AEP Texas Central Company
and Subsidiaries

2015 Third Quarter Report

Consolidated Financial Statements

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GLOSSARY OF TERMS

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

Term	Meaning
AEP or Parent	American Electric Power Company, Inc., an electric utility holding company.
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.
AOCI	Accumulated Other Comprehensive Income.
ASU	Accounting Standards Update.
FASB	Financial Accounting Standards Board.
FERC	Federal Energy Regulatory Commission.
FTR	Financial Transmission Right, a financial instrument that entitles the holder to receive compensation for certain congestion-related transmission charges that arise when the power grid is congested resulting in differences in locational prices.
GAAP	Accounting Principles Generally Accepted in the United States of America.
IRS	Internal Revenue Service.
MTM	Mark-to-Market.
OPEB	Other Postretirement Benefit Plans.
OTC	Over the counter.
PUCT	Public Utility Commission of Texas.
Risk Management Contracts	Trading and nontrading derivatives, including those derivatives designated as cash flow and fair value hedges.
TCC	AEP Texas Central Company, an AEP electric utility subsidiary.
Texas Restructuring Legislation	Legislation enacted in 1999 to restructure the electric utility industry in Texas.
Transition Funding	AEP Texas Central Transition Funding I LLC, AEP Texas Central Transition Funding II LLC and AEP Texas Central Transition Funding III LLC, wholly-owned subsidiaries of TCC and consolidated variable interest entities formed for the purpose of issuing and servicing securitization bonds related to Texas restructuring law.
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.
VIE	Variable Interest Entity.

AEP TEXAS CENTRAL COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three and Nine Months Ended September 30, 2015 and 2014
(in thousands)
(Unaudited)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
REVENUES				
Electric Transmission and Distribution	$ 321,014	$ 306,183	$ 871,540	$ 831,883
Sales to AEP Affiliates	1,064	998	3,124	2,892
Other Revenues	1,296	1,279	4,145	2,874
TOTAL REVENUES	323,374	308,460	878,809	837,649
EXPENSES				
Other Operation	95,914	88,371	255,239	231,037
Maintenance	12,470	11,408	37,441	34,194
Depreciation and Amortization	117,884	112,259	311,007	291,028
Taxes Other Than Income Taxes	23,573	22,803	64,569	61,071
TOTAL EXPENSES	249,841	234,841	668,256	617,330
OPERATING INCOME	73,533	73,619	210,553	220,319
Other Income (Expense):				
Interest Income	39	150	64	168
Allowance for Equity Funds Used During Construction	1,338	1,571	4,281	3,154
Interest Expense	(31,095)	(32,670)	(95,240)	(98,837)
INCOME BEFORE INCOME TAX EXPENSE	43,815	42,670	119,658	124,804
Income Tax Expense	15,424	16,307	43,425	45,843
NET INCOME	$ 28,391	$ 26,363	$ 76,233	$ 78,961

The common stock of TCC is owned by a wholly-owned subsidiary of AEP.

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

AEP TEXAS CENTRAL COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three and Nine Months Ended September 30, 2015 and 2014
(in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	$ 28,391	$ 26,363	$ 76,233	$ 78,961
OTHER COMPREHENSIVE LOSS, NET OF TAXES				
Cash Flow Hedges, Net of Tax of $0 and $0 for the Three Months Ended September 30, 2015 and 2014, Respectively, and $0 and $40 for the Nine Months Ended September 30, 2015 and 2014, Respectively	—	—	—	(75)
TOTAL COMPREHENSIVE INCOME	$ 28,391	$ 26,363	$ 76,233	$ 78,886

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

AEP TEXAS CENTRAL COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY
For the Nine Months Ended September 30, 2015 and 2014
(in thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2013	$ 55,292	$ 171,062	$ 531,930	$ 75	$ 758,359
Common Stock Dividends			(3,750)		(3,750)
Net Income			78,961		78,961
Other Comprehensive Loss				(75)	(75)
TOTAL COMMON SHAREHOLDER'S EQUITY - SEPTEMBER 30, 2014	$ 55,292	$ 171,062	$ 607,141	$ —	$ 833,495
TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2014	$ 55,292	$ 171,062	$ 629,861	$ —	$ 856,215
Capital Contribution from Parent		150,000			150,000
Common Stock Dividends			(3,750)		(3,750)
Net Income			76,233		76,233
TOTAL COMMON SHAREHOLDER'S EQUITY - SEPTEMBER 30, 2015	$ 55,292	$ 321,062	$ 702,344	$ —	$ 1,078,698

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

AEP TEXAS CENTRAL COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
September 30, 2015 and December 31, 2014
(in thousands)
(Unaudited)

	September 30, 2015	December 31, 2014
CURRENT ASSETS		
Cash and Cash Equivalents	$ 100	$ 100
Restricted Cash for Securitized Transition Funding	153,111	205,682
Advances to Affiliates	177,244	—
Accounts Receivable:		
Customers	105,694	83,688
Affiliated Companies	4,821	5,901
Accrued Unbilled Revenues	45,219	42,540
Miscellaneous	142	25
Allowance for Uncollectible Accounts	(1,359)	(567)
Total Accounts Receivable	154,517	131,587
Materials and Supplies	38,108	41,964
Prepayments and Other Current Assets	2,850	11,692
TOTAL CURRENT ASSETS	525,930	391,025
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Transmission	1,641,926	1,511,307
Distribution	2,528,414	2,425,327
Other Property, Plant and Equipment	334,948	307,739
Construction Work in Progress	233,711	202,281
Total Property, Plant and Equipment	4,738,999	4,446,654
Accumulated Depreciation and Amortization	915,969	871,681
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	3,823,030	3,574,973
OTHER NONCURRENT ASSETS		
Regulatory Assets	237,115	245,768
Securitized Transition Assets (September 30, 2015 and December 31, 2014 Amounts Include $1,374,753 and $1,566,361, Respectively, Related to Transition Funding)	1,415,324	1,612,193
Deferred Charges and Other Noncurrent Assets	53,032	42,716
TOTAL OTHER NONCURRENT ASSETS	1,705,471	1,900,677
TOTAL ASSETS	$ 6,054,431	$ 5,866,675

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

AEP TEXAS CENTRAL COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
September 30, 2015 and December 31, 2014
(dollars in thousands)
(Unaudited)

	September 30, 2015	December 31, 2014
CURRENT LIABILITIES		
Advances from Affiliates	$ —	$ 72,604
Accounts Payable:		
General	66,135	60,410
Affiliated Companies	16,779	19,662
Long-term Debt Due Within One Year – Nonaffiliated (September 30, 2015 and December 31, 2014 Amounts Include $253,450 and $273,690, Respectively, Related to Transition Funding)	253,450	273,690
Risk Management Liabilities	86	697
Customer Deposits	12,973	16,698
Accrued Taxes	109,632	39,946
Accrued Interest (September 30, 2015 and December 31, 2014 Amounts Include $16,578 and $31,188, Respectively, Related to Transition Funding)	34,743	44,409
Other Current Liabilities	56,785	54,646
TOTAL CURRENT LIABILITIES	550,583	582,762
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated (September 30, 2015 and December 31, 2014 Amounts Include $1,285,919 and $1,506,073, Respectively, Related to Transition Funding)	2,697,403	2,669,944
Long-term Risk Management Liabilities	10	—
Deferred Income Taxes	1,232,118	1,273,435
Regulatory Liabilities and Deferred Investment Tax Credits	464,776	451,927
Deferred Credits and Other Noncurrent Liabilities	30,843	32,392
TOTAL NONCURRENT LIABILITIES	4,425,150	4,427,698
TOTAL LIABILITIES	4,975,733	5,010,460
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – Par Value – $25 Per Share:		
Authorized – 12,000,000 Shares		
Outstanding – 2,211,678 Shares	55,292	55,292
Paid-in Capital	321,062	171,062
Retained Earnings	702,344	629,861
TOTAL COMMON SHAREHOLDER'S EQUITY	1,078,698	856,215
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 6,054,431	$ 5,866,675

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

AEP TEXAS CENTRAL COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2015 and 2014
(in thousands)
(Unaudited)

	Nine Months Ended September 30, 2015	2014
OPERATING ACTIVITIES		
Net Income	$ 76,233	$ 78,961
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	311,007	291,028
Deferred Income Taxes	(43,981)	(71,407)
Allowance for Equity Funds Used During Construction	(4,281)	(3,154)
Property Taxes	(9,302)	(8,370)
Change in Other Noncurrent Assets	(17,112)	(13,788)
Change in Other Noncurrent Liabilities	965	(329)
Changes in Certain Components of Working Capital:		
Accounts Receivable, Net	(22,930)	(29,450)
Materials and Supplies	3,856	727
Accounts Payable	(4,936)	6,550
Customer Deposits	(3,725)	2,400
Accrued Taxes, Net	79,062	106,672
Accrued Interest	(9,666)	(12,129)
Other Current Assets	(792)	(1,183)
Other Current Liabilities	(2,530)	(220)
Net Cash Flows from Operating Activities	351,868	346,308
INVESTING ACTIVITIES		
Construction Expenditures	(331,111)	(344,838)
Change in Advances to Affiliates, Net	(177,244)	—
Change in Restricted Cash for Securitized Transition Funding	52,571	38,211
Proceeds from Sales of Assets	2,433	6,578
Other Investing Activities	24,066	12,280
Net Cash Flows Used for Investing Activities	(429,285)	(287,769)
FINANCING ACTIVITIES		
Capital Contribution from Parent	150,000	—
Issuance of Long-term Debt – Nonaffiliated	245,702	198,560
Change in Advances from Affiliates, Net	(72,604)	(27,584)
Retirement of Long-term Debt – Nonaffiliated	(240,455)	(225,068)
Principal Payments for Capital Lease Obligations	(1,616)	(1,542)
Dividends Paid on Common Stock	(3,750)	(3,750)
Other Financing Activities	140	791
Net Cash Flows from (Used for) Financing Activities	77,417	(58,593)
Net Decrease in Cash and Cash Equivalents	—	(54)
Cash and Cash Equivalents at Beginning of Period	100	154
Cash and Cash Equivalents at End of Period	$ 100	$ 100
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 100,208	$ 105,720
Net Cash Paid for Income Taxes	20,890	22,787
Noncash Acquisitions Under Capital Leases	1,439	2,534
Construction Expenditures Included in Current Liabilities as of September 30,	42,446	39,468

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

INDEX OF CONDENSED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING MATTERS

General

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

In the opinion of management, the unaudited condensed consolidated interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair presentation of the net income, financial position and cash flows for the interim periods. Net income for the three and nine months ended September 30, 2015 is not necessarily indicative of results that may be expected for the year ending December 31, 2015. The condensed consolidated financial statements are unaudited and should be read in conjunction with the audited 2014 financial statements and notes thereto, which are included in TCC's 2014 Annual Report.

Management reviewed subsequent events through October 22, 2015, the date that the third quarter 2015 report was issued.

2. NEW ACCOUNTING PRONOUNCEMENTS

Upon issuance of final pronouncements, management reviews the new accounting literature to determine its relevance, if any, to TCC's business. The following final pronouncements will impact the financial statements.

ASU 2014-08 "Presentation of Financial Statements and Property, Plant and Equipment" (ASU 2014-08)

In April 2014, the FASB issued ASU 2014-08 changing the presentation of discontinued operations on the statements of income and other requirements for reporting discontinued operations. Under the new standard, a disposal of a component or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component meets the criteria to be classified as held-for-sale or is disposed. The amendments in this update also require additional disclosures about discontinued operations and disposal of an individually significant component of an entity that does not qualify for discontinued operations. This standard must be prospectively applied to all reporting periods presented in financial reports issued after the effective date.

The new accounting guidance is effective for interim and annual periods beginning after December 15, 2014. If applicable, this standard will change the presentation of financial statements but will not affect the calculation of net income, comprehensive income or earnings per share. Management adopted ASU 2014-08 effective January 1, 2015. There were no events requiring the application of this new accounting guidance.

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

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

The FASB deferred implementation of ASU 2014-09 under the terms in ASU 2015-14, "Revenue from Contracts with Customers (Topic: 606): Deferral of the Effective Date." The new accounting guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted for annual periods beginning after December 15, 2016. As applicable, this standard may change the amount of revenue recognized in the income statements in each reporting period. Management is analyzing the impact of this new standard and, at this time, cannot estimate the impact of adoption on revenue or net income. Management plans to adopt ASU 2014-09 effective January 1, 2018.

ASU 2015-01 "Income Statement – Extraordinary and Unusual Items" (ASU 2015-01)

In January 2015, the FASB issued ASU 2015-01 eliminating the concept of extraordinary items for presentation on the face of the income statement. Under the new standard, a material event or transaction that is unusual in nature, infrequent or both shall be reported as a separate component of income from continuing operations. Alternatively, it may be disclosed in the notes to financial statements.

The new accounting guidance is effective for interim and annual periods beginning after December 15, 2015. Early adoption is permitted if applied from the beginning of a fiscal year. As applicable, this standard may change the presentation of amounts in the income statements. Management plans to adopt ASU 2015-01 effective January 1, 2016.

ASU 2015-03 "Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03)

In April 2015, the FASB issued ASU 2015-03 simplifying the presentation of debt issuance costs on the balance sheets. Under the new standard, debt issuance costs related to a recognized debt liability will be presented on the balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with discounts. TCC includes debt issuance costs in Deferred Charges and Other Noncurrent Assets on the condensed balance sheets. Debt issuance costs represent less than 1% of total long-term debt.

The new accounting guidance is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. Management intends to early adopt ASU 2015-03 for the 2015 Annual Report.

ASU 2015-05 "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement" (ASU 2015-05)

In April 2015, the FASB issued ASU 2015-05 providing guidance to customers about whether a cloud computing arrangement includes a software license. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. Management is analyzing the impact of this new standard and, at this time, cannot estimate the impact of adoption on net income. Management plans to adopt ASU 2015-05 effective January 1, 2016.

ASU 2015-11 "Simplifying the Measurement of Inventory" (ASU 2015-11)

In July 2015, the FASB issued ASU 2015-11 simplifying the guidance on the subsequent measurement of inventory, excluding inventory measured using last-in, first-out or the retail inventory method. Under the new standard, inventory should be at the lower of cost and net realizable value. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2016 with early adoption permitted. Management is analyzing the impact of this new standard and, at this time, cannot estimate the impact of adoption on net income. Management plans to adopt ASU 2015-11 effective January 1, 2017.

3. COMPREHENSIVE INCOME

Presentation of Comprehensive Income

The following tables provide the components of changes in AOCI for the three and nine months ended September 30, 2015 and 2014. All amounts in the following tables are presented net of related income taxes.

Changes in Accumulated Other Comprehensive Income (Loss) by Component
For the Three Months Ended September 30, 2015

	Cash Flow Hedges		
	Commodity	Interest Rate and Foreign Currency	Total
		(in thousands)	
Balance in AOCI as of June 30, 2015	$ —	$ —	$ —
Change in Fair Value Recognized in AOCI	—	—	—
Amounts Reclassified from AOCI	—	—	—
Net Current Period Other Comprehensive Income	—	—	—
Balance in AOCI as of September 30, 2015	$ —	$ —	$ —

Changes in Accumulated Other Comprehensive Income (Loss) by Component
For the Three Months Ended September 30, 2014

	Cash Flow Hedges		
	Commodity	Interest Rate and Foreign Currency	Total
		(in thousands)	
Balance in AOCI as of June 30, 2014	$ —	$ —	$ —
Change in Fair Value Recognized in AOCI	—	—	—
Amounts Reclassified from AOCI	—	—	—
Net Current Period Other Comprehensive Income	—	—	—
Balance in AOCI as of September 30, 2014	$ —	$ —	$ —

Changes in Accumulated Other Comprehensive Income (Loss) by Component
For the Nine Months Ended September 30, 2015

	Cash Flow Hedges		
	Commodity	Interest Rate and Foreign Currency	Total
		(in thousands)	
Balance in AOCI as of December 31, 2014	$ —	$ —	$ —
Change in Fair Value Recognized in AOCI	—	—	—
Amounts Reclassified from AOCI	—	—	—
Net Current Period Other Comprehensive Income	—	—	—
Balance in AOCI as of September 30, 2015	$ —	$ —	$ —

Changes in Accumulated Other Comprehensive Income (Loss) by Component
For the Nine Months Ended September 30, 2014

	Cash Flow Hedges		
	Commodity	Interest Rate and Foreign Currency	Total
		(in thousands)	
Balance in AOCI as of December 31, 2013	$ 75	$ —	$ 75
Change in Fair Value Recognized in AOCI	—	—	—
Amounts Reclassified from AOCI	(75)	—	(75)
Net Current Period Other Comprehensive Loss	(75)	—	(75)
Balance in AOCI as of September 30, 2014	$ —	$ —	$ —

Reclassifications from Accumulated Other Comprehensive Income

The following tables provide details of reclassifications from AOCI for the three and nine months ended September 30, 2015 and 2014.

Reclassifications from Accumulated Other Comprehensive Income (Loss)
For the Three Months Ended September 30, 2015 and 2014

Gains and Losses on Cash Flow Hedges	Amount of (Gain) Loss Reclassified from AOCI Three Months Ended September 30, 2015	2014
	(in thousands)	
Commodity:		
Other Operation Expense	$ —	$ —
Maintenance Expense	—	—
Property, Plant and Equipment	—	—
Subtotal – Commodity	—	—
Interest Rate and Foreign Currency:		
Interest Expense	—	—
Subtotal – Interest Rate and Foreign Currency	—	—
Reclassifications from AOCI, before Income Tax (Expense) Credit	—	—
Income Tax (Expense) Credit	—	—
Total Reclassifications from AOCI, Net of Income Tax (Expense) Credit	$ —	$ —

Reclassifications from Accumulated Other Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2015 and 2014

Gains and Losses on Cash Flow Hedges	Amount of (Gain) Loss Reclassified from AOCI Nine Months Ended September 30, 2015	2014
	(in thousands)	
Commodity:		
Other Operation Expense	$ —	$ (9)
Maintenance Expense	—	(8)
Property, Plant and Equipment	—	(12)
Regulatory Assets/(Liabilities), Net (a)	—	(86)
Subtotal – Commodity	—	(115)
Interest Rate and Foreign Currency:		
Interest Expense	—	—
Subtotal – Interest Rate and Foreign Currency	—	—
Reclassifications from AOCI, before Income Tax (Expense) Credit	—	(115)
Income Tax (Expense) Credit	—	(40)
Total Reclassifications from AOCI, Net of Income Tax (Expense) Credit	$ —	$ (75)

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

4. RATE MATTERS

As discussed in TCC's 2014 Annual Report, TCC is involved in rate and regulatory proceedings at the FERC and the PUCT. The Rate Matters note within TCC's 2014 Annual Report should be read in conjunction with this report to gain a complete understanding of material rate matters still pending that could impact net income, cash flows and possibly financial condition. The following discusses ratemaking developments in 2015 and updates TCC's 2014 Annual Report.

Regulatory Assets Pending Final Regulatory Approval

Noncurrent Regulatory Assets	September 30, 2015	December 31, 2014
	(in thousands)	
Regulatory Assets Currently Earning a Return		
Storm Related Costs	$ 24,202	$ 20,266
Regulatory Assets Currently Not Earning a Return		
Rate Case Expenses	145	145
Total Regulatory Assets Pending Final Regulatory Approval	$ 24,347	$ 20,411

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

5. COMMITMENTS, GUARANTEES AND CONTINGENCIES

TCC is subject to certain claims and legal actions arising in its ordinary course of business. In addition, TCC'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 cannot be predicted. Contingent liabilities are accrued 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 determined that it is not probable, but rather reasonably possible that a liability has been incurred at the date of the financial statements, such contingencies and the possible loss or range of loss are disclosed if such estimate can be made. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent the maximum possible loss exposure. Circumstances change over time and actual results may vary significantly from estimates.

For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements. The Commitments, Guarantees and Contingencies note within TCC's 2014 Annual Report should be read in conjunction with this report.

GUARANTEES

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

Letters of Credit

AEP has two revolving credit facilities totaling $3.5 billion, under which up to $1.2 billion may be issued as letters of credit. As of September 30, 2015, TCC's maximum future payment for letters of credit issued under the revolving credit facilities was $2.8 million with a maturity of February 2016.

Indemnifications and Other Guarantees

Contracts

TCC enters into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. As of September 30, 2015, there were no material liabilities recorded for any indemnifications.

Master Lease Agreements

TCC leases certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of either the unamortized balance or 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, TCC 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 unamortized balance. As of September 30, 2015, the maximum potential loss for these lease agreements was $5 million assuming the fair value of the equipment is zero at the end of the lease term.

6. BENEFIT PLANS

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

Components of Net Periodic Benefit Cost

The following tables provide the components of TCC's net periodic benefit cost (credit) for the plans for the three and nine months ended September 30, 2015 and 2014:

	Pension Plans		Other Postretirement Benefit Plans	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Service Cost	$ 1,431	$ 1,126	$ 149	$ 179
Interest Cost	3,248	3,605	872	1,034
Expected Return on Plan Assets	(4,530)	(4,366)	(1,817)	(1,831)
Amortization of Prior Service Cost (Credit)	66	79	(1,072)	(1,072)
Amortization of Net Actuarial Loss	1,693	2,026	278	322
Net Periodic Benefit Cost (Credit)	$ 1,908	$ 2,470	$ (1,590)	$ (1,368)

	Pension Plans		Other Postretirement Benefit Plans	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Service Cost	$ 4,292	$ 3,379	$ 447	$ 537
Interest Cost	9,744	10,813	2,614	3,102
Expected Return on Plan Assets	(13,588)	(13,098)	(5,450)	(5,494)
Amortization of Prior Service Cost (Credit)	198	239	(3,216)	(3,216)
Amortization of Net Actuarial Loss	5,078	6,079	835	967
Net Periodic Benefit Cost (Credit)	$ 5,724	$ 7,412	$ (4,770)	$ (4,104)

7. BUSINESS SEGMENTS

TCC has one reportable segment, an integrated electricity transmission and distribution business. TCC's other activities are insignificant.

8. DERIVATIVES AND HEDGING

Risk Management Strategies

TCC's vehicle fleet is exposed to gasoline and diesel fuel price volatility. AEPSC, on behalf of TCC, enters into financial heating oil and gasoline derivative contracts in order to mitigate price risk of future fuel purchases. In March 2014, these contracts were grouped as "Commodity" with other risk management activities. TCC does not hedge all fuel price risk. The gross notional volumes of TCC's outstanding derivative contracts for heating oil and gasoline as of September 30, 2015 and December 31, 2014 were 1.3 million gallons and 789 thousand gallons, respectively.

According to the accounting guidance for "Derivatives and Hedging," TCC reflects the fair values of derivative instruments subject to netting agreements with the same counterparty net of related cash collateral. For certain risk management contracts, TCC is required to post or receive cash collateral based on third party contractual agreements and risk profiles. For the September 30, 2015 and December 31, 2014 condensed balance sheet, TCC had no netting of cash collateral received from third parties against short-term and long-term risk management assets and $345 thousand and $70 thousand, respectively, of cash collateral paid to third parties against short-term and long-term risk management liabilities.

The following tables represent the gross fair value impact of TCC's derivative activity on the condensed balance sheets as of September 30, 2015 and December 31, 2014:

Fair Value of Derivative Instruments
September 30, 2015

Balance Sheet Location	Risk Management Contracts Commodity (a)	Hedging Contracts Commodity (a)	Gross Amounts of Risk Assets/ Liabilities Recognized	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
			(in thousands)		
Current Risk Management Assets	$ —	$ —	$ —	$ —	$ —
Long-term Risk Management Assets	—	—	—	—	—
Total Assets	—	—	—	—	—
Current Risk Management Liabilities	395	—	395	(309)	86
Long-term Risk Management Liabilities	46	—	46	(36)	10
Total Liabilities	441	—	441	(345)	96
Total MTM Derivative Contract Net Assets (Liabilities)	$ (441)	$ —	$ (441)	$ 345	$ (96)

Fair Value of Derivative Instruments
December 31, 2014

Balance Sheet Location	Risk Management Contracts Commodity (a)	Hedging Contracts Commodity (a)	Gross Amounts of Risk Management Assets/ Liabilities Recognized	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
			(in thousands)		
Current Risk Management Assets	$ —	$ —	$ —	$ —	$ —
Long-term Risk Management Assets	—	—	—	—	—
Total Assets	—	—	—	—	—
Current Risk Management Liabilities	767	—	767	(70)	697
Long-term Risk Management Liabilities	—	—	—	—	—
Total Liabilities	767	—	767	(70)	697
Total MTM Derivative Contract Net Assets (Liabilities)	$ (767)	$ —	$ (767)	$ 70	$ (697)

(a) Derivative instruments within these categories are reported gross. These instruments are subject to master netting agreements and are presented on the condensed balance sheets on a net basis in accordance with the accounting guidance for "Derivatives and Hedging."
(b) Amounts include counterparty netting of risk management and hedging contracts and associated cash collateral in accordance with the accounting guidance for "Derivatives and Hedging."
(c) There are no derivative contracts subject to a master netting arrangement or similar agreement which are not offset in the statement of financial position.

The table below presents TCC's activity of derivative risk management contracts for the three and nine months ended September 30, 2015 and 2014:

Amount of Gain (Loss) Recognized on
Risk Management Contracts
For the Three and Nine Months Ended September 30, 2015 and 2014

Location of Gain (Loss)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(in thousands)			
Electric Generation, Transmission and Distribution Revenues	$ —	$ 28	$ —	$ 75
Other Operation Expense	(105)	—	(318)	—
Maintenance Expense	(86)	—	(275)	—
Regulatory Assets (a)	(230)	(153)	327	(153)
Regulatory Liabilities (a)	—	(102)	—	—
Total Loss on Risk Management Contracts	$ (421)	$ (227)	$ (266)	$ (78)

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

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

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

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

Accounting for Cash Flow Hedging Strategies

For cash flow hedges (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), TCC initially reports the effective portion of the gain or loss on the derivative instrument as a component of Accumulated Other Comprehensive Income (Loss) on its condensed balance sheets until the period the hedged item affects Net Income. TCC records hedge ineffectiveness as a regulatory asset (for losses) or a regulatory liability (for gains).

TCC reclassifies gains and losses on heating oil and gasoline derivative contracts designated as cash flow hedges from Accumulated Other Comprehensive Income (Loss) on its condensed balance sheets into Other Operation expense, Maintenance expense or Depreciation and Amortization expense, as it relates to capital projects, on its condensed statements of income. Cash flow hedge accounting for these derivative contracts was immaterial and was discontinued effective March 31, 2014.

For details on designated, effective cash flow hedges included in Accumulated Other Comprehensive Income (Loss) on TCC's condensed balance sheets and the reasons for changes in cash flow hedges for the three and nine months ended September 30, 2015 and 2014, see Note 3.

9. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy and Valuation Techniques

The accounting guidance for “Fair Value Measurements and Disclosures” establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. When quoted market prices are not available, pricing may be completed using comparable securities, dealer values, operating data and general market conditions to determine fair value. Valuation models utilize various inputs such as commodity, interest rate and, to a lesser degree, volatility and credit that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, market corroborated inputs (i.e. inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability. The amount of risk taken is determined by the Commercial Operations and Finance groups in accordance with established risk management policies as approved by the Finance Committee of AEP’s Board of Directors. The AEP System’s market risk oversight staff independently monitors the risk policies, procedures and risk levels and provides members of the Commercial Operations Risk Committee (Regulated Risk Committee) various reports regarding compliance with policies, limits and procedures. The Regulated Risk Committee consists of AEPSC’s Chief Operating Officer, Chief Financial Officer, Executive Vice President of Generation, Senior Vice President of Commercial Operations and Chief Risk Officer.

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

For Restricted Cash for Securitized Transition Funding, items classified as Level 1 are investments in money market funds. They are valued based on observable inputs primarily unadjusted quoted prices in active markets for identical assets.

Fair Value Measurements of Long-term Debt

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

The book values and fair values of TCC’s Long-term Debt as of September 30, 2015 and December 31, 2014 are summarized in the following table:

	September 30, 2015		December 31, 2014	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
	(in thousands)			
Long-term Debt	$ 2,950,853	$ 3,164,314	$ 2,943,634	$ 3,202,697

Fair Value Measurements of Financial Assets and Liabilities

The following tables set forth, by level within the fair value hierarchy, TCC's financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2015 and December 31, 2014. As required by the accounting guidance for "Fair Value Measurements and Disclosures," financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have not been any significant changes in management's valuation techniques.

Assets and Liabilities Measured at Fair Value on a Recurring Basis
September 30, 2015

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in thousands)		
Restricted Cash for Securitized Transition Funding (a)	$ 153,111	$ —	$ —	$ 5	$ 153,116
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (b)	$ —	$ 441	$ —	$ (345)	$ 96

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2014

	Level 1	Level 2	Level 3	Other	Total
Assets:			(in thousands)		
Restricted Cash for Securitized Transition Funding (a)	$ 205,682	$ —	$ —	$ 4	$ 205,686
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (b)	$ —	$ 767	$ —	$ (70)	$ 697

(a) Amounts in "Other" column primarily represent cash deposits with third parties. Level 1 amounts primarily represent investments in money market funds.
(b) Amounts in "Other" column primarily represent counterparty netting of risk management and hedging contracts and associated cash collateral under the accounting guidance for "Derivatives and Hedging."

There were no transfers between Level 1 and Level 2 during the three and nine months ended September 30, 2015 and 2014.

10. <u>INCOME TAXES</u>

AEP System Tax Allocation Agreement

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

Federal and State Income Tax Audit Status

TCC and other AEP subsidiaries are no longer subject to U.S. federal examination for years before 2011. The IRS examination of years 2011, 2012 and 2013 started in April 2014. Although the outcome of tax audits is uncertain, in management's opinion, adequate provisions for federal income taxes have been made for potential liabilities resulting from such matters. In addition, TCC accrues interest on these uncertain tax positions. Management is not aware of any issues for open tax years that upon final resolution are expected to materially impact TCC's net income.

TCC and other AEP subsidiaries file income tax returns in various state and local jurisdictions. These taxing authorities routinely examine the tax returns. TCC and other AEP subsidiaries are currently under examination in several state and local jurisdictions. However, it is possible that previously filed tax returns have positions that may be challenged by these tax authorities. Management believes that adequate provisions for income taxes have been made for potential liabilities resulting from such challenges and that the ultimate resolution of these audits will not materially impact TCC's net income. TCC is no longer subject to state or local income tax examinations by tax authorities for years before 2009.

State Tax Legislation

House Bill 32 was passed by the state of Texas in June 2015 permanently reducing the Texas income/franchise tax rate from 0.95% to 0.75% effective January 1, 2016, applicable to reports originally due on or after the effective date. The Texas income/franchise tax rate had been scheduled to return to 1% in 2016. The enacted provision did not materially impact TCC's net income, cash flows or financial condition.

11. FINANCING ACTIVITIES

Long-term Debt

Long-term debt and other securities issued and principal payments made during the first nine months of 2015 are shown in the tables below:

Type of Debt	Principal Amount (a)	Interest Rate	Due Date
Issuances:	**(in thousands)**	**(%)**	
Senior Unsecured Notes	$ 250,000	3.85	2025

(a) Amount indicated on the statement of cash flows is net of issuance costs and premium or discount and will not tie to the issuance amount.

Type of Debt	Principal Amount Paid	Interest Rate	Due Date
Principal Payments:	**(in thousands)**	**(%)**	
Securitization Bonds	$ 80,971	5.09	2015
Securitization Bonds	76,064	6.25	2016
Securitization Bonds	56,752	5.17	2018
Securitization Bonds	26,668	0.88	2017

Dividend Restrictions

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

Federal Power Act

The Federal Power Act prohibits TCC from participating "in the making or paying of any dividends of such public utility from any funds properly included in capital account." The term "capital account" is not defined in the Federal Power Act or its regulations. Management understands "capital account" to mean the book value of the common stock. This restriction does not limit the ability of TCC to pay dividends out of retained earnings.

Leverage Restrictions

Pursuant to the credit agreement leverage restrictions, TCC must maintain a percentage of debt to total capitalization at a level that does not exceed 67.5%.

Utility Money Pool - 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 loans to (borrowings from) the Utility Money Pool as of September 30, 2015 and December 31, 2014 are included in Advances to Affiliates and Advances from Affiliates, respectively, on TCC's condensed balance sheets. TCC's Utility Money Pool activity and corresponding authorized borrowing limit for the nine months ended September 30, 2015 are described in the following table:

Maximum Borrowings from the Utility Money Pool	Maximum Loans to the Utility Money Pool	Average Borrowings from the Utility Money Pool	Average Loans to the Utility Money Pool	Borrowings from the Utility Money Pool as of September 30, 2015	Authorized Short-Term Borrowing Limit
		(in thousands)			
$ 144,511	$ 177,861	$ 88,834	$ 169,262	$ 177,244	$ 250,000

Maximum, minimum and average interest rates for funds either borrowed from or loaned to the Utility Money Pool for the nine months ended September 30, 2015 and 2014 are summarized in the following table:

Nine Months Ended September 30,	Maximum Interest Rate for Funds Borrowed from the Utility Money Pool	Minimum Interest Rate for Funds Borrowed from the Utility Money Pool	Maximum Interest Rate for Funds Loaned to the Utility Money Pool	Minimum Interest Rate for Funds Loaned to the Utility Money Pool	Average Interest Rate for Funds Borrowed from the Utility Money Pool	Average Interest Rate for Funds Loaned to the Utility Money Pool
2015	0.59%	0.39%	0.47%	0.44%	0.46%	0.46%
2014	0.33%	0.24%	—%	—%	0.29%	—%

12. VARIABLE INTEREST ENTITIES

The accounting guidance for "Variable Interest Entities" is a consolidation model that considers if a company has a controlling financial interest in a VIE. A controlling financial interest will have both (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. 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 TCC is the primary beneficiary of a VIE, management considers factors such as equity at risk, the amount of the VIE's variability TCC absorbs, guarantees of indebtedness, voting rights including kick-out rights, the power to direct the VIE, variable interests held by related parties and other factors. Management believes that significant assumptions and judgments were applied consistently.

Transition Funding was formed for the sole purpose of issuing and servicing securitization bonds related to Texas Restructuring Legislation. Management has concluded that TCC is the primary beneficiary of Transition Funding because TCC has the power to direct the most significant activities of the VIE and TCC's equity interest could potentially be significant. Therefore, TCC is required to consolidate Transition Funding. The securitized bonds totaled $1.5 billion and $1.8 billion as of September 30, 2015 and December 31, 2014, respectively, and are included in Long-term Debt Due Within One Year - Nonaffiliated and Long-term Debt - Nonaffiliated on the condensed balance sheets. Transition Funding has securitized transition assets of $1.4 billion and $1.6 billion as of September 30, 2015 and December 31, 2014, respectively, which are presented separately on the face of the condensed balance sheets. The securitized transition assets represent the right to impose and collect Texas true-up costs from customers receiving electric transmission or distribution service from TCC under recovery mechanisms approved by the PUCT. The securitization bonds are payable only from and secured by the securitized transition assets. The bondholders have no recourse to TCC or any other AEP entity. TCC acts as the servicer for Transition Funding's securitized transition asset and remits all related amounts collected from customers to Transition Funding for interest and principal payments on the securitization bonds and related costs.

The balances below represent the assets and liabilities of Transition Funding that are consolidated. These balances include intercompany transactions that are eliminated upon consolidation.

AEP TEXAS CENTRAL COMPANY AND SUBSIDIARIES
VARIABLE INTEREST ENTITIES
September 30, 2015 and December 31, 2014
(in thousands)

	Transition Funding	
ASSETS	**2015**	**2014**
Current Assets	$ 196,766	$ 238,509
Other Noncurrent Assets (a)	1,454,517	1,654,012
Total Assets	$ 1,651,283	$ 1,892,521
LIABILITIES AND EQUITY		
Current Liabilities	$ 283,051	$ 321,564
Noncurrent Liabilities	1,350,158	1,552,888
Equity	18,074	18,069
Total Liabilities and Equity	$ 1,651,283	$ 1,892,521

(a) Includes an intercompany item eliminated in consolidation as of September 30, 2015 and December 31, 2014 of $70 million and $75.2 million, respectively.

AEPSC provides certain managerial and professional services to AEP's subsidiaries. AEP 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. TCC's total billings from AEPSC for the three months ended September 30, 2015 and 2014 were $26.5 million and $21.3 million, respectively, and for the nine months ended September 30, 2015 and 2014 were $67.9 million and $61.2 million, respectively. The carrying amount of liabilities associated with AEPSC as of September 30, 2015 and December 31, 2014 was $9.9 million and $13.3 million, respectively. Management estimates the maximum exposure of loss to be equal to the amount of such liability.