AEP Generating Company

2023 Annual Report

Audited Financial Statements

TABLE OF CONTENTS

GLOSSARY OF TERMS

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

Term	Meaning
AEGCo	AEP Generating Company, an AEP electric utility subsidiary.
AEP	American Electric Power Company, Inc., an investor-owned electric public utility holding company which includes American Electric Power Company, Inc. (Parent) and majority-owned consolidated subsidiaries and consolidated affiliates.
AEP System	American Electric Power System, an electric system, owned and operated by AEP subsidiaries.
AEPSC	American Electric Power Service Corporation, an AEP service subsidiary providing management and professional services to AEP and its subsidiaries.
AFUDC	Allowance for Funds Used During Construction.
ARO	Asset Retirement Obligations.
ASU	Accounting Standards Update.
CCT	Cook Coal Terminal.
CWIP	Construction Work in Progress.
EIS	Energy Insurance Services, Inc., a nonaffiliated captive insurance company and consolidated VIE of AEP.
Excess ADIT	Excess accumulated deferred income taxes.
FASB	Financial Accounting Standards Board.
Federal EPA	United States Environmental Protection Agency.
FERC	Federal Energy Regulatory Commission.
GAAP	Accounting Principles Generally Accepted in the United States of America.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IRS	Internal Revenue Service.
ITC	Investment Tax Credit.
KPCo	Kentucky Power Company, an AEP electric utility subsidiary.
MW	Megawatt.
OPEB	Other Postretirement Benefits.
Parent	American Electric Power Company, Inc., the equity owner of AEP subsidiaries within the AEP consolidation.
PSO	Public Service Company of Oklahoma, an AEP electric utility subsidiary.
Rockport Plant	A generation plant, jointly-owned by AEGCo and I&M, consisting of two 1,310 MW coal-fired generating units near Rockport, Indiana.
SWEPCo	Southwestern Electric Power Company, an AEP electric utility subsidiary.
Tax Reform	On December 22, 2017, President Trump signed into law legislation referred to as the “Tax Cuts and Jobs Act” (the TCJA). The TCJA includes significant changes to the Internal Revenue Code of 1986, including a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.
UMWA	United Mine Workers of America.
UPA	Unit Power Agreement.
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.
VIE	Variable Interest Entity.

Report of Independent Auditors

To the Management and Board of Directors of AEP Generating Company

Opinion

We have audited the accompanying financial statements of AEP Generating Company (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, of changes in common shareholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Columbus, Ohio
February 26, 2024

AEP GENERATING COMPANY
STATEMENTS OF INCOME
For the Years Ended December 31, 2023 and 2022
(in thousands)

	Years Ended December 31, 2023	2022
REVENUES		
Sales to AEP Affiliates	$ 181,196	$ 334,751
Other Revenues – Affiliated	13,940	13,032
Other Revenues – Nonaffiliated	218	272
TOTAL REVENUES	195,354	348,055
EXPENSES		
Fuel and Other Consumables Used for Electric Generation	65,206	134,989
Other Operation	21,878	11,068
Maintenance	19,975	18,012
Depreciation and Amortization	59,731	171,989
Taxes Other Than Income Taxes	5,142	6,375
TOTAL EXPENSES	171,932	342,433
OPERATING INCOME	23,422	5,622
Other Income (Expense):		
Interest Income	51	2,430
Allowance for Equity Funds Used During Construction	4	172
Non-Service Cost Components of Net Periodic Benefit Cost	2,936	4,665
Interest Expense	(8,563)	(6,548)
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)	17,850	6,341
Income Tax Expense (Benefit)	7,036	(7,330)
NET INCOME	$ 10,814	$ 13,671

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

See Notes to Financial Statements beginning on page 9.

AEP GENERATING COMPANY
STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY
For the Years Ended December 31, 2023 and 2022
(in thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Total
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2021	$ 1,000	$ 165,487	$ 27,235	$ 193,722
Capital Contribution from Parent		1,697		1,697
Return of Capital to Parent		(24,500)		(24,500)
Common Stock Dividends			(27,768)	(27,768)
Net Income			13,671	13,671
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2022	1,000	142,684	13,138	156,822
Capital Contribution from Parent		2,995		2,995
Return of Capital to Parent		(18,521)		(18,521)
Common Stock Dividends			(5,000)	(5,000)
Net Income			10,814	10,814
TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2023	$ 1,000	$ 127,158	$ 18,952	$ 147,110

See Notes to Financial Statements beginning on page 9.

AEP GENERATING COMPANY
BALANCE SHEETS
ASSETS
December 31, 2023 and 2022
(in thousands)

	December 31, 2023	December 31, 2022
CURRENT ASSETS		
Accounts Receivable:		
Affiliated Companies	$ 17,968	$ 37,300
Total Accounts Receivable	17,968	37,300
Fuel	88,059	46,523
Materials and Supplies	18,551	18,195
Prepayments and Other Current Assets	2,584	10,274
TOTAL CURRENT ASSETS	127,162	112,292
PROPERTY, PLANT AND EQUIPMENT		
Electric Generation	1,361,391	1,334,839
Other Property, Plant and Equipment	41,452	38,725
Construction Work in Progress	8,095	9,215
Total Property, Plant and Equipment	1,410,938	1,382,779
Accumulated Depreciation and Amortization	1,067,404	1,005,478
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	343,534	377,301
OTHER NONCURRENT ASSETS		
Regulatory Assets	1,474	2,470
Operating Lease Assets	6,288	8,450
Deferred Income Taxes	24,835	—
Deferred Charges and Other Noncurrent Assets	17,156	10,076
TOTAL OTHER NONCURRENT ASSETS	49,753	20,996
TOTAL ASSETS	$ 520,449	$ 510,589

See Notes to Financial Statements beginning on page 9.

AEP GENERATING COMPANY
BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
December 31, 2023 and 2022

	December 31, 2023	December 31, 2022
CURRENT LIABILITIES	(in thousands)	
Advances from Affiliates	$ 36,367	$ 3,695
Accounts Payable:		
General	3,220	2,428
Affiliated Companies	8,412	25,627
Long-term Debt Due Within One Year – Nonaffiliated	90,000	5,000
Accrued Taxes	12,424	7,081
Obligations Under Finance Leases	6,279	2,356
Obligations Under Operating Leases	4,321	4,199
Other Current Liabilities	4,836	3,500
TOTAL CURRENT LIABILITIES	165,859	53,886
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	64,480	149,332
Deferred Income Taxes	—	1,351
Regulatory Liabilities and Deferred Investment Tax Credits	94,682	99,720
Asset Retirement Obligations	30,382	24,919
Obligations Under Operating Leases	1,549	3,965
Deferred Credits and Other Noncurrent Liabilities	16,387	20,594
TOTAL NONCURRENT LIABILITIES	207,480	299,881
TOTAL LIABILITIES	373,339	353,767
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – Par Value – $1,000 Per Share:		
Authorized – 1,000 Shares		
Outstanding – 1,000 Shares	1,000	1,000
Paid-in Capital	127,158	142,684
Retained Earnings	18,952	13,138
TOTAL COMMON SHAREHOLDER'S EQUITY	147,110	156,822
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 520,449	$ 510,589

See Notes to Financial Statements beginning on page 9.

AEP GENERATING COMPANY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(in thousands)

	Years Ended December 31, 2023	2022
OPERATING ACTIVITIES		
Net Income	$ 10,814	$ 13,671
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	59,731	171,989
Deferred Income Taxes	(22,572)	(22,261)
Deferred Investment Tax Credits	—	(1,806)
Allowance for Equity Funds Used During Construction	(4)	(172)
Change in Other Noncurrent Assets	(11,865)	2,735
Change in Other Noncurrent Liabilities	(2,272)	(8,185)
Changes in Certain Components of Working Capital:		
Accounts Receivable	19,332	(5,692)
Fuel, Materials and Supplies	(41,892)	12,700
Accounts Payable	(16,465)	15,483
Accrued Taxes, Net	8,218	(1,043)
Other Current Assets	4,800	(5,382)
Other Current Liabilities	(4,365)	(10,039)
Net Cash Flows from Operating Activities	3,460	161,998
INVESTING ACTIVITIES		
Construction Expenditures	(13,112)	(14,170)
Change in Advances to Affiliates, Net	—	64,690
Other Investing Activities	—	849
Net Cash Flows from (Used for) Investing Activities	(13,112)	51,369
FINANCING ACTIVITIES		
Capital Contribution from Parent	2,995	1,697
Return of Capital to Parent	(18,521)	(24,500)
Issuance of Long-term Debt – Nonaffiliated	—	44,484
Change in Advances from Affiliates, Net	32,672	3,695
Retirement of Long-term Debt – Nonaffiliated	—	(85,000)
Principal Payments for Finance Lease Obligations	(2,454)	(125,998)
Dividends Paid on Common Stock	(5,000)	(27,768)
Other Financing Activities	(40)	23
Net Cash Flows from (Used for) Financing Activities	9,652	(213,367)
Net Change in Cash and Cash Equivalents	—	—
Cash and Cash Equivalents at Beginning of Period	—	—
Cash and Cash Equivalents at End of Period	$ —	$ —
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 7,603	$ 5,016
Net Cash Paid for Income Taxes	22,159	10,965
Noncash Acquisitions Under Finance Leases	1,803	45
Construction Expenditures Included in Current Liabilities as of December 31,	8	(35)

See Notes to Financial Statements beginning on page 9.

INDEX OF NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

AEGCo engages in the generation and wholesale sale of electric power to I&M. AEGCo and I&M co-own Rockport Plant, Unit 1. Prior to December 8, 2022, Rockport Plant, Unit 2 was owned by a third-party and leased to I&M and AEGCo. At the expiration of the lease in December 2022, AEGCo and I&M purchased 100% of the interests in Rockport Plant, Unit 2, each having 50% ownership. I&M operates the Rockport Plant.

AEGCo's operating revenues were derived from the sale of Rockport Plant energy and capacity to I&M and KPCo pursuant to FERC-approved long-term UPAs through December 7, 2022. Under the terms of its UPA between AEGCo and I&M, I&M agreed to purchase all of AEGCo's Rockport Plant energy and capacity unless it is sold to another utility. I&M assigned 30% of its rights to AEGCo's energy and capacity to KPCo. Pursuant to I&M's assignment, AEGCo and KPCo entered into a UPA that expired at the end of the Rockport Plant, Unit 2 lease term on December 7, 2022. Beginning on December 8, 2022, all of AEGCo's Rockport Plant energy and capacity is sold to I&M under the UPA.

The AEGCo and I&M UPAs provide for a FERC-approved rate of return on common equity, a return on other capital (net of temporary cash investments) and recovery of costs including operation and maintenance, fuel and taxes. Under the terms of the UPAs, AEGCo accumulates all expenses monthly and bills I&M. In the month the expenses are incurred, AEGCo recognizes the billing revenues and establishes a receivable from I&M.

AEGCo also owns CCT which performs coal transloading services for I&M and railcar maintenance services for I&M, PSO and SWEPCo.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rates and Service Regulation

The FERC regulates AEGCo's rates and affiliated transactions, including AEPSC intercompany service billings which are generally at cost, under the 2005 Public Utility Holding Company Act and the Federal Power Act. The FERC also has jurisdiction over certain 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. For non-power goods and services, the FERC requires a nonregulated affiliate to bill an affiliated public utility company at no more than market while a public utility must bill the higher of cost or market to a nonregulated affiliate. 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.

The FERC regulates wholesale power markets and wholesale power transactions. AEGCo's wholesale power transactions are generally cost-based regulated under FERC-approved UPAs.

Accounting for the Effects of Cost-Based Regulation

As a rate-regulated electric public utility company, AEGCo'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," AEGCo records regulatory assets (deferred expenses) and regulatory liabilities (deferred revenue reductions or refunds) to reflect the economic effects of regulation in the same accounting period by matching expenses with their recovery through regulated revenues and by matching income with its passage to customers in cost-based regulated rates.

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, inventory valuation, long-lived asset impairment, the effects of regulation, long-lived asset recovery and the effects of contingencies. 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.

Inventory

Fossil fuel inventories and materials and supplies inventories are carried at average cost.

Property, Plant and Equipment

Electric utility property, plant and equipment are stated at original cost. Additions, major replacements and betterments are added to the plant accounts. Under the group composite method of depreciation, continuous interim routine replacements of items such as boiler tubes, pumps, motors, etc. result in original cost retirements, less salvage, being charged to accumulated depreciation. The group composite method of depreciation assumes that on average, asset components are retired at the end of their useful lives and thus there is no gain or loss. The equipment in each primary electric plant account is identified as a separate group. The depreciation rates that are established take into account the past history of interim capital replacements and the amount of removal cost incurred and salvage received. These rates and the related lives are subject to periodic review. Removal costs accrued are typically recorded as regulatory liabilities when the revenue received for removal costs accrued exceeds actual removal costs incurred. The asset removal costs liability is relieved as removal costs are incurred. A regulatory asset balance will occur if actual removal costs incurred exceed accumulated removal costs accrued.

The costs of labor, materials and overhead incurred to operate and maintain plant and equipment are included in operating expenses.

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." When it becomes probable that an asset in-service or an asset under construction will be abandoned and regulatory cost recovery has been disallowed or is not probable, the cost of that asset shall be written down to its then current estimated fair value, with the change charged to expense, and the asset is removed from plant-in-service or CWIP.

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.

Allowance for Funds Used During Construction

AFUDC represents the estimated cost of borrowed and equity funds used to finance construction projects that is capitalized and recovered through depreciation over the service life of regulated electric utility plant. AEGCo records the equity component of AFUDC in Allowance for Equity Funds Used During Construction and the debt component of AFUDC as a reduction to Interest Expense.

Asset Retirement Obligations (ARO)

AEGCo records ARO in accordance with the accounting guidance for "Asset Retirement and Environmental Obligations" for legal obligations for asbestos removal and for the retirement of certain ash disposal facilities. AROs are computed as the present value of the estimated costs associated with the future retirement of an asset and are recorded in the period in which the liability is incurred. Estimates of the timing and amounts of future cash outlays are based on projections of when and how the assets will be decommissioned, inflation and discount rate, which may change significantly over time. The estimated costs are capitalized as part of the related long-lived asset and depreciated over the asset's useful life.

Valuation of Nonderivative Financial Instruments

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

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 management performs its own valuation testing to verify the fair values of the securities. AEP receives audit reports of the trustee's operating controls and valuation processes.

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.

Revenue Recognition and Accounts Receivable

Under terms of the UPAs, AEGCo accumulates all expenses monthly and prepares bills for its affiliates. In the month the expenses are incurred, AEGCo recognizes the billing revenues and establishes receivables from the affiliate companies. On December 7, 2022, the UPA between AEGCo and KPCo ended upon termination of the Rockport Plant, Unit 2 lease. Beginning December 8, 2022, AEGCo billed 100% of its share of power and capacity costs related to the Rockport Plant to I&M and ceased billing to KPCo.

AEGCo also accumulates costs for its CCT division and prepares bills monthly for both affiliated and nonaffiliated companies.

Maintenance

Maintenance costs are expensed as incurred.

Income Taxes and Investment Tax Credits

AEGCo 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.

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

AEGCo applies deferral methodology for the recognition of ITC. Deferred ITC is amortized to income tax expense over the life of the asset. 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 AEGCo is able to utilize the ITC on a stand-alone basis.

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

AEGCo joins in the filing of a consolidated federal income tax return with its affiliates in the AEP System. The benefit of current tax loss of the parent company (Parent Company Loss Benefit) to the AEP System subsidiaries is accounted for as an allocation through equity. The consolidated NOL of the AEP System is allocated for each company in the consolidated group with taxable loss. With the exception of the allocation of the consolidated AEP System NOL, the loss of the Parent and tax credits, the method of allocation reflects a separate return result for each company in the consolidated group.

Debt

Gains and losses from the reacquisition of debt used to finance AEGCo's plants are deferred and amortized over the remaining term of the reacquired debt in accordance with their rate-making treatment unless the debt is refinanced. If the reacquired debt is refinanced, the reacquisition costs are generally deferred and amortized over the term of the replacement debt consistent with its recovery in rates.

Debt discounts, premiums and debt issuance expenses are deferred and amortized generally utilizing the straight-line method over the term of the related debt. The straight-line method approximates the effective interest method and is consistent with the treatment in rates for regulated operations. The net amortization expense is included in Interest Expense on the statements of income.

Pension and OPEB Plans

AEGCo participates in an AEPSC sponsored qualified pension plan and an unfunded non-qualified pension plan. Substantially all of AEGCo's employees who are not UMWA members are covered by the qualified plan. UMWA pension benefits are provided through the United Mine Workers of America 1974 Pension Plan, a multiemployer plan, to CCT employees who are not covered by the qualified plan. AEGCo also participates in OPEB plans sponsored by AEPSC to provide health and life insurance benefits for retired employees. AEGCo accounts for its participation in the AEPSC sponsored pension and OPEB plans using multiple-employer accounting. See Note 6 - Benefit Plans for additional information including significant accounting policies associated with the plans.

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.

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:

Pension Plan Assets	**Target**
Equity	30 %
Fixed Income	54 %
Other Investments	15 %
Cash and Cash Equivalents	1 %

OPEB Plans Assets	**Target**
Equity	58 %
Fixed Income	41 %
Cash and Cash Equivalents	1 %

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 or certain commingled funds). 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 generally 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 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.

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 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 investments.

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, 2023 and 2022, the fair value of securities on loan as part of the program was $62 million and $83 million, respectively. Cash and securities obtained as collateral exceeded the fair value of the securities loaned as of December 31, 2023 and 2022.

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.

Earnings Per Share (EPS)

AEGCo is a wholly-owned subsidiary of AEP. Therefore, AEGCo is not required to report EPS.

Out of Period Adjustments

In the first quarter of 2022, AEG recorded out of period correcting entries related to Deferred Income Taxes resulting in a $2.1 million increase in Income Before Income Tax Expense, a $1.7 million increase in Income Tax Expense and a $401 thousand increase in Net Income. Management concluded the error and subsequent correction was not material to prior or current period financial statements.

Subsequent Events

Management reviewed subsequent events through February 26, 2024, the date that AEGCo's 2023 annual report was available to be issued.

2. NEW ACCOUNTING STANDARDS

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

ASU 2023-09 "Improvements to Income Tax Disclosures" (ASU 2023-09)

In December 2023, the FASB issued ASU 2023-09, to address investors' suggested enhancements to (a) better understand an entity's exposure to potential changes in jurisdictional tax legislation and the ensuing risks and opportunities, (b) assess income tax information that affects cash flow forecasts and capital allocation decisions and (c) identify potential opportunities to increase future cash flows.

The new standard requires an annual rate reconciliation disclosure of the following categories regardless of materiality: state and local income tax net of federal income tax effect, foreign tax effects, effect of changes in tax laws or rates enacted in the current period, effect of cross-border tax laws, tax credits, changes in valuation allowances, nontaxable or nondeductible items and changes in unrecognized tax benefits.

The new standard also requires an annual disclosure of the amount of income taxes paid (net of refunds received) disaggregated by federal, state and foreign taxes and by individual jurisdictions that are equal to or greater than 5 percent of total income taxes paid. Disclosure of income (loss) from continuing operations before income tax expense (benefit) disaggregated between domestic and foreign jurisdictions and income tax expense (benefit) from continuing operations disaggregated by federal, state, and foreign jurisdictions is required.

The new standard removes the requirement to disclose the cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures.

The amendments in the new standard may be applied on either a prospective or retrospective basis for public business entities for fiscal years beginning after December 15, 2024 with early adoption permitted. Management has not yet made a decision to early adopt the amendments to this standard or how to apply them.

3. RATE MATTERS

Request to Update AEGCo Depreciation Rates

In October 2022, AEP, on behalf of AEGCo, submitted proposed revisions to AEGCo's depreciation rates for its 50% ownership interest in Rockport Plant, Unit 1 and Unit 2, reflected in the UPA between AEGCo and I&M. The proposed depreciation rates for these assets reflect an estimated 2028 retirement date for the Rockport Plant. AEGCo's previous FERC-approved depreciation rates for Rockport Plant, Unit 1 were based upon a December 31, 2028 estimated retirement date while AEGCo's previous FERC-approved depreciation rates for Rockport Plant, Unit 2 leasehold improvements were based upon a December 31, 2022 estimated retirement date in conjunction with the termination of the Rockport Plant, Unit 2 lease.

In December 2022, the FERC issued an order approving the proposed AEGCo Rockport depreciation rates effective January 1, 2023, subject to further review and a potential refund. The FERC established a separate proceeding to review: (a) AEGCo's acquisition value for the Rockport Plant, Unit 2 base generating asset (original cost and accumulated depreciation), (b) the appropriateness of including future capital additions as stated components in proposed depreciation rates, in light of the UPA's formula rate mechanism, (c) the appropriateness of applying two different depreciation rates to a single asset common to both units and (d) the accounting and regulatory treatment of Rockport Plant, Unit 2 costs of removal and related AROs. In August 2023, AEGCo reached a settlement agreement with the FERC Trial Staff that resolves all issues set for hearing. In September 2023, the settlement agreement was certified to the FERC as uncontested. An order from the FERC on this settlement agreement is expected in 2024. If the FERC finalizes the settlement agreement as proposed, management anticipates the results of the order will not have a material impact on financial condition, results of operations or cash flows.

4. EFFECTS OF REGULATION

Regulatory assets and liabilities are comprised of the following items:

Regulatory Assets:	December 31, 2023	2022	Remaining Recovery Period
	(in thousands)		
Noncurrent Regulatory Assets			
Regulatory assets approved for recovery:			
Regulatory Assets Currently Earning a Return			
Asset Retirement Obligation	$ 1,197	$ 2,018	5 years
Total Regulatory Assets Currently Earning a Return	1,197	2,018	
Regulatory Assets Currently Not Earning a Return			
Unamortized Loss on Reacquired Debt	277	452	2 years
Total Regulatory Assets Currently Not Earning a Return	277	452	
Total Regulatory Assets Approved for Recovery	1,474	2,470	
Total Noncurrent Regulatory Assets	$ 1,474	$ 2,470	

Regulatory Liabilities:	December 31, 2023	2022	Remaining Refund Period
	(in thousands)		
Noncurrent Regulatory Liabilities			
Regulatory liabilities approved for payment:			
Regulatory Liabilities Currently Paying a Return			
Rockport Plant, Unit 2 Accelerated Depreciation for Leasehold Improvements	$ 44,793	$ 53,752	5 years
Asset Removal Costs	21,851	22,366	(a)
Income Taxes, Net (b)	18,317	14,703	(c)
Total Regulatory Liabilities Currently Paying a Return	84,961	90,821	
Regulatory Liabilities Currently Not Paying a Return			
Pension and OPEB Funded Status	7,268	3,396	12 years
UMWA Pension Withdrawal	2,453	5,503	2 years
Total Regulatory Liabilities Currently Not Paying a Return	9,721	8,899	
Total Regulatory Liabilities Approved for Payment	94,682	99,720	
Total Noncurrent Regulatory Liabilities	$ 94,682	$ 99,720	

(a) Relieved as removal costs are incurred.

(b) Predominately pays a return due to the inclusion of Excess ADIT in rate base.

(c) Refunded over the period for which the related deferred income tax reverse, which is generally based on the expected life for the underlying assets. Excess ADIT Associated with Certain Depreciable Property is refunded over the remaining depreciable life of the underlying assets.

5. COMMITMENTS, GUARANTEES AND CONTINGENCIES

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

For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements.

COMMITMENTS

In accordance with the accounting guidance for "Commitments", AEGCo had no contractual commitments as of December 31, 2023.

GUARANTEES

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

Indemnifications and Other Guarantees

Contracts

AEGCo 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, 2023, there were no material liabilities recorded for any indemnifications.

Lease Obligations

AEGCo leases certain equipment under master lease agreements. See "Master Lease Agreements" section of Note 9 for additional information.

CONTINGENCIES

Insurance and Potential Losses

AEGCo maintains insurance coverage normal and customary for electric utilities, subject to various deductibles. AEGCo also maintains property and casualty insurance that may cover certain physical damage or third-party injuries caused by cyber security incidents. Insurance coverage includes all risks of physical loss or damage to assets, subject to insurance policy conditions and exclusions. Covered property generally includes power plants, substations, facilities and inventories. The insurance programs also generally provide coverage against loss arising from certain claims made by third-parties and are in excess of AEGCo's retentions. Coverage is generally provided by a combination of the protected cell of EIS 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, including, but not limited to, liabilities relating to a cyber security incident. Future losses or liabilities, if they occur, which are not completely insured, unless recovered from customers, could reduce future net income and cash flows and impact financial condition.

The Comprehensive Environmental Response Compensation and Liability Act (Superfund) and State Remediation

By-products from the generation of electricity include materials such as ash, slag and sludge. Coal combustion by-products, which constitute the overwhelming percentage of these materials, are typically treated and deposited in captive disposal facilities or are beneficially utilized. In addition, the generation plants and transmission facilities have used asbestos, polychlorinated biphenyls and other hazardous and non-hazardous materials. AEGCo currently incurs costs to dispose of these substances safely.

Superfund addresses clean-up of hazardous substances that are released to the environment. The Federal EPA administers the clean-up programs. Several states enacted similar laws. Superfund does not recognize compliance as a defense, but imposes strict liability on parties who fall within its broad statutory categories. Present estimates do not anticipate material clean-up costs.

6. 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.

AEGCo participates in an AEPSC sponsored qualified pension plan. Substantially all of AEGCo's employees who are not UMWA members are covered by the qualified plan. AEGCo also participates in OPEB plans sponsored by AEPSC to provide health and life insurance benefits for retired employees.

AEGCo recognizes its 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. AEGCo recognizes an asset for a plan's overfunded status or a liability for a plan's underfunded status and recognizes, as a component of other comprehensive income, the changes in the funded status of the plan that arise during the year that are not recognized as a component of net periodic benefit cost. AEGCo records a regulatory asset or regulatory liability instead of other comprehensive income for qualifying benefit costs of regulated operations that for rate-making purposes are deferred for future recovery. The cumulative funded status adjustment is equal to the remaining unrecognized deferrals for unamortized actuarial losses or gains, prior service costs and transition obligations, such that remaining deferred costs result in a regulatory asset and deferred gains result in a regulatory liability.

Actuarial Assumptions for Benefit Obligations

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

	Pension Plan		OPEB	
	December 31,			
Assumption	**2023**	**2022**	**2023**	**2022**
Discount Rate	5.15 %	5.50 %	5.15 %	5.50 %
Interest Crediting Rate	4.00 %	4.25 %	NA	NA
Rate of Compensation Increase	4.80 % (a)	4.75 % (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 2023, the rate of compensation increase assumed varies with the age of the employee, ranging from 3% per year to 11.5% per year, with an average increase of 4.8%.

Actuarial Assumptions for Net Periodic Benefit Costs

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

	Pension Plan		OPEB	
	Year Ended December 31,			
Assumption	**2023**	**2022**	**2023**	**2022**
Discount Rate	5.50 %	2.90 %	5.50 %	2.90 %
Interest Crediting Rate	4.25 %	4.00 %	NA	NA
Expected Return on Plan Assets	7.50 %	5.25 %	7.25 %	5.50 %
Rate of Compensation Increase	4.80 % (a)	4.75 % (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, 2023	December 31, 2022
Initial	7.00 %	7.50 %
Ultimate	4.50 %	4.50 %
Year Ultimate Reached	2030	2029

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. The plans are monitored to control security diversification and ensure compliance with the investment policy. As of December 31, 2023, 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, 2023, the pension plans had an actuarial gain primarily due to a favorable demographic experience (updated census data on January 1, 2023) and decreasing the cash balance account interest crediting rate. For the year ended December 31, 2023, the OPEB plans had an actuarial gain primarily due to favorable demographic experience (updated census data on January 1, 2023) and updated per capita cost assumptions. These gains were partially offset by the decrease in discount rates. For the year ended December 31, 2022, the pension plans had an actuarial gain primarily due to an increase in the discount rate and was partially offset by increases in the assumed lump sum conversion rate and cash balance account interest crediting rate. For the year ended December 31, 2022, the OPEB plans had an actuarial gain primarily due to the increase in the discount rate and updated per capita cost assumptions. The gains were partially offset by a projected reduction in the Employer Group Waiver Program catastrophic reinsurance offset provided to AEP, resulting from the Inflation Reduction Act as well as an increase in the health care cost trend assumption. The following table provides a reconciliation of the changes in the plans' benefit obligations, fair value of plan assets, funded status and the presentation on the balances sheets. The benefit obligation for the defined benefit pension and OPEB plans are the projected benefit obligation and the accumulated benefit obligation, respectively.

	Pension Plan		OPEB	
	2023	2022	2023	2022
Change in Benefit Obligation	(in thousands)			
Benefit Obligation as of January 1,	$ 2,585	$ 3,486	$ 38,410	$ 55,062
Service Cost	61	90	291	790
Interest Cost	124	92	2,011	1,607
Actuarial Gain	(133)	(897)	(715)	(17,535)
Benefit Payments	(349)	(186)	(2,359)	(1,602)
Participant Contributions	—	—	36	38
Medicare Subsidy	—	—	153	50
Benefit Obligation as of December 31,	$ 2,288	$ 2,585	$ 37,827	$ 38,410
Change in Fair Value of Plan Assets				
Fair Value of Plan Assets as of January 1,	$ 4,126	$ 5,302	$ 46,702	$ 55,845
Actual Gain (Loss) on Plan Assets	176	(990)	6,444	(9,071)
Company Contributions	—	—	2,260	1,492
Participant Contributions	—	—	36	38
Benefit Payments	(349)	(186)	(2,359)	(1,602)
Fair Value of Plan Assets as of December 31,	$ 3,953	$ 4,126	$ 53,083	$ 46,702
Funded Status as of December 31,	$ 1,665	$ 1,541	$ 15,256	$ 8,292

Amounts Recognized on the Balance Sheets

	Pension Plan		OPEB	
	December 31,			
	2023	2022	2023	2022
	(in thousands)			
Deferred Charges and Other Noncurrent Assets – Prepaid Benefit Costs	$ 1,665	$ 1,541	$ 15,256	$ 8,292
Funded Status	$ 1,665	$ 1,541	$ 15,256	$ 8,292

Amounts Included in Regulatory Assets and Regulatory Liabilities

The following tables show the components of the plans included in Regulatory Assets and the items attributable to the change in these components:

	Pension Plan		OPEB	
	December 31,			
	2023	2022	2023	2022
Components	(in thousands)			
Net Actuarial Gain	$ (1,177)	$ (1,193)	$ (6,070)	$ (2,120)
Prior Service Credit	—	—	(21)	(83)
Recorded as				
Regulatory Liabilities	$ (1,177)	$ (1,193)	$ (6,091)	$ (2,203)

	Pension Plan		OPEB	
	2023	2022	2023	2022
Components	(in thousands)			
Actuarial (Gain) Loss During the Year	$ 16	$ 330	$ (3,939)	$ (5,700)
Amortization of Actuarial Loss	—	(37)	(11)	—
Amortization of Prior Service Credit	—	—	62	69
Change for the Year Ended December 31,	$ 16	$ 293	$ (3,888)	$ (5,631)

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.

Pension and OPEB Assets

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

Pension Plan		OPEB	
December 31,			
2023	2022	2023	2022
0.1 %	0.1 %	3.2 %	3.0 %

The following table presents the classification of pension plan assets for AEP within the fair value hierarchy as of December 31, 2023:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in millions)			
Equities (a):						
Domestic	$ 411.3	$ —	$ —	$ —	$ 411.3	10.0 %
International	389.8	—	—	—	389.8	9.5 %
Common Collective Trusts (b)	—	—	—	420.9	420.9	10.2 %
Subtotal – Equities	801.1	—	—	420.9	1,222.0	29.7 %
Fixed Income (a):						
United States Government and Agency Securities	8.3	1,099.2	—	—	1,107.5	26.9 %
Corporate Debt	—	894.8	—	—	894.8	21.7 %
Foreign Debt	—	167.1	—	—	167.1	4.1 %
State and Local Government	—	38.7	—	—	38.7	0.9 %
Other – Asset Backed	—	1.3	—	—	1.3	— %
Subtotal – Fixed Income	8.3	2,201.1	—	—	2,209.4	53.6 %
Infrastructure (b)	—	—	—	101.4	101.4	2.5 %
Real Estate (b)	—	—	—	239.3	239.3	5.8 %
Alternative Investments (b)	—	—	—	241.8	241.8	5.8 %
Cash and Cash Equivalents (b)	—	51.0	—	33.8	84.8	2.1 %
Other – Pending Transactions and Accrued Income (c)	—	—	0.1	19.4	19.5	0.5 %
Total	$ 809.4	$ 2,252.1	$ 0.1	$ 1,056.6	$ 4,118.2	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 represent investments for which fair value is measured using net asset value per-share.
(c) Amounts in "Other" column primarily represent accrued interest, dividend receivables and transactions pending settlement.

The following table presents the classification of OPEB plan assets for AEP within the fair value hierarchy as of December 31, 2023:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in millions)			
Equities:						
Domestic	$ 540.6	$ —	$ —	$ —	$ 540.6	32.3 %
International	288.4	—	—	—	288.4	17.2 %
Common Collective Trusts (a)	—	—	—	131.6	131.6	7.9 %
Subtotal – Equities	829.0	—	—	131.6	960.6	57.4 %
Fixed Income:						
Common Collective Trust – Debt (a)	—	—	—	146.7	146.7	8.8 %
United States Government and Agency Securities	1.4	163.3	—	—	164.7	9.8 %
Corporate Debt	—	149.0	—	—	149.0	8.9 %
Foreign Debt	—	28.6	—	—	28.6	1.7 %
State and Local Government	41.5	7.8	—	—	49.3	3.0 %
Other – Asset Backed	—	0.2	—	—	0.2	— %
Subtotal – Fixed Income	42.9	348.9	—	146.7	538.5	32.2 %
Trust Owned Life Insurance:						
International Equities	—	22.3	—	—	22.3	1.3 %
United States Bonds	—	130.0	—	—	130.0	7.8 %
Subtotal – Trust Owned Life Insurance	—	152.3	—	—	152.3	9.1 %
Cash and Cash Equivalents (a)	25.9	—	—	2.9	28.8	1.7 %
Other – Pending Transactions and Accrued Income (b)	—	—	—	(6.9)	(6.9)	(0.4)%
Total	$ 897.8	$ 501.2	$ —	$ 274.3	$ 1,673.3	100.0 %

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

The following table presents the classification of pension plan assets for AEP within the fair value hierarchy as of December 31, 2022:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in millions)			
Equities (a):						
Domestic	$ 347.6	$ —	$ —	$ —	$ 347.6	8.4 %
International	398.4	—	—	—	398.4	9.7 %
Common Collective Trusts (b)	—	—	—	379.9	379.9	9.2 %
Subtotal – Equities	746.0	—	—	379.9	1,125.9	27.3 %
Fixed Income (a):						
United States Government and Agency Securities	(0.6)	1,071.4	—	—	1,070.8	26.0 %
Corporate Debt	—	891.7	—	—	891.7	21.6 %
Foreign Debt	—	140.2	—	—	140.2	3.4 %
State and Local Government	—	37.0	—	—	37.0	0.9 %
Other – Asset Backed	—	0.8	—	—	0.8	— %
Subtotal – Fixed Income	(0.6)	2,141.1	—	—	2,140.5	51.9 %
Infrastructure (b)	—	—	—	109.2	109.2	2.6 %
Real Estate (b)	—	—	—	276.9	276.9	6.7 %
Alternative Investments (b)	—	—	—	319.7	319.7	7.8 %
Cash and Cash Equivalents (b)	—	64.9	—	58.3	123.2	3.0 %
Other – Pending Transactions and Accrued Income (c)	—	—	—	29.3	29.3	0.7 %
Total	$ 745.4	$ 2,206.0	$ —	$ 1,173.3	$ 4,124.7	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 represent investments for which fair value is measured using net asset value per-share.
(c) Amounts in "Other" column primarily represent accrued interest, dividend receivables and transactions pending settlement.

The following table presents the classification of OPEB plan assets for AEP within the fair value hierarchy as of December 31, 2022:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
			(in millions)			
Equities:						
Domestic	$ 414.1	$ —	$ —	$ —	$ 414.1	26.7 %
International	265.0	—	—	—	265.0	17.1 %
Common Collective Trusts (a)	—	—	—	169.1	169.1	10.9 %
Subtotal – Equities	679.1	—	—	169.1	848.2	54.7 %
Fixed Income:						
Common Collective Trust – Debt (a)	—	—	—	120.3	120.3	7.8 %
United States Government and Agency Securities	0.1	155.8	—	—	155.9	10.1 %
Corporate Debt	—	141.5	—	—	141.5	9.1 %
Foreign Debt	—	21.0	—	—	21.0	1.4 %
State and Local Government	62.9	7.8	—	—	70.7	4.6 %
Subtotal – Fixed Income	63.0	326.1	—	120.3	509.4	33.0 %
Trust Owned Life Insurance:						
International Equities	—	46.7	—	—	46.7	3.0 %
United States Bonds	—	110.3	—	—	110.3	7.1 %
Subtotal – Trust Owned Life Insurance	—	157.0	—	—	157.0	10.1 %
Cash and Cash Equivalents (a)	23.2	—	—	6.7	29.9	1.9 %
Other – Pending Transactions and Accrued Income (b)	—	—	—	4.8	4.8	0.3 %
Total	$ 765.3	$ 483.1	$ —	$ 300.9	$ 1,549.3	100.0 %

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

Accumulated Benefit Obligation

As of December 31, 2023 and 2022, the accumulated benefit obligation for the qualified pension plan was $2.2 million and $2.5 million, respectively.

Estimated Future Benefit Payments and Contributions

Contributions to the pension trust, when needed, are at least the minimum amount required by the Employee Retirement Income Security Act and additional discretionary contributions may also be made to maintain the funded status of the plan.

The table below reflects the total benefits expected to be paid from the plan or from AEGCo'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:

	Pension Plan	OPEB	
	Pension Payments	Benefit Payments	Medicare Subsidy Receipts
		(in thousands)	
2024	$ 181	$ 1,633	$ 83
2025	288	1,690	96
2026	169	1,755	107
2027	169	1,857	115
2028	172	1,959	121
Years 2029 to 2033, in Total	972	10,922	683

Components of Net Periodic Benefit Cost

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

	Pension Plan		OPEB	
	Years Ended December 31,			
	2023	2022	2023	2022
	(in thousands)			
Service Cost	$ 61	$ 90	$ 291	$ 790
Interest Cost	124	92	2,011	1,607
Expected Return on Plan Assets	(326)	(238)	(3,220)	(2,764)
Amortization of Prior Service Credit	—	—	(62)	(69)
Amortization of Net Actuarial Loss	—	37	11	—
Net Periodic Benefit Credit	$ (141)	$ (19)	$ (969)	$ (436)
Capitalized Portion	—	(3)	—	(27)
Net Periodic Benefit Credit Recognized in Expense	$ (141)	$ (22)	$ (969)	$ (463)

American Electric Power System Retirement Savings Plan

AEGCo participates in an AEPSC sponsored defined contribution retirement savings plan, the American Electric Power System Retirement Savings Plan, for substantially all employees who are not covered by a retirement savings plan of the UMWA. 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 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 $107 thousand in 2023 and $73 thousand in 2022.

UMWA Benefits

Health and Welfare Benefits

AEGCo provides health and welfare benefits negotiated with the UMWA for certain unionized employees, retirees and their survivors who meet eligibility requirements. AEGCo administers the health and welfare benefits and pays them from its general assets.

Multiemployer Pension Benefits

UMWA pension benefits are provided through the United Mine Workers of America 1974 Pension Plan (Employer Identification Number: 52-1050282, Plan Number 002), a multiemployer plan. The UMWA pension benefits are administered by a board of trustees appointed in equal numbers by the UMWA and the Bituminous Coal Operators' Association (BCOA), an industry bargaining association. AEP makes contributions to the United Mine Workers of America 1974 Pension Plan based on provisions in its labor agreement and the plan documents. The UMWA pension plan is different from single-employer plans as an employer's contributions may be used to provide benefits to employees of other participating employers. A withdrawing employer may be subject to a withdrawal liability, which is calculated based upon that employer's share of the plan's unfunded benefit obligations. If an employer fails to make required contributions or if its payments in connection with its withdrawal liability fall short of satisfying its share of the plan's unfunded benefit obligations, the remaining employers may be allocated a greater share of the remaining unfunded plan obligations. Under the Pension Protection Act of 2006 (PPA), the UMWA pension plan is in Critical Status for the plan year beginning July 1, 2023 and was in Critical Status for the plan year beginning July 1, 2022. As required under the PPA, the Plan adopted a Rehabilitation Plan in 2015. The Rehabilitation Plan has been updated annually, most recently in April 2023.

The amounts contributed were $396 thousand, $329 thousand and $339 thousand to the United Mine Workers of America 1974 Pension Plan for the years ended December 31, 2023, 2022 and 2021, respectively. The contributions did not include surcharges. An AEP affiliate, Cook Coal Terminal (CCT), was listed in the plan's 2021 Form 5500 as providing more than 5 percent of the total contributions for the plan year ending June 30, 2022. The plan's 2022 Form 5500 is expected to be filed in the second quarter of 2024.

Under the terms of the UMWA pension plan, contributions will be required to continue beyond the January 25, 2025 expiration of the current collective bargaining agreement, whether or not the term of that agreement is extended or a subsequent agreement is entered, so long as both the UMWA pension plan remains in effect and AEGCo continues to operate the CCT facility covered by the current collective bargaining agreement. The contribution rate applicable would be determined in accordance with the terms of the UMWA pension plan by reference to the National Bituminous Coal Wage Agreement, subject to periodic revisions, between the UMWA and the BCOA. If the UMWA pension plan would terminate or AEGCo would cease operation of the facility without arranging for a successor operator to assume its liability, the withdrawal liability obligation would be triggered.

AEGCo records a UMWA pension withdrawal liability on the balance sheet that is re-measured annually and is the estimated value of the company's anticipated contributions toward its proportionate share of the plan's unfunded vested liabilities. As of December 31, 2023 and 2022, the liability balance was $12.7 million and $12.4 million, respectively. AEGCo recovers the estimated value of its UMWA pension withdrawal liability through billings for transloading services to regulated affiliates. A regulatory asset is recorded on the balance sheet when the UMWA pension withdrawal liability exceeds the cumulative billings collected from regulated affiliates and a regulatory liability on the balance sheets when the cumulative billings collected exceed the withdrawal liability. As of December 31, 2023 and 2022, AEGCo recorded a regulatory liability on the balance sheets for $2.5 million and $5.5 million, respectively. If any portion of the UMWA pension withdrawal liability is not recovered from regulated affiliates, it could reduce AEGCo's future net income and cash flows and impact financial condition.

7. FAIR VALUE MEASUREMENTS

Fair Value Measurements of Long-term Debt

For a discussion of fair value accounting and the classification of assets and liabilities within the fair value hierarchy, see the "Fair Value Measurements of Assets and Liabilities" section of Note 1.

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

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

	December 31,			
	2023		2022	
	Book Value	Fair Value	Book Value	Fair Value
	(in thousands)			
Long-term Debt	$ 154,480	$ 151,291	$ 154,332	$ 149,895

8. INCOME TAXES

Income Tax Expense (Benefit)

The details of AEGCo's Income Tax Expense (Benefit) are as follows:

	Years Ended December 31, 2023	2022
	(in thousands)	
Federal:		
Current	$ 24,419	$ 13,997
Deferred	(22,597)	(24,068)
Total Federal	1,822	(10,071)
State and Local:		
Current	5,188	2,740
Deferred	26	1
Total State and Local	5,214	2,741
Income Tax Expense (Benefit)	$ 7,036	$ (7,330)

The following is a reconciliation between the federal income taxes computed by multiplying pretax income by the federal statutory tax rate and the income taxes reported:

	Years Ended December 31, 2023	2022
	(in thousands)	
Net Income	$ 10,814	$ 13,671
Income Tax Expense (Benefit)	7,036	(7,330)
Pretax Income	$ 17,850	$ 6,341
Income Taxes on Pretax Income at Statutory Rate (21%)	$ 3,748	$ 1,332
Increase (Decrease) in Income Taxes Resulting from the Following Items:		
Depreciation	243	516
Investment Tax Credit Amortization	—	(1,806)
State and Local Income Taxes, Net	4,118	2,166
Tax Reform Excess ADIT Reversal	(1,358)	(10,056)
Federal Return to Provision	111	371
Other	174	147
Income Tax Expense (Benefit)	$ 7,036	$ (7,330)
Effective Income Tax Rate	39.4 %	(115.6)%

Net Deferred Tax Asset (Liability)

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

	December 31,	
	2023	**2022**
	(in thousands)	
Deferred Tax Assets	$ 24,835	$ 17,214
Deferred Tax Liabilities	—	(18,565)
Net Deferred Tax Assets (Liabilities)	$ 24,835	$ (1,351)
Property Related Temporary Differences	$ 12,415	$ (10,314)
Amounts Due to Customers for Future Income Taxes	1,831	2,240
Deferred State Income Taxes	6,590	2,291
Regulatory Assets	165	732
Operating Lease Liability	1,172	1,714
Postretirement Benefits	2,996	3,115
All Other, Net	(334)	(1,129)
Net Deferred Tax Assets (Liabilities)	$ 24,835	$ (1,351)

Federal Income Tax Audit Status

The statute of limitations for the IRS to examine AEGCo and other AEP subsidiaries' originally filed federal return has expired for tax years 2016 and earlier. AEGCo and other AEP subsidiaries have agreed to extend the statute of limitations on the 2017-2019 tax returns to October 31, 2024, to allow time for our refund claim to be approved by the Congressional Joint Committee on Taxation. The statute of limitations for the 2020 return is set to naturally expire in October 2024 as well.

The current IRS audit and associated refund claim evolved from a net operating loss carryback to 2015 that originated in the 2017 return. AEGCo and other AEP subsidiaries have received and agreed to immaterial IRS proposed adjustments on the 2017 tax return. The IRS exam is complete, and AEGCo and other AEP subsidiaries are currently waiting on the IRS to submit the refund claim to the Congressional Joint Committee on Taxation for resolution and final approval.

9. LEASES

AEGCo leases property, plant and equipment. AEGCo's lease portfolio also includes fleet and real estate leases. These leases require payments of non-lease components, including related property taxes, operating and maintenance costs. AEGCo does not separate non-lease components from associated lease components. Many of these leases have purchase or renewal options. Leases not renewed are often replaced by other leases. Options to renew or purchase a lease are included in the measurement of lease assets and liabilities if it is reasonably certain that AEGCo will exercise the option.

Lease obligations are measured using the discount rate implicit in the lease when that rate is readily determinable. AEGCo has visibility into the rate implicit in the lease when assets are leased from selected financial institutions under master leasing agreements. When the implicit rate is not readily determinable, AEGCo measures its lease obligation using its estimated secured incremental borrowing rate. Incremental borrowing rates are comprised of an underlying risk-free rate and a secured credit spread relative to the lessee on a matched maturity basis.

Operating lease rentals and finance lease amortization costs are generally charged to Other Operation and Maintenance expense in accordance with rate-making treatment for regulated operations. The amortization costs related to the Rockport finance lease were charged to Depreciation and Amortization. Interest on finance lease liabilities is generally charged to Interest Expense. Lease costs associated with capital projects are included in Property, Plant and Equipment on the balance sheets. For regulated operations with finance leases, a finance lease asset and offsetting liability are recorded at the present value of the remaining lease payments for each reporting period. The components of rental costs were as follows:

Lease Rental Costs	**Years Ended December 31, 2023**	**2022**
	(in thousands)	
Operating Lease Cost	$ 4,625	$ 4,155
Finance Lease Cost:		
Amortization of Finance Leases	2,512	74,007
Interest on Finance Leases	801	1,491
Total Lease Rental Costs (a)	$ 7,938	$ 79,653

(a) Excludes variable and short-term lease costs, which were immaterial.

Supplemental information related to leases are shown in the tables below.

Lease Type	**Weighted-Average Remaining Lease Term (years): December 31, 2023**	**2022**	**Weighted-Average Discount Rate December 31, 2023**	**2022**
Operating Leases	2.24	1.93	5.00 %	3.61 %
Finance Leases	0.61	2.11	5.73 %	4.90 %

Cash Paid for Amounts Included in the Measurement of Lease Liabilities	**Years Ended December 31, 2023**	**2022**
	(in thousands)	
Operating Cash Flows Used for Operating Leases	$ 4,676	$ 4,163
Operating Cash Flows Used for Finance Leases	801	1,553
Financing Cash Flows Used for Finance Leases	2,454	125,998
Non-cash Acquisitions Under Operating Leases	$ 2,147	$ 7,712

The following tables show the property, plant and equipment under finance leases and noncurrent assets under operating leases and related obligations recorded on AEGCo's balance sheets. Unless shown as a separate line on the balance sheets due to materiality, net operating lease assets are included in Deferred Charges and Other Noncurrent Assets, current finance lease obligations are included in Other Current Liabilities and long-term finance lease obligations are included in Deferred Credits and Other Noncurrent Liabilities on AEGCo's balance sheets. Lease obligations are not recognized on the balance sheets for lease agreements with a lease term of less than twelve months.

	December 31,	
	2023	2022
	(in thousands)	
Property, Plant and Equipment Under Finance Leases		
Generation	$ 24,290	$ 24,444
Other Property, Plant and Equipment	2,606	881
Total Property, Plant and Equipment Under Finance Leases	26,896	25,325
Accumulated Amortization	17,105	14,825
Net Property, Plant and Equipment Under Finance Leases	$ 9,791	$ 10,500
Obligations Under Finance Leases		
Noncurrent Liability	$ 3,512	$ 8,144
Liability Due Within One Year	6,279	2,356
Total Obligations Under Finance Leases	$ 9,791	$ 10,500

	December 31,	
	2023	2022
	(in thousands)	
Operating Lease Assets	$ 6,288	$ 8,450
Obligations Under Operating Leases		
Noncurrent Liability	$ 1,549	$ 3,965
Liability Due Within One Year	4,321	4,199
Total Obligations Under Operating Leases	$ 5,870	$ 8,164

Future minimum lease payments consisted of the following as of December 31, 2023:

Future Minimum Lease Payments	Finance Leases	Operating Leases
	(in thousands)	
2024	$ 6,898	$ 4,510
2025	2,218	500
2026	275	487
2027	260	486
2028	258	249
After 2028	1,042	13
Total Future Minimum Lease Payments	10,951	6,245
Less: Imputed Interest	1,160	375
Estimated Present Value of Future Minimum Lease Payments	$ 9,791	$ 5,870

Master Lease Agreements

AEGCo 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, AEGCo 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, 2023, the maximum potential loss for these lease agreements was $25 thousand assuming the fair value of the equipment is zero at the end of the lease term.

Lessor Activity

AEGCo's lessor activity was immaterial as of and for the twelve months ended December 31, 2023 and December 31, 2022, respectively.

10. FINANCING ACTIVITIES

Long-term Debt

The following table details long-term debt outstanding:

Type of Debt	Maturity	Weighted-Average Interest Rate as of December 31, 2023	Interest Rate as of December 31, 2023	2022	Outstanding as of December 31, 2023	2022
					(in thousands)	
Pollution Control Bonds	2025 (a)	3.13%	3.13%	3.13%	$ 44,817	$ 44,751
Note Payable - Nonaffiliated	2028 (b)	2.43%	2.43%	2.43%	30,000	30,000
Other Long-term Debt	2024	6.82%	6.82%	5.80%	79,663	79,581
Total Long-term Debt Outstanding					$ 154,480	$ 154,332

(a) Certain Pollution Control Bonds are subject to redemption earlier than the maturity date.
(b) Date represents the scheduled final payment date for the note payable. Payments are due annually with the final payment due at maturity in 2028. This note has been classified for maturity and repayment purposes based on the scheduled final payment date.

As of December 31, 2023, outstanding long-term debt was payable as follows:

	2024	2025	2026	2027	2028	After 2028	Total
				(in thousands)			
Principal Amount	$ 90,000	$ 50,000	$ 5,000	$ 5,000	$ 5,000	$ —	$ 155,000
Debt Issuance Costs							(520)
Outstanding							$ 154,480

Dividend Restrictions

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

AEGCo has credit agreements that contain a covenant that limit its debt to capitalization ratio to 67.5%. As of December 31, 2023, AEGCo did not exceed its debt to capitalization limit. The method for calculating outstanding debt and capitalization is contractually-defined in the credit agreements.

As of December 31, 2023, the maximum amount of restricted net assets of AEGCo that may not be distributed to Parent in the form of a loan, advance or dividend was $97.1 million.

The credit agreement covenant restrictions can limit the ability of AEGCo to pay dividends out of retained earnings. As of December 31, 2023, there were no restrictions on AEGCo's ability to pay dividends out of retained earnings.

Corporate Borrowing Program – AEP System

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of AEP's subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds AEP's utility subsidiaries. The AEP System Utility Money Pool operates in accordance with the terms and conditions of the AEP System Utility Money Pool agreement filed with the FERC. The amounts of outstanding borrowings from the Utility Money Pool as of December 31, 2023 and 2022 are included in Advances from Affiliates on AEGCo's balance sheets. AEGCo's Utility Money Pool activity and corresponding authorized borrowing limits are described in the following table:

Years Ended December 31,	Maximum Borrowings from the Utility Money Pool	Maximum Loans to the Utility Money Pool	Average Borrowings from the Utility Money Pool	Average Loans to the Utility Money Pool	Net Borrowings from the Utility Money Pool as of December 31,	Authorized Short-Term Borrowing Limit
			(in thousands)			
2023	$ 55,232	$ 12,622	$ 26,397	$ 7,510	$ 36,367	$ 150,000
2022	3,695	174,682	1,123	124,089	3,695	150,000

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

Years Ended December 31,	Maximum Interest Rate for Funds Borrowed from the Utility Money Pool	Minimum Interest Rate for Funds Borrowed from the Utility Money Pool	Maximum Interest Rate for Funds Loaned to the Utility Money Pool	Minimum Interest Rate for Funds Loaned to the Utility Money Pool	Average Interest Rate for Funds Borrowed from the Utility Money Pool	Average Interest Rate for Funds Loaned to the Utility Money Pool
2023	5.81 %	4.66 %	5.18 %	4.97 %	5.64 %	5.10 %
2022	5.28 %	4.66 %	4.91 %	0.10 %	4.88 %	2.06 %

Interest expense and interest income related to the Utility Money Pool are included in Interest Expense and Interest Income, respectively, on AEGCo's statements of income. For amounts borrowed from and loaned to the Utility Money Pool, AEGCo incurred the following amounts of interest expense and earned the following amounts of interest income:

	Years Ended December 31, 2023	2022
	(in thousands)	
Interest Expense	$ 1,299	$ 3
Interest Income	51	2,431

11. RELATED PARTY TRANSACTIONS

For other related party transactions, also see "Income Taxes and Investment Tax Credits" section of Note 1 and "Corporate Borrowing Program – AEP System" section of Note 10.

Affiliated Revenues

AEGCo's revenues derived from sales to affiliates for the years ended December 31, 2023 and 2022 were $181.2 million and $334.8 million, respectively. These related party revenues are reported in Sales to AEP Affiliates on AEGCo's statements of income.

Unit Power Agreements

A UPA between AEGCo and I&M (the I&M Power Agreement) provides for the sale by AEGCo to I&M of all the power (and the energy associated therewith) available to AEGCo at the Rockport Plant unless it is sold to another utility. I&M is obligated, whether or not power is available from AEGCo, to pay as a demand charge for the right to receive such power (and as an energy charge for any associated energy taken by I&M) net of amounts received by AEGCo from any other sources, sufficient to enable AEGCo to pay all of its operating and other expenses, including a rate of return on the common equity of AEGCo as approved by the FERC. The UPA will continue in effect until the debt obligations of AEGCo secured by the Rockport Plant have been satisfied and discharged (currently expected to be December 2028).

Cook Coal Terminal

Cook Coal Terminal performs coal transloading and storage services at cost for I&M. AEGCo recorded revenues of $8.8 million and $9.2 million for the years ended December 31, 2023 and 2022, respectively, for transloading services provided. AEGCo included revenues for these services in Other Revenues - Affiliated on the statements of income.

Cook Coal Terminal also performs railcar maintenance services at cost for I&M, PSO and SWEPCo. AEGCo recorded revenues of $5.1 million and $3.8 million for the years ended December 31, 2023 and 2022, respectively, for railcar maintenance provided. AEGCo included revenues for these services in Other Revenues - Affiliated on the statements of income.

I&M Barging and Other Services

I&M provides barging and other transportation services to affiliates. AEGCo recorded expenses of $9.3 million and $11.3 million for the years ended December 31, 2023 and 2022, respectively, for barging services provided by I&M. These expenses were recorded in Fuel and Other Consumables Used for Electric Generation on AEGCo's statements of income.

Charitable Contributions to AEP Foundation

The American Electric Power Foundation is funded by American Electric Power and its utility operating units. The Foundation provides a permanent, ongoing resource for charitable initiatives and multi-year commitments in the communities served by AEP and initiatives outside of AEP's 11-state service area. In 2022, AEGCo made a $17 thousand charitable contribution to the AEP Foundation recorded in Other Operation on the statements of income. In 2023, there were no charitable contributions made to the AEP Foundation.

12. VARIABLE INTEREST ENTITIES

The accounting guidance for "Variable Interest Entities" is a consolidation model that considers if a company has a variable interest in a VIE. A VIE is a legal entity that possesses any of the following conditions: the entity's equity at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, equity owners are unable to direct the activities that most significantly impact the legal entity's economic performance (or they possess disproportionate voting rights in relation to the economic interest in the legal entity), or the equity owners lack the obligation to absorb the legal entity's expected losses or the right to receive the legal entity's expected residual returns. Entities are required to consolidate a VIE when it is determined that they have a controlling financial interest in a VIE and therefore, are the primary beneficiary of that VIE, as defined by the accounting guidance for "Variable Interest Entities." In determining whether AEGCo is the primary beneficiary of a VIE, management considers whether AEGCo has the power to direct the most significant activities of the VIE and is obligated to absorb losses or receive the expected residual returns that are significant to the VIE. Management believes that significant assumptions and judgments were applied consistently. AEGCo is not the primary beneficiary of any VIE and has not provided financial or other support to any VIE that was not previously contractually required.

AEPSC provides certain managerial and professional services to AEP's subsidiaries. Parent is the sole equity owner of AEPSC. AEP management controls the activities of AEPSC. The costs of the services are based on a direct-charge or on a prorated basis and billed to the AEP subsidiary companies at AEPSC's cost. AEP subsidiaries have not provided financial or other support outside the reimbursement of costs for services rendered. AEPSC finances its operations through cost reimbursement from other AEP subsidiaries. There are no other terms or arrangements between AEPSC and any of the AEP subsidiaries that could require additional financial support from an AEP subsidiary or expose them to losses outside of the normal course of business. AEPSC and its billings are subject to regulation by the FERC. AEP subsidiaries are exposed to losses to the extent they cannot recover the costs of AEPSC through their normal business operations. AEP subsidiaries are considered to have a significant interest in AEPSC due to their activity in AEPSC's cost reimbursement structure. However, AEP subsidiaries do not have control over AEPSC. AEPSC is consolidated by AEP. In the event AEPSC would require financing or other support outside the cost reimbursement billings, this financing would be provided by AEP. AEGCo's total billings from AEPSC for the years ended December 31, 2023 and 2022 were $948 thousand and $898 thousand, respectively. The carrying amount of liabilities associated with AEPSC as of December 31, 2023 and 2022 were $117 thousand and $107 thousand, respectively. Management estimates the maximum exposure of loss to be equal to the amount of such liability.

13. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment is shown functionally on the face of AEGCo's balance sheets. The following table includes AEGCo's total plant balances as of December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
	(in thousands)	
Regulated Property, Plant and Equipment		
Generation	$ 1,361,391	$ 1,334,839
Other	41,367	38,640
CWIP	8,095	9,215
Less: Accumulated Depreciation	1,067,404	1,005,478
Total Regulated Property, Plant and Equipment - Net	343,449	377,216
Nonregulated Property, Plant and Equipment - Net	85	85
Total Property, Plant and Equipment - Net	**$ 343,534**	**$ 377,301**

Depreciation

AEGCo provides for depreciation of Property, Plant and Equipment on a straight-line basis over the estimated useful lives of property, generally using composite rates by functional class. The following table provides total regulated annual composite depreciation rates and depreciable lives for AEGCo. Nonregulated depreciation rate ranges and depreciable life ranges are not applicable or not meaningful (NM) for 2023 and 2022.

	2023		2022	
Functional Class of Property	Annual Composite Depreciation Rate	Depreciable Life Ranges (in years)	Annual Composite Depreciation Rate	Depreciable Life Ranges (in years)
Generation	4.4%	39 - 44	7.3%	39 - 44
Other	4.0%	NM	14.4%	NM

The composite depreciation rate generally includes a component for non-asset retirement obligation (non-ARO) removal costs, which is credited to Accumulated Depreciation and Amortization on the balance sheets. Actual removal costs incurred are charged to Accumulated Depreciation and Amortization. Any excess of accrued non-ARO removal costs over actual removal costs incurred is reclassified from Accumulated Depreciation and Amortization and reflected as a regulatory liability.

Asset Retirement Obligations (ARO)

In September 2022, AEG recorded a $7.7 million revision due to an increase in estimated ash pond closure costs at the Rockport Plant.

In October 2023, AEG recorded an additional ARO liability of $4.8 million due to the East Pond being repurposed as a wastewater pond at the Rockport Plant.

The following is a reconciliation of the 2023 and 2022 aggregate carrying amounts of ARO for AEGCo:

Year	ARO as of January 1,	Accretion Expense	Liabilities Incurred	Liabilities Settled	Revisions in Cash Flow Estimates (a)	ARO as of December 31,
			(in thousands)			
2023	$ 25,328	$ 1,134	$ 4,761	$ (985)	$ 1,754	$ 31,992
2022	17,552	707	—	(600)	7,669	25,328

(a) Primarily related to ash pond closure.

Allowance for Funds Used During Construction

AEGCo's amounts of allowance for equity and borrowed funds used during construction are summarized in the following table:

	Years Ended December 31, 2023	2022
	(in thousands)	
Allowance for Equity Funds Used During Construction	$ 4	$ 172
Allowance for Borrowed Funds Used During Construction	685	35

Jointly-owned Electric Facilities

AEGCo, jointly with I&M, owns the Rockport Plant. AEGCo and I&M each have a 50% ownership share of the Rockport Plant. Using its own financing, each participating company is obligated to pay its share of the costs in the same proportion as its ownership interest. AEGCo's proportionate share of the operating costs associated with this facility is included in its statements of income and the investment and accumulated depreciation are reflected in its balance sheets under Property, Plant and Equipment as follows:

	Type	Percent of Ownership	Utility Plant in Service	Construction Work In Progress	Accumulated Depreciation
				(in thousands)	
AEGCo's Share as of December 31, 2023					
Rockport Generating Plant (a)	Coal	50.0 %	$ 1,336,067	$ 7,893	$ 1,041,033
AEGCo's Share as of December 31, 2022					
Rockport Generating Plant (a)	Coal	50.0 %	$ 1,351,920	$ 9,205	$ 1,025,078

(a) Operated by I&M.

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenues from Contracts with Customers

AEGCo's statements of income represent revenues from contracts with customers by type of revenue. AEGCo did not have alternative revenues for the years ended December 31, 2023 and 2022, respectively.

Performance Obligations

AEGCo 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. AEGCo 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 AEGCo are summarized as follows:

Wholesale Revenues - Generation Affiliated

AEGCo engages in the generation and wholesale sale of electric power to its affiliate, I&M. AEGCo derives operating revenues from the sale of Rockport Plant energy and capacity to I&M pursuant to a FERC-approved long-term UPA. Under the UPA, AEGCo has a performance obligation to supply wholesale generation electricity to I&M.

The UPA provides a FERC-approved rate of return on common equity, a return on capital (net of temporary cash investments) and recovery of costs including operation and maintenance, fuel and taxes. Under the terms of the UPA, AEGCo accumulates all expenses monthly and prepares bills for I&M. In the month the expenses are incurred, AEGCo recognizes the billing revenues and establishes a receivable from I&M. The costs of operating the plant is billed to I&M receiving the benefits under the UPA on a monthly basis. AEGCo's performance obligations under the UPA are satisfied over time as I&M simultaneously receives and consumes the wholesale electricity.

Fixed Performance Obligations

As of December 31, 2023, there are no fixed performance obligations related to AEGCo.

Contract Assets and Liabilities

Contract assets are recognized when AEGCo 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. AEGCo did not have material contract assets as of December 31, 2023 and 2022, respectively.

When AEGCo 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. AEGCo did not have material contract liabilities as of December 31, 2023 and 2022, respectively.

Accounts Receivable from Contracts with Customers

Accounts receivable from contracts with customers are presented on AEGCo's balance sheets within the Accounts Receivable - Customers and Accounts Receivable - Affiliated Companies line items. AEGCo's balances for receivables from contracts that are not recognized in accordance with the accounting guidance for "Revenue from Contracts with Customers" included in Accounts Receivable - Customers and Accounts Receivable - Affiliated Companies were not material as of December 31, 2023 and 2022, respectively.

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 neither bifurcated nor reclassified between current and noncurrent assets on AEGCo'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 Other Operation on AEGCo's statements of income. AEGCo did not have material contract costs as of December 31, 2023 and 2022, respectively.