regard, the application of the new standard did not cause any significant differences in any individual financial statement line items had those line items been presented in accordance with the guidance that was in effect prior to the adoption of the new standard. Further, given the lack of material impact to the financial statements, the adoption of the new standard did not give rise to any material changes in AEPSC's previously established accounting policies for revenue. See Note 10 - Revenue from Contracts with Customers for additional disclosures required by the new standard.

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ASU 2016-02 “Accounting for Leases” (ASU 2016-02)

In February 2016, the FASB issued ASU 2016-02 increasing the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheets and disclosing key information about leasing arrangements. Under the new standard, an entity must recognize an asset and liability for operating leases on the balance sheets. Additionally, a capital lease will be known as a finance lease going forward. Leases with terms of 12 months or longer will be subject to the new requirements. Fundamentally, the criteria used to determine lease classification will remain the same, but will be more subjective under the new standard.

New leasing standard implementation activities included the identification of the lease population within the AEP System as well as the sampling of representative lease contracts to analyze accounting treatment under the new accounting guidance. Based upon the completed assessments, management also prepared a gap analysis to outline new disclosure compliance requirements.

Management adopted ASU 2016-02 effective January 1, 2019 by means of a cumulative-effect adjustment to the balance sheet. Management elected the following practical expedients upon adoption:

Practical Expedient	Description
Overall Expedients (for leases commenced prior to adoption date and must be adopted as a package)	Do not need to reassess whether any expired or existing contracts are/or contain leases, do not need to reassess the lease classification for any expired or existing leases and do not need to reassess initial direct costs for any existing leases.
Lease and Non-lease Components (elect by class of underlying asset)	Elect as an accounting policy to not separate non-lease components from lease components and instead account for each lease and associated non-lease component as a single lease component.
Short-term Lease (elect by class of underlying asset)	Elect as an accounting policy to not apply the recognition requirements to short-term leases.
Existing and expired land easements not previously accounted for as leases	Elect optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840
Cumulative-effect adjustment in the period of adoption	Elect the optional transition practical expedient to adopt the new lease requirements through a cumulative-effect adjustment on the balance sheet in the period of adoption

Management concluded that the result of adoption would not materially change the volume of contracts that qualify as leases going forward. The adoption of the new standard did not materially impact results of operations or cash flows, but did have a material impact on the balance sheet. The impact to the balance sheet has been estimated for the first quarter of 2019 as \$80.5 million.

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ASU 2016-13 “Measurement of Credit Losses on Financial Instruments” (ASU 2016-13)

In June 2016, the FASB issued ASU 2016-13 requiring an allowance to be recorded for all expected credit losses for financial assets. The allowance for credit losses is based on historical information, current conditions and reasonable and supportable forecasts. The new standard also makes revisions to the other than temporary impairment model for available-for-sale debt securities. Disclosures of credit quality indicators in relation to the amortized cost of financing receivables are further disaggregated by year of origination.

The new accounting guidance is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted for interim and annual periods beginning after December 15, 2018. The amendments will be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. Management is analyzing the impact of this new standard and, at this time, cannot estimate the impact of adoption on results of operations. Management plans to adopt ASU 2016-13 and related implementation guidance effective January 1, 2020.

ASU 2017-07 “Compensation - Retirement Benefits” (ASU 2017-07)

In March 2017, the FASB issued ASU 2017-07 requiring that an employer report the service cost component of pension and postretirement benefits in the same line item or items as other compensation costs. The other components of net benefit cost are required to be presented on the statements of operations separately from the service cost component and outside of a subtotal of loss from operations. In addition, only the service cost component is eligible for capitalization as applicable following labor.

Management adopted ASU 2017-07 effective January 1, 2018. Presentation of the non-service components on a separate line outside of operating loss was applied on a retrospective basis, using the amounts disclosed in the benefit plan note for the estimation basis as a practical expedient. Capitalization of only the service cost component was applied on a prospective basis.

ASU 2018-14 “Disclosure Framework: Changes to the Disclosure Requirements for Defined Benefit Plans” (ASU 2018-14)

In August 2018, the FASB issued ASU 2018-14 modifying the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments in this Update to Subtopic 715-20 remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures and add disclosure requirements identified as relevant.

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Management early adopted ASU 2018-14 for the 2018 Annual Report and applied the new standard retrospectively for all periods presented. As a result of adoption, AEPSC's disclosures were updated as follows:

- Amended the disclosure to remove the amounts in AOCI expected to be recognized as components of net periodic benefit cost over the next fiscal year.
- Amended the disclosure to remove the effects of a one-percentage-point change in assumed health care cost trend rates on the (a) aggregate of the service and interest cost components of net periodic benefit costs and (b) benefit obligation for postretirement health care benefits.
- Amended the disclosure to include the weighted-average interest crediting rates for cash balance plans and other plans with promised interest crediting rates.
- Amended the disclosure to include an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period.

See Note 5 - Benefit Plans for updates to the disclosures required by the new standard.

ASU 2018-15 “Internal-Use Software: Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract” (ASU 2018-15)

In August 2018, the FASB issued ASU 2018-15 aligning the requirements for capitalizing implementation costs incurred in a cloud computing arrangement (hosting arrangement) that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new standard requires an entity (customer) in a hosting arrangement that is a service contract to follow the accounting guidance for “Internal-Use Software” to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. To eliminate diversity in practice, the new standard changes the presentation of implementation costs for cloud service arrangements that are service contracts without the purchase of a license. Implementation costs for cloud service contracts will be presented on the balance sheets in the same manner as a prepayment. AEPSC currently presents implementation costs in property, plant and equipment on the balance sheets. Under the new standard, amortization of capitalized implementation costs of a hosting arrangement will be recorded in Operation and Maintenance expense over the term of the cloud service arrangement, rather than Depreciation and Amortization expense on the statements of operations. Payments for capitalized implementation costs in the statements of cash flows will be classified in the same manner as payments made for fees associated with the hosting element.

The new accounting guidance is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. The amendments may be applied either retrospectively or prospectively to applicable implementation costs incurred after the date of adoption. Management is analyzing the impact of this new standard and at this time, cannot estimate the impact of adoption on results of operations, financial position or cash flows. Management plans to adopt ASU 2018-15 prospectively, effective January 1, 2020.

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3. EFFECTS OF REGULATION

Recognized regulatory assets and liabilities are comprised of the following items:

<u>Noncurrent Regulatory Assets</u>	<u>December 31,</u> <u>2018</u>	<u>2017</u>	<u>Remaining</u> <u>Recovery Period</u>
(in thousands)			
Regulatory assets approved for recovery:			
<u>Regulatory Assets Currently Not Earning a Return</u>			
Amounts Due from Affiliates for Pension and OPEB Funded Status	\$ 438,414	\$ 376,096	12 years
Total Noncurrent Regulatory Assets	<u>\$ 438,414</u>	<u>\$ 376,096</u>	
<u>Noncurrent Regulatory Liabilities and Deferred Investment Tax Credits</u>	<u>December 31,</u> <u>2018</u>	<u>2017</u>	<u>Remaining</u> <u>Refund Period</u>
(in thousands)			
Regulatory liabilities approved for payment:			
<u>Regulatory Liabilities Currently Not Paying a Return</u>			
Deferred Investment Tax Credits	\$ —	\$ 38	0 years
Total Regulatory Liabilities Currently Not Paying a Return	<u>—</u>	<u>38</u>	
<u>Income Tax Related Regulatory Liabilities (a)</u>			
Excess ADIT that is Not Subject to Rate Normalization Requirements	16,001	17,640	12 years
Excess ADIT Associated with Certain Depreciable Property	6,563	4,679	(b)
Deferred Amounts Due to Affiliates for Income Tax Benefits	(3,487)	(977)	16 years
Total Income Tax Related Regulatory Liabilities	<u>19,077</u>	<u>21,342</u>	
Total Noncurrent Regulatory Liabilities and Deferred Investment Tax Credits	<u>\$ 19,077</u>	<u>\$ 21,380</u>	

- (a) This balance primarily represents regulatory liabilities for excess accumulated deferred income taxes (Excess ADIT) as a result of the reduction in the corporate federal income tax rate from 35% to 21% related to the enactment of Tax Reform. The Excess ADIT will be returned to affiliates using the average rate assumption method or over the remaining life of the underlying temporary differences.
- (b) Refunded using Average Rate Assumption Method.

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4. COMMITMENTS, GUARANTEES AND CONTINGENCIES

AEPSC is subject to certain claims and legal actions arising in its ordinary course of business. The ultimate outcome of such pending or potential litigation cannot be predicted. 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.

COMMITMENTS

AEPSC has construction commitments to support its operations. In managing the overall construction program and in the normal course of business, AEPSC contractually commits to third-party construction vendors for certain material purchases and other construction services. AEPSC also purchases materials, supplies, services and property, plant and equipment under contract as part of its normal course of business. Certain supply contracts contain penalty provisions for early termination. In accordance with the accounting guidance for "Commitments", AEPSC had the following contractual commitments as of December 31, 2018 and 2017 relating to contract software liabilities. See "Contract Software Liabilities" section of Note 1 for additional information.

Contract Software Liabilities	Less Than				After 5 Years	Total
	1 Year	2-3 Years	4-5 Years			
	(in thousands)					
2018	\$ 30,579	\$ 88,187	\$ 44,044	\$ 53,795	\$ 216,605	
2017	26,354	71,385	73,494	71,726	242,959	

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.

Letters of Credit

AEPSC enters into standby letters of credit with third parties. These letters of credit were issued in the ordinary course of business and cover items such as construction contracts, insurance programs, security deposits and debt service reserves. As of December 31, 2018, the maximum future payments of the letters of credit were \$26.4 million with maturities ranging from February 2019 to December 2019.

Indemnifications and Other Guarantees

Contracts

AEPSC 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 December 31, 2018, there were no material liabilities recorded for any indemnifications.

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Lease Agreements

AEPSC leases certain equipment under master lease agreements. See “Master Lease Agreements” section of Note 7 for additional information on disclosure of lease residual value guarantees.

CONTINGENCIES

Insurance and Potential Losses

AEPSC maintains insurance coverage normal and customary for electric utilities, subject to various deductibles. AEPSC also maintains property and casualty insurance that may cover certain physical damage or third-party injuries caused by cyber security incidents. Insurance includes coverage for all risks of physical loss or damage to AEPSC assets, subject to insurance policy conditions and exclusions. Covered property generally includes AEPSC facilities. The insurance programs also generally provide coverage against loss arising from certain claims made by third parties. Coverage is generally provided by a combination of the protected cell of Energy Insurance Services and/or various industry mutual and/or commercial insurance carriers.

Some potential losses or liabilities may not be insurable or the amount of insurance carried may not be sufficient to meet potential losses and liabilities. Future losses or liabilities, if they occur, which are not completely insured, would be recovered from affiliated companies.

5. BENEFIT PLANS

For a discussion of investment strategy, investment limitations, target asset allocations and the classification of investments within the fair value hierarchy, see “Fair Value Measurements of Assets and Liabilities” and “Investments Held in Trust for Future Liabilities” sections of Note 1.

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

AEPSC recognizes the funded status associated with defined benefit pension and OPEB plans on its balance sheets. Disclosures about the plans are required by the “Compensation - Retirement Benefits” accounting guidance. AEPSC recognizes an asset for a plan’s overfunded status or a liability for a plan’s underfunded status. AEPSC records a regulatory asset instead of other comprehensive income for qualifying benefit costs of regulated operations that will be billed to affiliated companies.

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Actuarial Assumptions for Benefit Obligations

The weighted-average assumptions used in the measurement of benefit obligations are shown in the following table:

Assumption	Pension Plans		OPEB	
	December 31,			
	2018	2017	2018	2017
Discount Rate	4.30%	3.65%	4.30%	3.60%
Interest Crediting Rate	4.00%	4.00%	NA	NA
Rate of Compensation Increase	4.90% (a)	4.80% (a)	NA	NA

(a) Rates are for base pay only. In addition, an amount is added to reflect target incentive compensation for exempt employees and overtime and incentive pay for nonexempt employees.

NA Not applicable.

A duration-based method is used to determine the discount rate for the plans. A hypothetical portfolio of high quality corporate bonds is constructed with cash flows matching the benefit plan liability. The composite yield on the hypothetical bond portfolio is used as the discount rate for the plan.

For 2018, the rate of compensation increase assumed varies with the age of the employee, ranging from 3.5% per year to 12% per year, with an average increase of 4.9%.

Actuarial Assumptions for Net Periodic Benefit Costs

The weighted-average assumptions used in the measurement of benefit costs are shown in the following table:

Assumption	Pension Plans		OPEB	
	Years Ended December 31,			
	2018	2017	2018	2017
Discount Rate	3.65%	4.05%	3.60%	4.10%
Interest Crediting Rate	4.00%	4.00%	NA	NA
Expected Return on Plan Assets	6.00%	6.00%	6.00%	6.75%
Rate of Compensation Increase	4.90% (a)	4.80% (a)	NA	NA

(a) Rates are for base pay only. In addition, an amount is added to reflect target incentive compensation for exempt employees and overtime and incentive pay for nonexempt employees.

NA Not applicable.

The expected return on plan assets was determined by evaluating historical returns, the current investment climate (yield on fixed income securities and other recent investment market indicators), rate of inflation, third party forecasts and current prospects for economic growth.

The health care trend rate assumptions used for OPEB plans measurement purposes are shown below:

Health Care Trend Rates	December 31,	
	2018	2017
Initial	6.25%	6.50%
Ultimate	5.00%	5.00%
Year Ultimate Reached	2024	2024

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Significant Concentrations of Risk within Plan Assets

In addition to establishing the target asset allocation of plan assets, the investment policy also places restrictions on securities to limit significant concentrations within plan assets. The investment policy establishes guidelines that govern maximum market exposure, security restrictions, prohibited asset classes, prohibited types of transactions, minimum credit quality, average portfolio credit quality, portfolio duration and concentration limits. The guidelines were established to mitigate the risk of loss due to significant concentrations in any investment. Management monitors the plans to control security diversification and ensure compliance with the investment policy. As of December 31, 2018, the assets were invested in compliance with all investment limits. See "Investments Held in Trust for Future Liabilities" section of Note 1 for limit details.

Benefit Plan Obligations, Plan Assets and Funded Status

For the year ended December 31, 2018, the pension and OPEB plans had an actuarial gain due to an increase in the discount rate as well as updated estimates for future medical expenses in the OPEB plans. For the year ended December 31, 2017, the pension plans had an actuarial loss due to a decrease in the discount rate. The OPEB plans had an actuarial gain primarily due to a change in medical benefits for retirees which was partially offset by a decrease in the discount rate. The following table provides a reconciliation of the changes in the plans' benefit obligations, fair value of plan assets and funded status. The benefit obligation for the defined benefit pension and OPEB plans are the projected benefit obligation and the accumulated benefit obligation, respectively.

	<u>Pension Plans</u>		<u>OPEB</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
(in thousands)				
<u>Change in Benefit Obligation</u>				
Benefit Obligation as of January 1,	\$ 1,795,879	\$ 1,718,652	\$ 303,692	\$ 324,597
Service Cost	34,391	32,983	3,377	3,283
Interest Cost	65,816	69,162	10,913	13,330
Actuarial (Gain) Loss	(74,070)	86,735	(20,393)	(19,891)
Benefit Payments	(139,946)	(111,653)	(28,692)	(26,683)
Participant Contributions	—	—	8,519	8,951
Medicare Subsidy	—	—	100	105
Benefit Obligation as of December 31,	\$ 1,682,070	\$ 1,795,879	\$ 277,516	\$ 303,692
<u>Change in Fair Value of Plan Assets</u>				
Fair Value of Plan Assets as of January 1,	\$ 1,613,457	\$ 1,505,773	\$ 417,738	\$ 361,480
Actual Gain (Loss) on Plan Assets	(33,315)	179,500	(24,247)	73,990
Company Contributions (a)	9,379	39,837	2,502	—
Participant Contributions	—	—	8,519	8,951
Benefit Payments	(139,946)	(111,653)	(28,692)	(26,683)
Fair Value of Plan Assets as of December 31,	\$ 1,449,575	\$ 1,613,457	\$ 375,820	\$ 417,738
Funded (Underfunded) Status as of December 31,	\$ (232,495)	\$ (182,422)	\$ 98,304	\$ 114,046

(a) Contributions to the qualified pension plan were \$0 and \$35 million for the years ended December 31, 2018 and 2017, respectively. Contributions to the nonqualified pension plans were \$9.4 million and \$4.8 million for the years ended December 31, 2018 and 2017, respectively.

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Amounts Recognized on the Balance Sheets

	<u>Pension Plans</u>		<u>OPEB</u>	
	<u>2018</u>	<u>2017</u>	<u>December 31, 2018</u>	<u>2017</u>
	(in thousands)			
Employee Benefits and Pension Assets – Prepaid Benefit Costs	\$ —	\$ —	\$ 98,304	\$ 114,046
Other Current Liabilities – Accrued Short-term Benefit Liability	(4,718)	(5,310)	—	—
Employee Pension Obligations – Accrued Long-term Benefit Liability	(227,777)	(177,112)	—	—
Funded (Underfunded) Status	<u>\$ (232,495)</u>	<u>\$ (182,422)</u>	<u>\$ 98,304</u>	<u>\$ 114,046</u>

Amounts Included in Regulatory Assets

<u>Components</u>	<u>Pension Plans</u>		<u>OPEB</u>	
	<u>2018</u>	<u>2017</u>	<u>December 31, 2018</u>	<u>2017</u>
	(in thousands)			
Net Actuarial Loss	\$ 423,913	\$ 406,672	\$ 109,056	\$ 82,781
Prior Service Cost (Credit)	—	3	(94,555)	(113,360)
Recorded as				
Regulatory Assets	\$ 423,913	\$ 406,675	\$ 14,501	\$ (30,579)

Components of the change in amounts included in Regulatory Assets are as follows:

<u>Components</u>	<u>Pension Plans</u>		<u>OPEB</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(in thousands)			
Actuarial (Gain) Loss During the Year	\$ 49,699	\$ (4,400)	\$ 28,542	\$ (70,390)
Amortization of Actuarial Loss	(32,458)	(28,596)	(2,267)	(8,510)
Amortization of Prior Service Credit (Cost)	(3)	(317)	18,805	18,803
Change for the Year Ended December 31,	<u>\$ 17,238</u>	<u>\$ (33,313)</u>	<u>\$ 45,080</u>	<u>\$ (60,097)</u>

Determination of Pension Expense

The determination of pension expense or income is based on a market-related valuation of assets which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return.

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Pension and OPEB Assets

The fair value tables within Pension and OPEB Assets presents the classification of assets for AEP within the fair value hierarchy. All Level 1, 2, 3 and Other amounts can be allocated to AEPSC using the percentages in the table below:

Pension Plan		OPEB	
December 31,			
2018	2017	2018	2017
30.9%	31.2%	24.5%	24.1%

The following table presents the classification of pension plan assets for AEP within the fair value hierarchy as of December 31, 2018:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
(in millions)						
Equities (a):						
Domestic	\$ 277.3	\$ —	\$ —	\$ —	\$ 277.3	5.9%
International	384.1	—	—	—	384.1	8.2%
Options	—	18.3	—	—	18.3	0.4%
Common Collective Trusts (c)	—	—	—	370.1	370.1	7.9%
Subtotal – Equities	661.4	18.3	—	370.1	1,049.8	22.4%
Fixed Income (a):						
United States Government and Agency Securities	0.2	1,512.5	—	—	1,512.7	32.2%
Corporate Debt	—	1,082.9	—	—	1,082.9	23.0%
Foreign Debt	—	221.6	—	—	221.6	4.7%
State and Local Government	—	28.2	—	—	28.2	0.6%
Other – Asset Backed	—	7.4	—	—	7.4	0.2%
Subtotal – Fixed Income	0.2	2,852.6	—	—	2,852.8	60.7%
Infrastructure (c)	—	—	—	72.2	72.2	1.5%
Real Estate (c)	—	—	—	220.4	220.4	4.7%
Alternative Investments (c)	—	—	—	444.6	444.6	9.5%
Cash and Cash Equivalents (c)	(0.4)	36.3	—	11.9	47.8	1.0%
Other – Pending Transactions and Accrued Income (b)	—	—	—	8.3	8.3	0.2%
Total	\$ 661.2	\$ 2,907.2	\$ —	\$ 1,127.5	\$ 4,695.9	100.0%

- (a) Includes investment securities loaned to borrowers under the securities lending program. See the “Investments Held in Trust for Future Liabilities” section of Note 1 for additional information.
- (b) Amounts in “Other” column primarily represent accrued interest, dividend receivables and transactions pending settlement.
- (c) Amounts in “Other” column represent investments for which fair value is measured using net asset value per share.

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The following table presents the classification of OPEB plan assets for AEP within the fair value hierarchy as of December 31, 2018:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
(in millions)						
Equities:						
Domestic	\$ 233.3	\$ —	\$ —	\$ —	\$ 233.3	15.2 %
International	185.9	—	—	—	185.9	12.1 %
Options	—	4.3	—	—	4.3	0.3 %
Common Collective Trusts (b)	—	—	—	226.2	226.2	14.7 %
Subtotal – Equities	419.2	4.3	—	226.2	649.7	42.3 %
Fixed Income:						
Common Collective Trust – Debt (b)	—	—	—	163.6	163.6	10.7 %
United States Government and Agency Securities	0.2	181.5	—	—	181.7	11.8 %
Corporate Debt	—	188.6	—	—	188.6	12.3 %
Foreign Debt	—	35.0	—	—	35.0	2.3 %
State and Local Government	41.8	11.8	—	—	53.6	3.5 %
Other – Asset Backed	—	0.2	—	—	0.2	— %
Subtotal – Fixed Income	42.0	417.1	—	163.6	622.7	40.6 %
Trust Owned Life Insurance:						
International Equities	—	49.4	—	—	49.4	3.2 %
United States Bonds	—	154.4	—	—	154.4	10.1 %
Subtotal – Trust Owned Life Insurance	—	203.8	—	—	203.8	13.3 %
Cash and Cash Equivalents (b)	54.4	—	—	4.8	59.2	3.9 %
Other – Pending Transactions and Accrued Income (a)	—	—	—	(1.2)	(1.2)	(0.1)%
Total	\$ 515.6	\$ 625.2	\$ —	\$ 393.4	\$ 1,534.2	100.0 %

- (a) Amounts in “Other” column primarily represent accrued interest, dividend receivables and transactions pending settlement.
(b) Amounts in “Other” column represent investments for which fair value is measured using net asset value per share.

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The following table presents the classification of pension plan assets for AEP within the fair value hierarchy as of December 31, 2017:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
	(in millions)					
Equities (a):						
Domestic	\$ 318.6	\$ —	\$ —	\$ —	\$ 318.6	6.2%
International	507.7	—	—	—	507.7	9.8%
Options	—	26.9	—	—	26.9	0.5%
Common Collective Trusts (c)	—	—	—	452.9	452.9	8.7%
Subtotal – Equities	826.3	26.9	—	452.9	1,306.1	25.2%
Fixed Income (a):						
United States Government and Agency Securities	—	1,376.5	—	—	1,376.5	26.6%
Corporate Debt	—	1,277.0	—	—	1,277.0	24.7%
Foreign Debt	—	296.9	—	—	296.9	5.7%
State and Local Government	—	31.7	—	—	31.7	0.6%
Other – Asset Backed	—	10.2	—	—	10.2	0.2%
Subtotal – Fixed Income	—	2,992.3	—	—	2,992.3	57.8%
Infrastructure (c)	—	—	—	59.5	59.5	1.2%
Real Estate (c)	—	—	—	290.3	290.3	5.6%
Alternative Investments (c)	—	—	—	446.0	446.0	8.6%
Cash and Cash Equivalents (c)	0.4	35.6	—	21.2	57.2	1.1%
Other – Pending Transactions and Accrued Income (b)	—	—	—	22.7	22.7	0.5%
Total	\$ 826.7	\$ 3,054.8	\$ —	\$ 1,292.6	\$ 5,174.1	100.0%

- (a) Includes investment securities loaned to borrowers under the securities lending program. See the “Investments Held in Trust for Future Liabilities” section of Note 1 for additional information.
- (b) Amounts in “Other” column primarily represent accrued interest, dividend receivables and transactions pending settlement.
- (c) Amounts in “Other” column represent investments for which fair value is measured using net asset value per share.

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The following table sets forth a reconciliation of changes in the fair value of AEP's assets classified as Level 3 in the fair value hierarchy for the pension assets:

	Infrastructure	Real Estate	Alternative Investments	Total Level 3
	(in millions)			
Balance as of January 1, 2017	\$ 57.6	\$ 254.9	\$ 411.1	\$ 723.6
Actual Return on Plan Assets				
Relating to Assets Still Held as of the Reporting Date	—	—	—	—
Relating to Assets Sold During the Period	—	—	—	—
Purchases and Sales	—	—	—	—
Transfers into Level 3	—	—	—	—
Transfers out of Level 3 (a)	(57.6)	(254.9)	(411.1)	(723.6)
Balance as of December 31, 2017	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

- (a) The classification of Level 3 assets from the prior year was corrected in the current year presentation and included within the fair value hierarchy table as of December 31, 2017 as "Other" investments for which fair value is measured using net asset value per share in accordance with ASU 2015-07, Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Management concluded that these disclosure errors were immaterial individually and in the aggregate to all prior periods presented.

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The following table presents the classification of OPEB plan assets for AEP within the fair value hierarchy as of December 31, 2017:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
	(in millions)					
Equities:						
Domestic	\$ 307.1	\$ —	\$ —	\$ —	\$ 307.1	17.7 %
International	306.9	—	—	—	306.9	17.7 %
Options	—	9.4	—	—	9.4	0.5 %
Common Collective Trusts (b)	—	—	—	153.6	153.6	8.9 %
Subtotal – Equities	614.0	9.4	—	153.6	777.0	44.8 %
Fixed Income:						
Common Collective Trust – Debt (b)	—	—	—	185.0	185.0	10.7 %
United States Government and Agency Securities	—	187.4	—	—	187.4	10.8 %
Corporate Debt	—	214.1	—	—	214.1	12.4 %
Foreign Debt	—	40.7	—	—	40.7	2.4 %
State and Local Government	49.7	16.8	—	—	66.5	3.8 %
Other – Asset Backed	—	0.2	—	—	0.2	— %
Subtotal – Fixed Income	49.7	459.2	—	185.0	693.9	40.1 %
Trust Owned Life Insurance:						
International Equities	—	105.4	—	—	105.4	6.1 %
United States Bonds	—	118.2	—	—	118.2	6.8 %
Subtotal – Trust Owned Life Insurance	—	223.6	—	—	223.6	12.9 %
Cash and Cash Equivalents (b)	36.7	—	—	4.2	40.9	2.4 %
Other – Pending Transactions and Accrued Income (a)	—	—	—	(2.9)	(2.9)	(0.2)%
Total	\$ 700.4	\$ 692.2	\$ —	\$ 339.9	\$ 1,732.5	100.0 %

- (a) Amounts in “Other” column primarily represent accrued interest, dividend receivables and transactions pending settlement.
(b) Amounts in “Other” column represent investments for which fair value is measured using net asset value per share.

Accumulated Benefit Obligation

The accumulated benefit obligation for the pension plans is as follows:

	December 31,	
	2018	2017
	(in thousands)	
Qualified Pension Plan	\$ 1,560,450	\$ 1,683,092
Nonqualified Pension Plan	52,063	59,531
Total Accumulated Benefit Obligation	\$ 1,612,513	\$ 1,742,623

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Obligations in Excess of Fair Values

The tables below show the underfunded pension plans that had obligations in excess of plan assets.

Projected Benefit Obligation

	<u>Underfunded Pension Plans</u>	
	December 31,	
	<u>2018</u>	<u>2017</u>
	(in thousands)	
Projected Benefit Obligation	\$ 1,682,070	\$ 1,795,879
Fair Value of Plan Assets	<u>1,449,575</u>	<u>1,613,457</u>
Underfunded Projected Benefit Obligation	<u>\$ (232,495)</u>	<u>\$ (182,422)</u>

Accumulated Benefit Obligation

	<u>Underfunded Pension Plans</u>	
	December 31,	
	<u>2018</u>	<u>2017</u>
	(in thousands)	
Accumulated Benefit Obligation	\$ 1,612,513	\$ 1,742,623
Fair Value of Plan Assets	<u>1,449,575</u>	<u>1,613,457</u>
Underfunded Accumulated Benefit Obligation	<u>\$ (162,938)</u>	<u>\$ (129,166)</u>

Estimated Future Benefit Payments and Contributions

AEPSC expects contributions and payments for the pension and OPEB plans of \$68.4 million and \$702 thousand, respectively, during 2019. For the pension plans, this amount includes the payment of unfunded nonqualified benefits plus contributions to the qualified trust fund of at least the minimum amount required by the Employee Retirement Income Security Act. For the qualified pension plan, AEPSC may also make additional contributions to maintain the funded status of the plan.

The table below reflects the total benefits expected to be paid from the plan or from AEPSC's assets. The payments include the participants' contributions to the plan for their share of the cost. Future benefit payments are dependent on the number of employees retiring, whether the retiring employees elect to receive pension benefits as annuities or as lump sum distributions, future integration of the benefit plans with changes to Medicare and other legislation, future levels of interest rates and variances in actuarial results. The estimated payments for pension benefits and OPEB are as follows:

	<u>Estimated Payments</u>	
	<u>Pension Plans</u>	<u>OPEB</u>
	(in thousands)	
2019	\$ 114,832	\$ 26,648
2020	115,631	28,089
2021	120,593	28,374
2022	123,077	28,520
2023	124,029	28,768
Years 2024 to 2028, in Total	626,482	149,203

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Components of Net Periodic Benefit Cost

The following table provides the components of net periodic benefit cost (credit):

	Pension Plans		OPEB	
	Years Ended December 31,			
	2018	2017	2018	2017
	(in thousands)			
Service Cost	\$ 34,391	\$ 32,983	\$ 3,377	\$ 3,283
Interest Cost	65,816	69,162	10,913	13,330
Expected Return on Plan Assets	(90,454)	(88,364)	(24,687)	(23,492)
Amortization of Prior Service Cost (Credit)	3	317	(18,805)	(18,803)
Amortization of Net Actuarial Loss	30,339	28,596	2,267	8,510
Settlements	<u>2,118</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Periodic Benefit Cost (Credit)	<u>42,213</u>	<u>42,694</u>	<u>(26,935)</u>	<u>(17,172)</u>
Capitalized Portion	<u>(15,249)</u>	<u>(18,452)</u>	<u>(1,497)</u>	<u>7,422</u>
Net Periodic Benefit Cost (Credit) Recognized in Expense	<u>\$ 26,964</u>	<u>\$ 24,242</u>	<u>\$ (28,432)</u>	<u>\$ (9,750)</u>

American Electric Power System Retirement Savings Plan

AEPSC participates in an AEP sponsored defined contribution retirement savings plan, the American Electric Power System Retirement Savings Plan, for substantially all employees. This qualified plan offers participants an opportunity to contribute a portion of their pay, includes features under Section 401(k) of the Internal Revenue Code and provides for company matching contributions. The matching contributions to the plan are 100% of the first 1% of eligible employee contributions and 70% of the next 5% of contributions. The cost for matching contributions totaled \$26.9 million in 2018 and \$27.4 million in 2017.

6. INCOME TAXES

Federal Tax Reform and Legislation

In December 2017, Tax Reform legislation was signed into law. Tax Reform includes significant changes to the Internal Revenue Code of 1986, as amended, including lowering the corporate federal income tax rate from 35% to 21%. As a result of this rate change, AEPSC's deferred tax assets and liabilities were remeasured using the newly enacted rate of 21% in December 2017. In response to Tax Reform, the SEC staff issued Staff Accounting Bulletin 118 (SAB 118) in December 2017. SAB 118 provided for up to a one year period (the measurement period) in which to complete the required analyses and accounting required by Tax Reform.

During 2017, AEPSC recorded provisional amounts for the income tax effects of Tax Reform. Throughout 2018, AEPSC continued to assess the impacts of legislative changes in the tax code as well as interpretative changes of the tax code. The measurement period adjustments recorded during 2018 were immaterial.

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The measurement period under SAB 118 ended in December 2018. However, Tax Reform uncertainties still remain and AEPSC will continue to monitor income tax effects that may change as a result of future legislation and further interpretation of Tax Reform based on proposed U.S. Treasury regulations and guidance from the IRS and state tax authorities.

Federal Legislation

The IRS has proposed new regulations that provide guidance regarding the additional first-year depreciation deduction under Section 168(k). The proposed regulations reflect changes as a result of Tax Reform and affect taxpayers with qualified depreciable property acquired and placed in service after September 27, 2017. Generally, AEPSC's regulated businesses will not be eligible for any bonus depreciation for property acquired and placed in service after January 1, 2018. However, for self-constructed property and other property placed in service in 2018 for which construction began prior to January 1, 2018, taxpayers are required to evaluate the contractual terms to determine if these additions qualify for 100% expensing under Tax Reform or 50% bonus depreciation as provided under prior tax law.

During the fourth quarter of 2018, the IRS proposed new regulations that reflect changes as a result of Tax Reform concerning potential limitations on the deduction of business interest expense. These regulations require an allocation of net interest expense between regulated and competitive businesses within the consolidated tax return. This allocation is based upon net tax basis, and the proposed regulations provide a de minimis test under which all interest is deductible if less than 10% is allocable to the competitive businesses. Management continues to review and evaluate the proposed regulations and at this time expect to be able to deduct materially all business interest expense under this de minimis provision.

Section 162(m) of the Internal Revenue Code generally limits the amount of compensation a company can deduct annually to \$1 million for certain executive officers. The exemption from Section 162(m)'s deduction limit for performance-based compensation was repealed by Tax Reform, effective for taxable years ending after December 31, 2017. Management continues to evaluate whether any of its compensation plans qualify for transitional relief, such that payments made pursuant to these plans might be deductible.

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Income Tax Expense

The details of AEPSC's income taxes as reported are as follows:

	Years Ended December 31,	
	2018	2017
	(in thousands)	
Federal:		
Current	\$ (15,258)	\$ (37,929)
Deferred	16,988	43,338
Deferred Investment Tax Credits	(38)	(51)
Total Federal	<u>1,692</u>	<u>5,358</u>
State and Local:		
Current	(75)	443
Deferred	(284)	(816)
Total State and Local	<u>(359)</u>	<u>(373)</u>
Income Tax Expense	<u>\$ 1,333</u>	<u>\$ 4,985</u>

The following is a reconciliation of the difference between the amount of federal income taxes computed by multiplying book income before income taxes by the federal statutory tax rate and the amount of income taxes reported:

	Years Ended December 31,	
	2018	2017
	(in thousands)	
Net Income	\$ —	\$ —
Income Tax Expense	1,333	4,985
Pretax Income	<u>\$ 1,333</u>	<u>\$ 4,985</u>
Income Taxes on Pretax Income at Statutory Rate (21% and 35% in 2018 and 2017, Respectively)	\$ 280	\$ 1,745
Increase (Decrease) in Income Taxes Resulting from the Following Items:		
Trust Owned Life Insurance	2,208	(8,119)
State and Local Income Taxes, Net	(284)	(243)
Tax Reform	—	13,637
Other	(871)	(2,035)
Income Tax Expense	<u>\$ 1,333</u>	<u>\$ 4,985</u>
Effective Income Tax Rate	NM	NM
NM Not meaningful.		

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The following table shows elements of AEPSC's net deferred tax liability and significant temporary differences:

	December 31,	
	2018	2017
	(in thousands)	
Deferred Tax Assets	\$ 58,789	\$ 90,574
Deferred Tax Liabilities	(90,901)	(103,717)
Net Deferred Tax Liabilities	\$ (32,112)	\$ (13,143)
Property Related Temporary Differences	\$ (48,500)	\$ (29,419)
Deferred and Accrued Compensation	34,647	46,671
Accrued Pension	58,678	27,744
Accrued Vacation Pay	10,584	10,383
Postretirement Benefits	1,176	3,512
Deferred State Income Taxes	559	3,520
Amounts Due to Affiliates for Future Income Taxes	4,655	4,689
Regulatory Assets	(94,741)	(81,382)
All Other, Net	830	1,139
Net Deferred Tax Liabilities	\$ (32,112)	\$ (13,143)

AEP System Tax Allocation Agreement

AEPSC joins in the filing of a consolidated federal income tax return with its affiliates in the AEP System. The allocation of the AEP System's current consolidated federal income tax to the AEP System companies allocates the benefit of current tax losses to the AEP System companies giving rise to such losses in determining their current tax expense. The consolidated net operating loss of the AEP System is allocated to each company in the consolidated group with taxable losses. The tax benefit of the Parent is allocated to its subsidiaries with taxable income. With the exception of the allocation of the consolidated AEP System net operating loss and the loss of the Parent and tax credits, the method of allocation reflects a separate return result for each company in the consolidated group.

Federal and State Income Tax Audit Status

AEPSC and other AEP subsidiaries are no longer subject to U.S. federal examination for years before 2011. The IRS examination of years 2011 through 2013 started in April 2014. AEPSC and other AEP subsidiaries received a Revenue Agents Report in April 2016, completing the 2011 through 2013 audit cycle indicating an agreed upon audit. The 2011 through 2013 audit was submitted to the Congressional Joint Committee on Taxation for approval. The Joint Committee referred the audit back to the IRS exam team for further consideration. To resolve the issue under consideration, AEPSC and other AEP subsidiaries and the IRS exam team agreed to utilize the Fast Track Settlement Program in December 2017. The program was completed in March 2018 and tax years 2014 and 2015 were added to the IRS examination to reflect the impact of the Fast Track changes that were carried forward to 2014 and 2015. In June 2018, AEPSC and other AEP subsidiaries settled all outstanding issues under audit for tax years 2011-2015. The Joint Committee approved the settlement in November 2018. The settlement did not materially impact AEPSC's net income, cash flows or financial condition. The IRS examination of 2016 began in October 2018.

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AEPSC and other AEP subsidiaries file income tax returns in various state and local jurisdictions. These taxing authorities routinely examine the tax returns. AEPSC and other AEP subsidiaries are currently under examination in several state and local jurisdictions. However, it is possible that previously filed tax returns have positions that may be challenged by these tax authorities. Management believes that adequate provisions for income taxes have been made for potential liabilities resulting from such challenges and that the ultimate resolution of these audits will not materially impact net income. AEPSC is no longer subject to state or local income tax examinations by tax authorities for years before 2007.

Net Income Tax Operating Loss Carryforward

As of December 31, 2018 and 2017, AEPSC had a state income tax operating loss carryforwards of \$27.2 million and \$21.9 million, respectively, for Oklahoma. As of December 31, 2018, AEPSC has recorded \$1.6 million of deferred state income tax benefits. Management anticipates future taxable income will be sufficient to realize the state net income tax operating loss tax benefits before the state carryforward expires for Oklahoma.

Uncertain Tax Positions

AEPSC recognizes interest accruals related to uncertain tax positions in interest income or expense as applicable and penalties in Operation and Maintenance expense in accordance with the accounting guidance for "Income Taxes."

AEPSC's reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
Balance as of January 1,	\$ 1,616	\$ 1,556
Increase – Tax Positions Taken During a Prior Period	—	74
Decrease – Tax Positions Taken During a Prior Period	—	(1,057)
Increase – Tax Positions Taken During the Current Year	—	—
Decrease – Tax Positions Taken During the Current Year	—	—
Increase – Settlements with Taxing Authorities	—	1,043
Decrease – Lapse of the Applicable Statute of Limitations	(1,050)	—
Balance as of December 31,	<u>\$ 566</u>	<u>\$ 1,616</u>

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$447 thousand and \$368 thousand for 2018 and 2017, respectively. Management believes there will be no significant net increase or decrease in unrecognized tax benefits within 12 months of the reporting date.

State Tax Legislation

In June 2018, the United States Supreme Court issued a decision which eliminated a physical presence requirement for the imposition of sales and use tax and instead applied an economic nexus concept. Although this case was specific to sales and use taxes, many states are beginning to consider whether they could also apply this economic nexus concept to income taxes. Management continues to monitor state legislation to determine whether it could create any income tax liability in any states in which AEPSC currently does not file.

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7. LEASES

Leases of structures, improvements, office furniture and miscellaneous equipment are for periods of up to 10 years and require payments of related property taxes, maintenance and operating costs. The majority of the leases have purchase or renewal options and will be renewed or replaced by other leases.

Lease rentals for both operating and capital leases are generally charged to Operation and Maintenance expense. The components of rental costs are as follows:

<u>Lease Rental Costs</u>	Years Ended December 31,	
	2018	2017
	(in thousands)	
Net Lease Expense on Operating Leases	\$ 18,495	\$ 15,968
Amortization of Capital Leases	21,546	20,708
Interest on Capital Leases	2,818	2,301
Total Lease Rental Costs	<u>\$ 42,859</u>	<u>\$ 38,977</u>

The following table shows the property and equipment under capital leases and related obligations recorded on AEPSC's balance sheets:

<u>Property and Equipment Under Capital Leases</u>	December 31,	
	2018	2017
	(in thousands)	
Structures and Improvements	\$ 22,580	\$ 22,229
Office Furniture and Miscellaneous Equipment	119,972	117,793
Total Property and Equipment Under Capital Leases	142,552	140,022
Accumulated Amortization	51,077	47,691
Net Property and Equipment Under Capital Leases	<u>\$ 91,475</u>	<u>\$ 92,331</u>
<u>Obligations Under Capital Leases</u>		
Noncurrent Liability	\$ 70,481	\$ 72,040
Liability Due Within One Year	20,990	20,291
Total Obligations Under Capital Leases	<u>\$ 91,471</u>	<u>\$ 92,331</u>

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Future minimum lease payments consisted of the following as of December 31, 2018:

Future Minimum Lease Payments	Capital Leases	Noncancelable Operating Leases
	(in thousands)	
2019	\$ 25,660	\$ 18,439
2020	20,711	17,220
2021	16,402	13,006
2022	12,396	10,285
2023	7,283	8,944
Later Years	<u>67,902</u>	<u>23,393</u>
Total Future Minimum Lease Payments	150,354	<u>\$ 91,287</u>
Less Estimated Interest Element	<u>58,883</u>	
Estimated Present Value of Future Minimum Lease Payments	\$ 91,471	

Master Lease Agreements

AEPSC 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, AEPSC 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 December 31, 2018, the maximum potential loss for these lease agreements was approximately \$6.1 million assuming the fair value of the equipment is zero at the end of the lease term.

8. FINANCING ACTIVITIES

Corporate Borrowing Program – AEP System

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of AEP's subsidiaries. AEP has a direct financing relationship with AEPSC to meet its short-term needs. The amounts of outstanding borrowings from AEP as of December 31, 2018 and 2017 are included in Advances from Affiliates on AEPSC's balance sheets. AEPSC's direct borrowing activity with AEP is described in the following table:

Year Ended December 31,	Maximum Borrowings from AEP	Average Borrowings from AEP	Borrowings from AEP as of December 31,
	(in thousands)		
2018	\$ 373,405	\$ 227,491	\$ 224,736
2017	450,305	258,362	259,331

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

Year Ended December 31,	Maximum Interest Rate for Funds Borrowed from AEP	Minimum Interest Rate for Funds Borrowed from AEP	Average Interest Rate for Funds Borrowed from AEP
2018	2.97%	1.76%	2.36%
2017	1.85%	0.92%	1.35%

The amounts of interest expense related to direct borrowing activity with AEP included in Interest Expense on AEPSC's statements of operations are in the following table:

	Years Ended December 31,	
	2018	2017
	(in thousands)	
Interest Expense	\$ 5,457	\$ 3,505

9. STOCK-BASED COMPENSATION

AEPSC participates in AEP's long-term incentive plan. The Amended and Restated American Electric Power System Long-Term Incentive Plan (the "Prior Plan"), was replaced prospectively for new grants by the American Electric Power System 2015 Long-Term Incentive Plan (the "2015 LTIP") effective in April 2015. The 2015 LTIP was subsequently amended in September 2016. No new awards may be granted under the Prior Plan. The 2015 LTIP awards may be stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance share units, cash-based awards and other stock-based awards. AEPSC employees comprise the majority of participants and they hold the majority of shares and units outstanding under AEP's share-based compensation plans. The following sections provide further information regarding each type of stock-based compensation award granted under these plans.

Stock Options

AEP did not grant stock options in 2018 or 2017. As of December 31, 2018, AEP has no outstanding stock options.

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Performance Units

Performance units granted prior to 2017 are settled in cash rather than AEP common stock and do not reduce the aggregate share authorization. These performance units have a fair value upon vesting equal to the average closing market price of AEP common stock for the last 20 trading days of the performance period. Performance units granted from 2017 on will be settled in AEP common stock and will reduce the aggregate share authorization. In all cases the number of performance units held at the end of the three-year performance period is multiplied by the performance score for such period to determine the actual number of performance units that participants realize. The performance score can range from 0% to 200% and is determined at the end of the performance period based on performance measures, which include both performance and market conditions, established for each grant at the beginning of the performance period by the Human Resources Committee of AEP's Board of Directors (HR Committee).

Certain employees must satisfy stock ownership requirements. If those employees have not met their stock ownership requirements, a portion or all of their performance units are mandatorily deferred as AEP career shares to the extent needed to meet their stock ownership requirement. AEP career shares are a form of non-qualified deferred compensation that has a value equivalent to shares of AEP common stock. AEP career shares are settled in AEP common stock after the participant's termination of employment.

Amounts equivalent to cash dividends on both performance units and AEP career shares accrue as additional units. Management records compensation cost for performance units over an approximately three-year vesting period. The liability for the pre 2017 performance units is recorded in Employee Benefits and Pension Obligations on the balance sheet and is adjusted for changes in value. Performance units settled in shares are recorded as mezzanine equity on the Parent's balance sheets and compensation cost is calculated at fair value using two metrics. Half is based on the total shareholder return measure, which is determined based on a third party Monte Carlo valuation. That metric does not change over the three-year vesting period. The other half is based on a three-year cumulative earnings per share metric which is adjusted quarterly for changes in performance relative to a target approved by the HR Committee.

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The HR Committee awarded performance units and reinvested dividends on outstanding performance units and AEP Career Shares to AEPSC employees are as follows:

AEPSC Performance Units	Years Ended December 31,	
	2018	2017
Awarded Units (in thousands) (a)	443	452
Weighted Average Unit Fair Value at Grant Date	\$ 67.26	\$ 69.78
Vesting Period (years)	3	3
AEPSC Performance Units and AEP Career Shares (Reinvested Dividends Portion)		
	Years Ended December 31,	
	2018	2017
Awarded Units (in thousands) (c)	61	57
Weighted Average Grant Date Fair Value	\$ 70.57	\$ 72.35
Vesting Period (years)	(b)	(b)

- (a) Awarded units in 2017 and 2018 are mezzanine equity awards.
- (b) The vesting period for the reinvested dividends on performance units is equal to the remaining life of the related performance units. Dividends on AEP career shares vest immediately when the dividend is awarded but are not settled in AEP common stock until after the participant's AEP employment ends.
- (c) Awarded dividends in 2018 and 2017 were a mix of equity awards and liability awards.

Performance scores and final awards are determined and approved by the HR Committee in accordance with the pre-established performance measures within approximately one month after the end of the performance period. The performance scores for all performance periods were dependent on two equally-weighted performance measures: (a) three-year total shareholder return measured relative to a peer group of similar companies and (b) three-year cumulative earnings per share measured relative to a target approved by the HR Committee.

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The certified performance scores and units earned by AEPSC employees for the three-year period ended December 31, 2018 and 2017 were as follows:

<u>AEPSC Performance Units</u>	Years Ended December 31,	
	2018	2017
Certified Performance Score	136.7%	164.8%
Performance Units Earned	637,837	749,293
Performance Units Mandatorily Deferred as AEP Career Shares	7,290	18,442
Performance Units Voluntarily Deferred into the Incentive Compensation Deferral Program	42,786	32,529
Performance Units to be Settled in Cash	<u>587,761</u>	<u>698,322</u>

The settlements to AEPSC employees were as follows:

<u>AEPSC Performance Units and AEP Career Shares</u>	Years Ended December 31,	
	2018	2017
	(in thousands)	
Cash Settlements for Performance Units	\$ 52,590	\$ 51,031
Cash Settlements for Career Share Distributions	—	27
AEP Common Stock Settlements for Career Share Distributions	5,106	297

Monte Carlo Valuation

AEP engages a third party for a Monte Carlo valuation to calculate half of the fair value for the performance units awarded during and after 2017. The valuations use a lattice model and the expected volatility assumptions used were the historical volatilities for AEP and the members of their peer group. The Assumptions used in the Monte Carlo valuations for the years ended December 31, 2018 and 2017 were as follows:

<u>Monte Carlo Valuation</u>	Years Ended December 31,	
	2018	2017
Valuation Period (in years) (a)	2.87	2.86
Expected Volatility Minimum	14.77%	15.65%
Expected Volatility Maximum	26.72%	27.19%
Expected Volatility Average	17.90%	19.07%
Dividend Rate (b)	—%	—%
Risk Free Rate	2.34%	1.44%

- (a) Period from award date to vesting date.
- (b) Equivalent to reinvesting dividends.

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Restricted Stock Units

The HR Committee grants restricted stock units (RSUs), which generally vest, subject to the participant's continued employment, over at least three years in approximately equal annual increments. The RSUs accrue dividends as additional RSUs. The additional RSUs granted as dividends vest on the same date as the underlying RSUs. RSUs are converted into shares of AEP common stock upon vesting, except that RSUs granted prior to 2017 that vest to AEP's executive officers are settled in cash. Executive officers are those officers who are subject to the disclosure requirements set forth in Section 16 of the Securities Exchange Act of 1934. For RSUs settled in shares, compensation cost is measured at fair value on the grant date and recorded over the vesting period. Fair value is determined by multiplying the number of RSUs granted by the grant date market closing price. For RSUs settled in cash, compensation cost is recorded over the vesting period and adjusted for changes in fair value until vested. The fair value at vesting is determined by multiplying the number of RSUs vested by the 20-day average closing price of AEP common stock. The maximum contractual term of outstanding RSUs is approximately 40 months from the grant date.

The HR Committee awarded RSUs, including additional units awarded as dividends as follows:

AEP Restricted Stock Units	Years Ended December 31,	
	2018	2017
Awarded Units (in thousands)	260	256
Weighted Average Grant Date Fair Value	\$ 67.96	\$ 65.26

The total fair value and total intrinsic value of restricted stock units vested were as follows:

AEP Restricted Stock Units	Years Ended December 31,	
	2018	2017
	(in thousands)	
Fair Value of Restricted Stock Units Vested	\$ 16,590	\$ 16,150
Intrinsic Value of Restricted Stock Units Vested (a)	19,150	19,979

(a) Intrinsic value is calculated as market price at exercise date.

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A summary of the status of AEP's nonvested RSUs and changes during the year are as follows:

Nonvested Restricted Stock Units	Shares/Units (in thousands)	Weighted Average Grant Date Fair Value
Nonvested as of January 1, 2018	530	\$ 62.13
Granted	260	67.96
Vested	(278)	59.77
Forfeited	(23)	64.84
Nonvested as of December 31, 2018	<u>489</u>	<u>66.01</u>

AEP's total aggregate intrinsic value of nonvested RSUs as of December 31, 2018 was \$37 million and the weighted average remaining contractual life was 1.65 years.

Share-based Compensation Plans

For share-based payment arrangements the compensation cost, the actual tax benefit from the tax deductions for compensation cost recognized in income and the total compensation cost capitalized were as follows:

Share-based Compensation Plans	Years Ended December 31,	
	2018	2017
	(in thousands)	
Compensation Cost for Share-based Payment Arrangements (a)	\$ 33,532	\$ 52,762
Actual Tax Benefit (b)	3,569	9,560
Total Compensation Cost Capitalized	16,258	21,494

(a) Compensation cost for share-based payment arrangements is included in Operation and Maintenance expenses on AEPSC's statements of operations

(b) In December 2017, Tax Reform modified Section 162(m) of the Internal Revenue Code. Beginning after 2017, AEPSC can no longer deduct compensation expense in excess of \$1 million for certain named executive officers. This will reduce the tax benefit going forward.

During the years ended December 31, 2018 and 2017, there were no significant modifications affecting any of AEP's share-based payment arrangements.

As of December 31, 2018, AEPSC had \$51 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the 2015 LTIP and Prior Plan. Unrecognized compensation cost related to unvested share-based arrangements will change as the fair value of performance units are adjusted each period and forfeitures for all award types are realized. AEPSC's unrecognized compensation cost will be recognized over a weighted-average period of 1.26 years.

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Under the 2015 LTIP and Prior Plan, AEP is permitted to use authorized but unissued shares, treasury shares, shares acquired in the open market specifically for distribution under these plans, or any combination thereof to fulfill share commitments. AEP's current practice is to use authorized but unissued shares to fulfill share commitments. The number of shares used to fulfill share commitments is generally reduced to offset AEP's tax withholding obligation.

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenues from Contracts with Customers

AEPSC's revenue consists of revenue from providing certain managerial and professional services, including administrative and engineering services, primarily to affiliated companies which represent revenues from contracts with customers. AEPSC did not have alternative revenues for the year ended December 31, 2018.

Performance Obligations

AEPSC has performance obligations as part of its normal course of business. A performance obligation is a promise to transfer a distinct good or service, or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to a customer. The invoice practical expedient within the accounting guidance for "Revenue from Contracts with Customers" allows for the recognition of revenue from performance obligations in the amount of consideration to which there is a right to invoice the customer and when the amount for which there is a right to invoice corresponds directly to the value transferred to the customer.

The purpose of the invoice practical expedient is to depict an entity's measure of progress toward completion of the performance obligation within a contract and can only be applied to performance obligations that are satisfied over time and when the invoice is representative of services provided to date. AEPSC elected to apply the invoice practical expedient to recognize revenue for performance obligations satisfied over time as the invoices from the respective revenue streams are representative of services or goods provided to date to the customer. Performance obligations for AEPSC are summarized as follows:

Sales to AEP Affiliates

AEPSC has performance obligations to provide certain managerial and professional services, including administrative and engineering services, to affiliated companies in the AEP System and periodically to nonaffiliated companies. AEPSC's intercompany service billings, which are AEPSC's fully allocated cost, including taxes, are regulated by the Federal Energy Regulatory Commission under the 2005 Public Utility Holding Company Act and the Federal Power Act.

Fixed Performance Obligations

As of December 31, 2018, there are no fixed performance obligations related to AEPSC.

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Contract Assets and Liabilities

Contract assets are recognized when AEPSC 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. AEPSC did not have any material contract assets as of December 31, 2018.

When AEPSC 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. AEPSC did not have any material contract liabilities as of December 31, 2018.

Accounts Receivable from Contracts with Customers

Amount of affiliated accounts receivable from contracts with customers included in Accounts Receivable - Affiliated Companies on the balance sheets were immaterial as of December 31, 2018 and January 1, 2018.

Contract Costs

Contract costs to obtain or fulfill a contract are accounted for under the guidance for “Other Assets and Deferred Costs” and presented as a single asset and are neither bifurcated nor reclassified between current and noncurrent assets on AEPSC’s balance sheets. Contract costs to acquire a contract are amortized in a manner consistent with the transfer of goods or services to the customer in Operation and Maintenance on AEPSC’s statements of operations. AEPSC did not have material contract costs as of December 31, 2018.

Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		SERVICE COMPANY OPERATING REVENUES		
2	400	Service Company Operating Revenues	1,571,412,373	1,461,160,558
3		SERVICE COMPANY OPERATING EXPENSES		
4	401	Operation Expenses	743,195,096	671,577,028
5	402	Maintenance Expenses	115,530,763	104,071,510
6	403	Depreciation Expenses	3,617,128	3,008,794
7	403.1	Depreciation Expense for Asset Retirement Costs		
8	404	Amortization of Limited-Term Property	68,204	763,359
9	405	Amortization of Other Property		
10	407.3	Regulatory Debits		
11	407.4	Regulatory Credits		
12	408.1	Taxes Other Than Income Taxes, Operating Income	53,568,063	47,378,206
13	409.1	Income Taxes, Operating Income	(15,332,865)	(37,486,067)
14	410.1	Provision for Deferred Income Taxes, Operating Income	295,194,470	198,100,079
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income	(278,490,291)	(155,578,350)
16	411.4	Investment Tax Credit, Service Company Property	(38,158)	(50,808)
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services	640,865,261	619,986,425
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work		
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	1,558,177,671	1,451,770,176
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	13,234,702	9,390,382
24		OTHER INCOME		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	37,557	407,207
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	1,409,017	1,424,768
29	421.1	Gain on Disposition of Property		
30		TOTAL OTHER INCOME (Total of Lines 25-29)	1,446,574	1,831,975
31		OTHER INCOME DEDUCTIONS		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations	420,891	259,218
35	426.2	Life Insurance		
36	426.3	Penalties	8,807	162,997
37	426.4	Expenditures for Certain Civic, Political and Related Activities	6,030,370	3,781,864
38	426.5	Other Deductions	760,448	2,210,114
39		TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)	7,220,516	6,414,193
40		TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS		

Schedule XV- Comparative Income Statement (continued)

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions	21,053	1,374
42	409.2	Income Taxes, Other Income and Deductions		
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		
45	411.5	Investment Tax Credit, Other Income Deductions		
46		TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)	21,053	1,374
47		INTEREST CHARGES		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense		
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies	5,457,237	3,505,462
52	431	Other Interest Expense	2,090,990	1,438,581
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit	108,520	137,253
54		TOTAL INTEREST CHARGES (Total of Lines 48-53)	7,439,707	4,806,790
55		NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)		
56		EXTRAORDINARY ITEMS		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		Net Extraordinary Items (Line 57 less Line 58)		
60	409.4	(less) Income Taxes, Extraordinary		
61		Extraordinary Items After Taxes (Line 59 less Line 60)		
62		NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)		

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies

1. Total cost of service will equal for associate and nonassociate companies the total amount billed under their separate analysis of billing schedules.

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense	3,617,128		3,617,128			
2	404-405	Amortization Expense	68,204		68,204			
3	407.3-407.4	Regulatory Debits/Credits – Net						
4	408.1-408.2	Taxes Other Than Income Taxes	53,589,116		53,589,116			
5	409.1-409.3	Income Taxes	(15,332,865)		(15,332,865)			
6	410.1-411.2	Provision for Deferred Taxes	295,194,470		295,194,470			
7	411.1-411.2	Provision for Deferred Taxes – Credit	278,490,291		278,490,291			
8	411.6	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment	38,158		38,158			
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services	546,335,158	94,530,103	640,865,261			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies						
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income	37,557		37,557			
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss	1,687,897	(278,880)	1,409,017			
19	421.1	Gain on Disposition of Property						
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations	420,891		420,891			
23	426.2	Life Insurance						
24	426.3	Penalties	8,807		8,807			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	5,185,728	844,642	6,030,370			
26	426.5	Other Deductions	627,425	133,023	760,448			
27	427	Interest On Long-Term Debt						
28	428	Amortization of Debt Discount and Expense						
29	429	Amortization of Premium on Debt – Credit						
30	430	Interest on Debt to Associate Companies	5,457,237		5,457,237			
31	431	Other Interest Expense	2,090,990		2,090,990			
32	432	Allowance for Borrowed Funds Used During Construction	(108,520)		(108,520)			
33	500-509	Total Steam Power Generation Operation Expenses	46,101,866	9,109,586	55,211,452			
34	510-515	Total Steam Power Generation Maintenance Expenses	13,742,503	2,518,785	16,261,288			

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	517-525	Total Nuclear Power Generation Operation Expenses	62,172	738,581	800,753			
36	528-532	Total Nuclear Power Generation Maintenance Expenses	841,469	282,260	1,123,729			
37	535-540.1	Total Hydraulic Power Generation Operation Expenses	3,048,635	469,941	3,518,576			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses	1,013,769	189,972	1,203,741			
39	546-550.1	Total Other Power Generation Operation Expenses	257,794	50,362	308,156			
40	551-554.1	Total Other Power Generation Maintenance Expenses	140,128	22,854	162,982			
41	555-557	Total Other Power Supply Operation Expenses	18,043,448	4,434,305	22,477,753			
42	560	Operation Supervision and Engineering	52,270,530	13,833,894	66,104,424			
43	561.1	Load Dispatch-Reliability	273	127	400			
44	561.2	Load Dispatch-Monitor and Operate Transmission System	5,358,126	2,102,350	7,460,476			
45	561.3	Load Dispatch-Transmission Service and Scheduling	4,579		4,579			
46	561.4	Scheduling, System Control and Dispatch Services	47,793		47,793			
47	561.5	Reliability Planning and Standards Development	965,691	489,105	1,454,796			
48	561.6	Transmission Service Studies	164	37	201			
49	561.7	Generation Interconnection Studies						
50	561.8	Reliability Planning and Standards Development Services						
51	562	Station Expenses (Major Only)	1,686,952	811,227	2,498,179			
52	563	Overhead Line Expenses (Major Only)	455,326	61,145	516,471			
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)	18,604,700	3,325,000	21,929,700			
56	567	Rents	92,638		92,638			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	79,486,772	20,622,885	100,109,657			
59	568	Maintenance Supervision and Engineering (Major Only)	242,668	426,999	669,667			
60	569	Maintenance of Structures (Major Only)	110,038	29,628	139,666			
61	569.1	Maintenance of Computer Hardware	203,972	44,901	248,873			
62	569.2	Maintenance of Computer Software	2,253,393	506,786	2,760,179			
63	569.3	Maintenance of Communication Equipment	24,508	14,921	39,429			
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant						
65	570	Maintenance of Station Equipment (Major Only)	6,760,046	2,891,226	9,651,272			
66	571	Maintenance of Overhead Lines (Major Only)	3,098,002	2,128,297	5,226,299			
67	572	Maintenance of Underground Lines (Major Only)	155,407	88,502	243,909			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	660,646	120,497	781,143			

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses	13,508,680	6,251,757	19,760,437			
71	575.1-575.8	Total Regional Market Operation Expenses						
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	580-589	Total Distribution Operation Expenses	17,850,515	6,403,680	24,254,195			
74	590-598	Total Distribution Maintenance Expenses	3,335,612	1,616,570	4,952,182			
75		Total Electric Operation and Maintenance Expenses	814,333,229	148,498,186	962,831,415			
76	700-798	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses						
78	814-826	Total Underground Storage Operation Expenses						
79	830-837	Total Underground Storage Maintenance Expenses						
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses						
84	850	Operation Supervision and Engineering						
85	851	System Control and Load Dispatching.						
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses						
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses						
94	860	Rents						
95		Total Gas Transmission Operation Expenses						
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains						
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses						
104	870-881	Total Distribution Operation Expenses						

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses						
106		Total Natural Gas Operation and Maintenance Expenses						
107	901	Supervision	194,897	120,163	315,060			
108	902	Meter reading expenses	476,394	299,153	775,547			
109	903	Customer records and collection expenses	38,976,993	15,223,337	54,200,330			
110	904	Uncollectible accounts	2,156		2,156			
111	905	Miscellaneous customer accounts expenses	103,657	54,942	158,599			
112	906	Total Customer Accounts Operation Expenses	39,754,097	15,697,595	55,451,692			
113	907	Supervision	706,472	325,996	1,032,468			
114	908	Customer assistance expenses	352,609	224,959	577,568			
115	909	Informational And Instructional Advertising Expenses	2,956		2,956			
116	910	Miscellaneous Customer Service And Informational Expenses	513,569	51,439	565,008			
117		Total Service and Informational Operation Accounts	1,575,606	602,394	2,178,000			
118	911	Supervision	4,448	2,641	7,089			
119	912	Demonstrating and Selling Expenses	1,814,831	2,499	1,817,330			
120	913	Advertising Expenses						
121	916	Miscellaneous Sales Expenses						
122		Total Sales Operation Expenses	1,819,279	5,140	1,824,419			
123	920	Administrative and General Salaries	153,866,647	44,882,116	198,748,763			
124	921	Office Supplies and Expenses	13,280,025	8,106,020	21,386,045			
125	923	Outside Services Employed	40,102,275	18,069,890	58,172,165			
126	924	Property Insurance	268,697		268,697			
127	925	Injuries and Damages	4,544,796	33,347	4,578,143			
128	926	Employee Pensions and Benefits	125,107,000	57,638	125,164,638			
129	928	Regulatory Commission Expenses	5,929,704	866,349	6,796,053			
130	930.1	General Advertising Expenses	287,638	55,963	343,601			
131	930.2	Miscellaneous General Expenses	4,130,893	1,334,262	5,465,155	6,131,920	908,655	7,040,575
132	931	Rents	49,096,608		49,096,608			
133		Total Administrative and General Operation Expenses	396,614,283	73,405,585	470,019,868	6,131,920	908,655	7,040,575
134	935	Maintenance of Structures and Equipment	71,048,081	1,018,323	72,066,404			
135		Total Administrative and General Maintenance Expenses	510,811,346	90,729,037	601,540,383	6,131,920	908,655	7,040,575
136		Total Cost of Service	1,325,144,575	239,227,223	1,564,371,798	6,131,920	908,655	7,040,575

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	403-403.1	Depreciation Expense	3,617,128		3,617,128
2	404-405	Amortization Expense	68,204		68,204
3	407.3-407.4	Regulatory Debits/Credits – Net			
4	408.1-408.2	Taxes Other Than Income Taxes	53,589,116		53,589,116
5	409.1-409.3	Income Taxes	(15,332,865)		(15,332,865)
6	410.1-411.2	Provision for Deferred Taxes	295,194,470		295,194,470
7	411.1-411.2	Provision for Deferred Taxes – Credit	278,490,291		278,490,291
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411.5	Investment Tax Credit Adjustment	38,158		38,158
11	411.10	Accretion Expense			
12	412	Costs and Expenses of Construction or Other Services	546,335,158	94,530,103	640,865,261
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies			
14	418	Non-operating Rental Income			
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income	37,557		37,557
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss	1,687,897	(278,880)	1,409,017
19	421.1	Gain on Disposition of Property			
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations	420,891		420,891
23	426.2	Life Insurance			
24	426.3	Penalties	8,807		8,807
25	426.4	Expenditures for Certain Civic, Political and Related Activities	5,185,728	844,642	6,030,370
26	426.5	Other Deductions	627,425	133,023	760,448
27	427	Interest On Long-Term Debt			
28	428	Amortization of Debt Discount and Expense			
29	429	Amortization of Premium on Debt – Credit			
30	430	Interest on Debt to Associate Companies	5,457,237		5,457,237
31	431	Other Interest Expense	2,090,990		2,090,990
32	432	Allowance for Borrowed Funds Used During Construction	(108,520)		(108,520)
33	500-509	Total Steam Power Generation Operation Expenses	46,101,866	9,109,586	55,211,452
34	510-515	Total Steam Power Generation Maintenance Expenses	13,742,503	2,518,785	16,261,288

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses	62,172	738,581	800,753
36	528-532	Total Nuclear Power Generation Maintenance Expenses	841,469	282,260	1,123,729
37	535-540.1	Total Hydraulic Power Generation Operation Expenses	3,048,635	469,941	3,518,576
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses	1,013,769	189,972	1,203,741
39	546-550.1	Total Other Power Generation Operation Expenses	257,794	50,362	308,156
40	551-554.1	Total Other Power Generation Maintenance Expenses	140,128	22,854	162,982
41	555-557	Total Other Power Supply Operation Expenses	18,043,448	4,434,305	22,477,753
42	560	Operation Supervision and Engineering	52,270,530	13,833,894	66,104,424
43	561.1	Load Dispatch-Reliability	273	127	400
44	561.2	Load Dispatch-Monitor and Operate Transmission System	5,358,126	2,102,350	7,460,476
45	561.3	Load Dispatch-Transmission Service and Scheduling	4,579		4,579
46	561.4	Scheduling, System Control and Dispatch Services	47,793		47,793
47	561.5	Reliability Planning and Standards Development	965,691	489,105	1,454,796
48	561.6	Transmission Service Studies	164	37	201
49	561.7	Generation Interconnection Studies			
50	561.8	Reliability Planning and Standards Development Services			
51	562	Station Expenses (Major Only)	1,686,952	811,227	2,498,179
52	563	Overhead Line Expenses (Major Only)	455,326	61,145	516,471
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)	18,604,700	3,325,000	21,929,700
56	567	Rents	92,638		92,638
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	79,486,772	20,622,885	100,109,657
59	568	Maintenance Supervision and Engineering (Major Only)	242,668	426,999	669,667
60	569	Maintenance of Structures (Major Only)	110,038	29,628	139,666
61	569.1	Maintenance of Computer Hardware	203,972	44,901	248,873
62	569.2	Maintenance of Computer Software	2,253,393	506,786	2,760,179
63	569.3	Maintenance of Communication Equipment	24,508	14,921	39,429
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
65	570	Maintenance of Station Equipment (Major Only)	6,760,046	2,891,226	9,651,272
66	571	Maintenance of Overhead Lines (Major Only)	3,098,002	2,128,297	5,226,299
67	572	Maintenance of Underground Lines (Major Only)	155,407	88,502	243,909
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	660,646	120,497	781,143

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses	13,508,680	6,251,757	19,760,437
71	575.1-575.8	Total Regional Market Operation Expenses			
72	576.1-576.5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	17,850,515	6,403,680	24,254,195
74	590-598	Total Distribution Maintenance Expenses	3,335,612	1,616,570	4,952,182
75		Total Electric Operation and Maintenance Expenses	814,333,229	148,498,186	962,831,415
76	700-798	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses			
78	814-826	Total Underground Storage Operation Expenses			
79	830-837	Total Underground Storage Maintenance Expenses			
80	840-842.3	Total Other Storage Operation Expenses			
81	843.1-843.9	Total Other Storage Maintenance Expenses			
82	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses			
83	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses			
84	850	Operation Supervision and Engineering			
85	851	System Control and Load Dispatching.			
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses			
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses			
94	860	Rents			
95		Total Gas Transmission Operation Expenses			
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains			
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses			
104	870-881	Total Distribution Operation Expenses			

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses			
106		Total Natural Gas Operation and Maintenance Expenses			
107	901	Supervision	194,897	120,163	315,060
108	902	Meter reading expenses	476,394	299,153	775,547
109	903	Customer records and collection expenses	38,976,993	15,223,337	54,200,330
110	904	Uncollectible accounts	2,156		2,156
111	905	Miscellaneous customer accounts expenses	103,657	54,942	158,599
112	906	Total Customer Accounts Operation Expenses	39,754,097	15,697,595	55,451,692
113	907	Supervision	706,472	325,996	1,032,468
114	908	Customer assistance expenses	352,609	224,959	577,568
115	909	Informational And Instructional Advertising Expenses	2,956		2,956
116	910	Miscellaneous Customer Service And Informational Expenses	513,569	51,439	565,008
117		Total Service and Informational Operation Accounts	1,575,606	602,394	2,178,000
118	911	Supervision	4,448	2,641	7,089
119	912	Demonstrating and Selling Expenses	1,814,831	2,499	1,817,330
120	913	Advertising Expenses			
121	916	Miscellaneous Sales Expenses			
122		Total Sales Operation Expenses	1,819,279	5,140	1,824,419
123	920	Administrative and General Salaries	153,866,647	44,882,116	198,748,763
124	921	Office Supplies and Expenses	13,280,025	8,106,020	21,386,045
125	923	Outside Services Employed	40,102,275	18,069,890	58,172,165
126	924	Property Insurance	268,697		268,697
127	925	Injuries and Damages	4,544,796	33,347	4,578,143
128	926	Employee Pensions and Benefits	125,107,000	57,638	125,164,638
129	928	Regulatory Commission Expenses	5,929,704	866,349	6,796,053
130	930.1	General Advertising Expenses	287,638	55,963	343,601
131	930.2	Miscellaneous General Expenses	10,262,813	2,242,917	12,505,730
132	931	Rents	49,096,608		49,096,608
133		Total Administrative and General Operation Expenses	402,746,203	74,314,240	477,060,443
134	935	Maintenance of Structures and Equipment	71,048,081	1,018,323	72,066,404
135		Total Administrative and General Maintenance Expenses	516,943,266	91,637,692	608,580,958
136		Total Cost of Service	1,331,276,495	240,135,878	1,571,412,373

Schedule XVII - Analysis of Billing – Associate Companies (Account 457)

1. For services rendered to associate companies (Account 457), list all of the associate companies.

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	AEP Amazon	1,541	212		1,753
2	AEP Appalachian Transmission Company, Inc.	3,029,735	683,122	21,643	3,734,500
3	AEP C&I Company LLC	146,322	21,505	3,820	171,647
4	AEP Coal, Inc.	8,255	1,092		9,347
5	AEP Credit, Inc.	988,286	57,059	4,902	1,050,247
6	AEP Desert Sky GP, LLC	542	69		611
7	AEP Desert Sky LP II, LLC	672	84		756
8	AEP Energy Partners, Inc.	6,186,316	861,874	45,261	7,093,451
9	AEP Energy Service Gas Holding Company	21,732	2,643		24,375
10	AEP Energy Services, Inc.	791,615	131,830	4,370	927,815
11	AEP Energy Supply LLC	290,575	36,777	4,753	332,105
12	AEP Energy, Inc	2,676,368	275,805	13,790	2,965,963
13	AEP Generating Company	1,452,771	198,925	8,414	1,660,110
14	AEP Generation Resources	16,954,901	3,306,673	131,889	20,393,463
15	AEP Indiana Michigan Transmission Company, Inc.	44,344,910	9,212,729	299,866	53,857,505
16	AEP Investments, Inc.	(4,683,511)	21,288		(4,662,223)
17	AEP Kentucky Coal, LLC	7,699	732		8,431
18	AEP Kentucky Transmission Company, Inc.	3,861,102	981,382	30,558	4,873,042
19	AEP Nonutility Funding LLC	13,040	1,537	80	14,657
20	AEP Ohio Transmission Company, Inc.	75,792,714	17,734,604	490,615	94,017,933
21	AEP Oklahoma Transmission Company, Inc.	18,986,699	3,349,282	119,656	22,455,637
22	AEP OnSite Partners, LLC	1,954,270	223,699	12,909	2,190,878
23	AEP Pro Serv, Inc.	1,166,743	163,848	5,587	1,336,178
24	AEP Properties, L.L.C.	103	13		116
25	AEP Renewables, LLC	676,517	86,352	2,544	765,413
26	AEP Retail Energy Partners LLC	37,937	855	(2)	38,790
27	AEP Southwestern Transmission Company, Inc.	69,078	8,313	372	77,763
28	AEP System Pool	1,430	1,592		3,022
29	AEP T&D Services, LLC	580,457	67,681	3,943	652,081
30	AEP Texas Company	157,737,520	25,558,056	1,049,103	184,344,679
31	AEP Transmission Company, LLC	(106,384)	13,102	341	(92,941)
32	AEP Transmission Holding Company, LLC	1,033,339	136,831	8,450	1,178,620
33	AEP Transmission Partner LLC	1,711	232		1,943
34	AEP Utility Funding LLC	177,198	37,687	(88)	214,797
35	AEP West Virginia Transmission Company, Inc.	32,663,462	7,415,439	186,696	40,265,597
36	AEP Wind GP, LLC	230	25		255
37	AEP Wind Holding Company, LLC	20,787	3,023		23,810
38	AEP Wind LP II, LLC	353	38		391
39	American Electric Power Company	8,618,957	4,065,551	42,347	12,726,855

Schedule XVII - Analysis of Billing – Associate Companies (Account 457) (continued)

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Appalachian Power Company	247,569,633	46,363,178	1,674,274	295,607,085
2	Blackhawk Coal Company	11,332	1,022		12,354
3	Bold Transmission, LLC	641,530	105,118		746,648
4	BSE Solutions LLC	2,698	349	19	3,066
5	Cardinal Operating Company	1,749,028	285,046	11,082	2,045,156
6	Cedar Coal Company	1,343	186		1,529
7	Central Appalachian Coal Company	1,404	177		1,581
8	Central Coal Company	1,479	200		1,679
9	Conesville Coal Preparation Company	3,767	527		4,294
10	CSW Energy, Inc.	2,922,144	309,692	28,222	3,260,058
11	Desert Sky Wind Farm LLC	110,273	12,725		122,998
12	Desert Sky Wind Farm LP	54,660	6,340		61,000
13	Dolet Hills Lignite Co, LLC	4,311,098	574,018	26,420	4,911,536
14	Electric Transmission America	13,592	1,794	66	15,452
15	Electric Transmission TX, LLC	26,366,175	3,759,240	166,493	30,291,908
16	Franklin Real Estate Company	2,372	302		2,674
17	Grid Assurance LLC	1,108,506	172,588		1,281,094
18	Indiana Franklin Realty, Inc.	18	3		21
19	Indiana Michigan Power Company	149,537,493	22,893,356	1,009,136	173,439,985
20	Jacumba Solar LLC	727	101		828
21	Kentucky Power Company	59,878,617	10,921,633	391,022	71,191,272
22	Kingsport Power Company	5,465,200	1,107,281	32,587	6,605,068
23	Kyte Works, LLC	38,697	4,592		43,289
24	Ohio Franklin Realty, LLC	676,653	279,820		956,473
25	Ohio Power Company	179,298,989	34,453,696	1,180,463	214,933,148
26	Oxbow Lignite Company, LLC	104,565	8,728		113,293
27	PATH WV Transmission Company, LLC	(21)			(21)
28	Public Liability	1,367			1,367
29	Public Service Company of Oklahoma	102,687,951	18,112,104	730,283	121,530,338
30	RITELine Indiana, LLC	10,303	1,365	97	11,765
31	Snowcap Coal Company, Inc.	18,436	1,552		19,988
32	Solar LLCs	25,130	3,255		28,385
33	Southern Appalachian Coal Company	1,509	193		1,702
34	Southwestern Electric Power Company	140,727,960	22,793,064	918,172	164,439,196
35	Transource Energy, LLC	2,545,580	322,475	22,700	2,890,755
36	Transource Maryland	1,178,257	90,533	619	1,269,409
37	Transource Missouri, LLC	1,651,883	179,709	10,405	1,841,997
38	Transource Pennsylvania	2,217,521	209,207	7,469	2,434,197
39	Transource West Virginia, LLC	1,385,331	292,036	8,853	1,686,220

Schedule XVII - Analysis of Billing – Associate Companies (Account 457) (continued)

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Trent Wind Farm LLC	220,014	8,097		228,111
2	Trent Wind Farm LP	290,099	26,487		316,586
3	United Sciences Testing, Inc.	2,557,989	236,232	14,396	2,808,617
4	Wheeling Power Company	5,484,446	1,027,641	38,238	6,550,325
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40	Total	1,316,381,740	239,227,223	8,762,835	1,564,371,798

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2018
FOOTNOTE DATA			

Schedule Page: 308 Line No.: 1 Column: f

Dynegy

The services provided to Dynegy are primarily the result of labor, labor fringes and contract labor for use of the AEP Simulator Learning Center.

Schedule Page: 308 Line No.: 2 Column: f

Indiana Kentucky Electric Corporation

The services provided to Indiana Kentucky Electric Corporation are primarily the result of labor, labor fringes and contract labor for Clifty Creek.

Schedule Page: 308 Line No.: 3 Column: f

Lightstone

The services provided to Lightstone are primarily the result of labor, labor fringes and contract labor for use of the AEP Simulator Learning Center.

Schedule Page: 308 Line No.: 4 Column: f

Ohio Valley Electric Corporation

The services provided to Ohio Valley Electric Corporation are primarily the result of labor, labor fringes and contract labor for Kyger Creek.

Schedule XIX - Miscellaneous General Expenses - Account 930.2

1. Provide a listing of the amount included in Account 930.2, "Miscellaneous General Expenses" classifying such expenses according to their nature. Amounts less than \$50,000 may be grouped showing the number of items and the total for the group.
2. Payments and expenses permitted by Section 321 (b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C. 441(b)(2)) shall be separately classified.

Line No.	Title of Account (a)	Amount (b)
1	Salary, Salary related Expense and Overheads	4,844,374
2	Outside Professional Services	4,499,183
3	Membership Fees and Dues	1,774,214
4	Employee Expenses	517,583
5	Fleet Services	463,189
6	Materials and Supplies	141,946
7	Telephone & Communication Expense	59,045
8	Other - 6 Items	206,196
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40	Total	12,505,730

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2018
Schedule XX - Organization Chart			

1. Provide a graphical presentation of the relationships and inter relationships within the service company that identifies lines of authority and responsibility in the organization.

Chief Administrative Officer

Corporate Human Resources
Information Technology
Real Estate & Workplace Svcs
Charge
Chief Administrative Officer Administration

Chief Executive Officer

Audit Services
Legal
Chief Executive Officer Administration

Chief Financial Officer

Corporate Accounting
Corporate Planning & Budgeting
Investor Relations
Risk and Strategic Initiatives
Supply Chain & Fleet Operations
Treasury
Chief Financial Officer Administration

Energy Supply

Commercial Operations
Energy Supply Administration

External Affairs

Corporate Communications
Federal Affairs
Regulatory Services
External Affairs Administration
Chief Customer Officer Administration

Generation

Environmental Services
Fossil and Hydro Generation
Generation Business Services
Generation Engineering and Technical Services - Engineering Services
Generation Engineering and Technical Services - Project and Construction
Regulated Commercial Operations
Generation Administration

Transmission

Corporate Safety & Health
Transmission Business Operations Programs
Transmission Grid Development
Transmission Field Services
Trans Ventures Strategy&Policy
Transmission Administration

Name of Respondent	This Report is:	Resubmission Date	Year of Report
American Electric Power Service Corporation	(1) <input checked="" type="checkbox"/> An Original	(Mo, Da, Yr)	
	(2) <input type="checkbox"/> A Resubmission	/ /	2018
Schedule XX - Organization Chart			

Utilities

Utility Operations

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2018
Schedule XXI - Methods of Allocation			

1. Indicate the service department or function and the basis for allocation used when employees render services to more than one department or functional group. If a ratio, include the numerator and denominator.
2. Include any other allocation methods used to allocate costs.

Chief Administrative Officer	
Service Department or Function	Basis of Allocation
Corporate Human Resources	5 Number of CIS Customers Mail
	6 Number of Commercial Customers
	8 Number of Electric Retail Customers
	9 Number of Employees
	11 Number of GL Transactions
	16 Number of Phone Center Calls
	17 Number of Purchase Orders
	20 Number of Remittance Items
	26 Number of Stores Transactions
	27 Number of Telephones
	28 Number of Trans Pole Miles
	31 Number of Vehicles
	32 Number of Vendor Invoice Pay
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio
	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	49 MWH's Generation
	51 Past 3 Mo MMBTU's Burned (Tot)
	52 Past 3 Mo MMBTU Burned (Coal)
	53 Past 3 Mo MMBTU (Gas)
	55 Past 3 MMBTU Burned (Solid)
	57 Tons of Fuel Acquired
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
	64 Member/Peak Load
	Hydro MW Generating Capability
	67 Number of Banking Transactions
	70 No Nonelectric OAR Invoices
	77 Power Transactn to All Markets
Information Technology	5 Number of CIS Customers Mail
	6 Number of Commercial Customers
	8 Number of Electric Retail Customers
	9 Number of Employees
	11 Number of GL Transactions
	16 Number of Phone Center Calls
	17 Number of Purchase Orders
	20 Number of Remittance Items

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2018
Schedule XXI - Methods of Allocation			

	26 Number of Stores Transactions
	27 Number of Telephones
	28 Number of Trans Pole Miles
	31 Number of Vehicles
	32 Number of Vendor Invoice Pay
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio
	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	49 MWH's Generation
	51 Past 3 Mo MMBTU's Burned (Tot)
	52 Past 3 Mo MMBTU Burned (Coal)
	53 Past 3 Mo MMBTU (Gas)
	55 Past 3 MMBTU Burned (Solid)
	57 Tons of Fuel Acquired
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
	64 Member/Peak Load
	Hydro MW Generating Capability
	67 Number of Banking Transactions
	70 No Nonelectric OAR Invoices
	77 Power Transactn to All Markets
Real Estate & Workplace Svcs	5 Number of CIS Customers Mail
	6 Number of Commercial Customers
	8 Number of Electric Retail Customers
	9 Number of Employees
	11 Number of GL Transactions
	16 Number of Phone Center Calls
	17 Number of Purchase Orders
	20 Number of Remittance Items
	26 Number of Stores Transactions
	27 Number of Telephones
	28 Number of Trans Pole Miles
	31 Number of Vehicles
	32 Number of Vendor Invoice Pay
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio
	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability

Name of Respondent American Electric Power Service Corporation	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2018
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Schedule XXI - Methods of Allocation

	49 MWH's Generation
	51 Past 3 Mo MMBTU's Burned (Tot)
	52 Past 3 Mo MMBTU Burned (Coal)
	53 Past 3 Mo MMBTU (Gas)
	55 Past 3 MMBTU Burned (Solid)
	57 Tons of Fuel Acquired
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
	64 Member/Peak Load
	Hydro MW Generating Capability
	67 Number of Banking Transactions
	70 No Nonelectric OAR Invoices
	77 Power Transactn to All Markets
Charge	8 Number of Electric Retail Customers
	9 Number of Employees
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	48 MW Generating Capability
	58 Total Assets
	60 AEPSC Bill less Indir and Int
Chief Administrative Officer Administration	8 Number of Electric Retail Customers
	9 Number of Employees
	17 Number of Purchase Orders
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	45 Level of Const-Production
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
Chief Executive Officer	
Service Department or Function	Basis of Allocation
Audit Services	9 Number of Employees
	11 Number of GL Transactions
	17 Number of Purchase Orders
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	53 Past 3 Mo MMBTU (Gas)
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	63 Total Gross Utility Plant
	64 Member/Peak Load
Legal	6 Number of Commercial Customers

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2018
Schedule XXI - Methods of Allocation			

	8 Number of Electric Retail Customers
	9 Number of Employees
	11 Number of GL Transactions
	16 Number of Phone Center Calls
	17 Number of Purchase Orders
	20 Number of Remittance Items
	26 Number of Stores Transactions
	27 Number of Telephones
	28 Number of Trans Pole Miles
	31 Number of Vehicles
	32 Number of Vendor Invoice Pay
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio
	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	49 MWH's Generation
	51 Past 3 Mo MMBTU's Burned (Tot)
	52 Past 3 Mo MMBTU Burned (Coal)
	53 Past 3 Mo MMBTU (Gas)
	55 Past 3 MMBTU Burned (Solid)
	57 Tons of Fuel Acquired
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
	64 Member/Peak Load
	Hydro MW Generating Capability
Chief Executive Officer Administration	6 Number of Commercial Customers
	8 Number of Electric Retail Customers
	9 Number of Employees
	11 Number of GL Transactions
	16 Number of Phone Center Calls
	28 Number of Trans Pole Miles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	46 Level of Const-Transmission
	48 MW Generating Capability
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
Chief Financial Officer	
Service Department or Function	Basis of Allocation
Corporate Accounting	5 Number of CIS Customers Mail

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2018
Schedule XXI - Methods of Allocation			

	6 Number of Commercial Customers
	8 Number of Electric Retail Customers
	9 Number of Employees
	11 Number of GL Transactions
	17 Number of Purchase Orders
	20 Number of Remittance Items
	26 Number of Stores Transactions
	28 Number of Trans Pole Miles
	32 Number of Vendor Invoice Pay
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio
	48 MW Generating Capability
	51 Past 3 Mo MMBTU's Burned (Tot)
	57 Tons of Fuel Acquired
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
	64 Member/Peak Load
	70 No Nonelectric OAR Invoices
Corporate Planning & Budgeting	8 Number of Electric Retail Customers
	9 Number of Employees
	11 Number of GL Transactions
	28 Number of Trans Pole Miles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	51 Past 3 Mo MMBTU's Burned (Tot)
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	64 Member/Peak Load
Investor Relations	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	58 Total Assets
	60 AEPSC Bill less Indir and Int
Risk and Strategic Initiatives	8 Number of Electric Retail Customers
	9 Number of Employees
	32 Number of Vendor Invoice Pay
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2018
Schedule XXI - Methods of Allocation			

	46 Level of Const-Transmission
	48 MW Generating Capability
	49 MWH's Generation
	52 Past 3 Mo MMBTU Burned (Coal)
	57 Tons of Fuel Acquired
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	64 Member/Peak Load
	77 Power Transactn to All Markets
Supply Chain & Fleet Operations	8 Number of Electric Retail Customers
	9 Number of Employees
	17 Number of Purchase Orders
	26 Number of Stores Transactions
	27 Number of Telephones
	28 Number of Trans Pole Miles
	31 Number of Vehicles
	32 Number of Vendor Invoice Pay
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
Treasury	9 Number of Employees
	11 Number of GL Transactions
	20 Number of Remittance Items
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	48 MW Generating Capability
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	64 Member/Peak Load
	67 Number of Banking Transactions
Chief Financial Officer Administration	9 Number of Employees
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	58 Total Assets
	60 AEPSC Bill less Indir and Int
Energy Supply	
Service Department or Function	Basis of Allocation
Commercial Operations	33 Number of Workstations

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2018
Schedule XXI - Methods of Allocation			

	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	48 MW Generating Capability
	49 MWH's Generation
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	63 Total Gross Utility Plant
	64 Member/Peak Load
Energy Supply Administration	39 100% to One Company
	58 Total Assets
External Affairs	
Service Department or Function	Basis of Allocation
Chief Customer Officer	5 Number of CIS Customers Mail
	6 Number of Commercial Customers
	8 Number of Electric Retail Customers
	9 Number of Employees
	16 Number of Phone Center Calls
	17 Number of Purchase Orders
	20 Number of Remittance Items
	26 Number of Stores Transactions
	28 Number of Trans Pole Miles
	31 Number of Vehicles
	32 Number of Vendor Invoice Pay
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	44 Level of Const-Distribution
	46 Level of Const-Transmission
	48 MW Generating Capability
	52 Past 3 Mo MMBTU Burned (Coal)
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
	70 No Nonelectric OAR Invoices
Corporate Communications	8 Number of Electric Retail Customers
	9 Number of Employees
	16 Number of Phone Center Calls
	17 Number of Purchase Orders
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	48 MW Generating Capability
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
Federal Affairs	8 Number of Electric Retail Customers
	9 Number of Employees

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2018
Schedule XXI - Methods of Allocation			

	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	58 Total Assets
	60 AEPSC Bill less Indir and Int
Regulatory Services	8 Number of Electric Retail Customers
	9 Number of Employees
	28 Number of Trans Pole Miles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio
	46 Level of Const-Transmission
	51 Past 3 Mo MMBTU's Burned (Tot)
	52 Past 3 Mo MMBTU Burned (Coal)
	57 Tons of Fuel Acquired
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
External Affairs Administration	64 Member/Peak Load
	5 Number of CIS Customers Mail
	8 Number of Electric Retail Customers
	9 Number of Employees
	16 Number of Phone Center Calls
	28 Number of Trans Pole Miles
	32 Number of Vendor Invoice Pay
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	44 Level of Const-Distribution
	48 MW Generating Capability
	52 Past 3 Mo MMBTU Burned (Coal)
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
Generation	
Service Department or Function	Basis of Allocation
Environmental Services	8 Number of Electric Retail Customers
	9 Number of Employees
	28 Number of Trans Pole Miles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	51 Past 3 Mo MMBTU's Burned (Tot)
	52 Past 3 Mo MMBTU Burned (Coal)
	58 Total Assets
	60 AEPSC Bill less Indir and Int

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	61 Total Fixed Assets
Fossil and Hydro Generation	8 Number of Electric Retail Customers
	9 Number of Employees
	17 Number of Purchase Orders
	26 Number of Stores Transactions
	28 Number of Trans Pole Miles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	49 MWH's Generation
	52 Past 3 Mo MMBTU Burned (Coal)
	57 Tons of Fuel Acquired
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
	64 Member/Peak Load
Generation Business Services	8 Number of Electric Retail Customers
	9 Number of Employees
	11 Number of GL Transactions
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	52 Past 3 Mo MMBTU Burned (Coal)
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
	64 Member/Peak Load
Generation Engineering and Technical Services - Engineering Services	9 Number of Employees
	17 Number of Purchase Orders
	28 Number of Trans Pole Miles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio
	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	49 MWH's Generation

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Schedule XXI - Methods of Allocation			

	51 Past 3 Mo MMBTU's Burned (Tot)
	52 Past 3 Mo MMBTU Burned (Coal)
	55 Past 3 MMBTU Burned (Solid)
	57 Tons of Fuel Acquired
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
	64 Member/Peak Load
Generation Engineering and Technical Services - Project and Construction	8 Number of Electric Retail Customers
	9 Number of Employees
	17 Number of Purchase Orders
	31 Number of Vehicles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio
	44 Level of Const-Distribution
	45 Level of Const-Production
	48 MW Generating Capability
	49 MWH's Generation
	52 Past 3 Mo MMBTU Burned (Coal)
	57 Tons of Fuel Acquired
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
Regulated Commercial Operations	8 Number of Electric Retail Customers
	9 Number of Employees
	28 Number of Trans Pole Miles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	45 Level of Const-Production
	48 MW Generating Capability
	49 MWH's Generation
	52 Past 3 Mo MMBTU Burned (Coal)
	53 Past 3 Mo MMBTU (Gas)
	57 Tons of Fuel Acquired
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
	64 Member/Peak Load
Generation Administration	8 Number of Electric Retail Customers
	9 Number of Employees
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	45 Level of Const-Production

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	46 Level of Const-Transmission
	48 MW Generating Capability
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	63 Total Gross Utility Plant
Transmission	
Service Department or Function	Basis of Allocation
Corporate Safety & Health	8 Number of Electric Retail Customers
	9 Number of Employees
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	58 Total Assets
	60 AEPSC Bill less Indir and Int
Transmission Field Services	8 Number of Electric Retail Customers
	9 Number of Employees
	17 Number of Purchase Orders
	28 Number of Trans Pole Miles
	31 Number of Vehicles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
Trans Ventures Strategy&Policy	8 Number of Electric Retail Customers
	9 Number of Employees
	11 Number of GL Transactions
	28 Number of Trans Pole Miles
	32 Number of Vendor Invoice Pay
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	53 Past 3 Mo MMBTU (Gas)
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant

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Transmission Business Operations Programs	9 Number of Employees
	26 Number of Stores Transactions
	28 Number of Trans Pole Miles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio
	46 Level of Const-Transmission
	49 MWH's Generation
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
Transmission Grid Development	8 Number of Electric Retail Customers
	9 Number of Employees
	17 Number of Purchase Orders
	28 Number of Trans Pole Miles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	40 Equal Share Ratio
	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
	63 Total Gross Utility Plant
	67 Number of Banking Transactions
Transmission Administration	9 Number of Employees
	28 Number of Trans Pole Miles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company
	44 Level of Const-Distribution
	46 Level of Const-Transmission
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets
Utilities	
Service Department or Function	Basis of Allocation
Utility Operations	6 Number of Commercial Customers
	8 Number of Electric Retail Customers
	9 Number of Employees
	28 Number of Trans Pole Miles
	33 Number of Workstations
	37 AEPSC Past 3 Months Total Bill
	39 100% to One Company

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	44 Level of Const-Distribution
	45 Level of Const-Production
	46 Level of Const-Transmission
	48 MW Generating Capability
	58 Total Assets
	60 AEPSC Bill less Indir and Int
	61 Total Fixed Assets