

**DIRECT TESTIMONY OF
A. WAYNE ALLEN
ON BEHALF OF KINGSPORT POWER COMPANY
D/B/A AEP APPALACHIAN POWER
BEFORE THE TENNESSEE REGULATORY AUTHORITY
DOCKET NO. 16-_____**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION.**

2 A. My name is A. Wayne Allen. My business address is 1 Riverside Plaza,
3 Columbus, Ohio 43215. I am a Manager of Regulatory Accounting Services for
4 American Electric Power Service Corporation (AEPSC), a wholly owned
5 subsidiary of American Electric Power Company, Inc. (AEP). AEP is the parent
6 company of Kingsport Power Company (KgPCo or the Company).

7 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT**
8 **BACKGROUND.**

9 A. I graduated summa cum laude with a Bachelor of Science Degree in Accounting
10 from Radford University in 1985. I received a Master of Business Administration
11 Degree with a concentration in Finance from Virginia Polytechnic Institute and
12 State University (Virginia Tech) in 1988. I was employed at Bell Atlantic (now
13 Verizon Communications) in 1988 as an assistant manager in the Corporate
14 Accounting department. In 1990, I joined Appalachian Power Company (APCo)
15 in Roanoke, Virginia as an Associate Staff Accountant. In 1995, I was promoted
16 to Staff Accountant, with my primary responsibility being the development of
17 accounting information for base rate case filings in Virginia and West Virginia
18 including the preparation of schedules and ratemaking adjustments and the

1 development of jurisdictional federal income taxes. In 1998, I transferred to the
2 Regulatory Services department of APCo as a Rate Analyst. My responsibilities
3 included the development of jurisdictional cost of service studies and associated
4 allocation factors for APCo. In 2000, I transferred to the AEPSC as a Staff
5 Accountant in the Accounting Policy and Research department where I was
6 responsible for researching Generally Accepted Accounting Principles (GAAP),
7 developing the accounting for new transactions and designing accounting policies.
8 In 2002, I joined the Regulatory Accounting Services Department of Corporate
9 Accounting as a Staff Assistant and in 2004 I was promoted to the position of
10 Administrator in that same Department. In 2006, I was promoted to Principal
11 Regulatory Accounting Consultant and in 2007, I was promoted to my current
12 position.

13 **Q. WHAT ARE YOUR RESPONSIBILITIES AS A MANAGER OF**
14 **REGULATORY ACCOUNTING SERVICES?**

15 A. My responsibilities include providing the AEP electric operating subsidiaries,
16 such as KgPCo, with accounting support for regulatory filings including the
17 preparation of cost of service adjustments, accounting schedules and testimony.
18 Also, I monitor regulatory proceedings and legislation for accounting implications
19 and assist in determining the appropriate regulatory accounting treatment.

20 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN ANY REGULATORY**
21 **PROCEEDING?**

22 A. Yes. I testified in numerous cases on behalf of APCo before the Virginia State
23 Corporation Commission including the most recent Virginia biennial review Case

1 No. PUE-2014-00026. I have also submitted testimony on behalf of Indiana
2 Michigan Power Company (I&M) before the Michigan Public Service
3 Commission. Like KgPCo, APCo and I&M are electric operating subsidiaries of
4 AEP.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. The purpose of my testimony is to sponsor the per-book financial statements of
8 KgPCo and certain accounting and ratemaking adjustments to the 2014 test year
9 data to reflect going-level revenues, expenses and rate base. The adjustment
10 amounts included in my testimony are provided on a KgPCo distribution function
11 basis. Functional allocation factors used to allocate the total Company amounts,
12 if applicable, were provided to me by Company witness Buck.

13 **Q. WHAT EXHIBITS ARE YOU SPONSORING?**

14 A. I am sponsoring the following exhibits:

- 15 • KgPCo Exhibit No. 1 (AWA) is KgPCo's Income Statement for 2014;
- 16 • KgPCo Exhibit No. 2 (AWA) is KgPCo's Comparative Balance Sheet at
17 December 31, 2014 and 2013; and
- 18 • KgPCo Exhibit No. 3 (AWA) is a listing of the going-level adjustments
19 made to per-book revenues, expenses and rate base.

20 **Q. WERE THE EXHIBITS THAT YOU ARE SPONSORING, PREPARED OR**
21 **ASSEMBLED BY YOU OR UNDER YOUR DIRECTION?**

22 A. Yes.

1 **Q. PLEASE IDENTIFY THE TEST PERIOD AND RATE YEAR IN THIS**
2 **PROCEEDING.**

3 A. The Company is using the twelve months ended December 31, 2014 as the test
4 period in this proceeding and this test period is being adjusted for the effects of
5 known and reasonably anticipated changes through the rate year ending December
6 31, 2016.

7 **Q. PLEASE DESCRIBE THE EXHIBITS THAT YOU ARE SPONSORING.**

8 A. Exhibit No. 1 (AWA) provides KgPCo's consolidated income statement as
9 reflected on the Company's books for the twelve months ended December 31,
10 2014. The income statement line items are listed by account number, which
11 consists of the FERC Uniform System of Accounts (USofA) account (usually the
12 first four digits) and the AEP sub-account (usually the last three digits). The
13 income statement also contains a brief description of each account along with the
14 amounts charged or credited to each account for the year.

15 Exhibit No. 2 (AWA) provides KgPCo's consolidated balance sheets
16 consisting of assets, capitalization and liabilities as reflected on the Company's
17 books as of December 31, 2014 and December 31, 2013. The balance sheet
18 amounts are listed by account number, which consists of the FERC USofA
19 account (usually the first four digits) and the AEP sub-account (usually the last
20 three digits), and also a brief description of each account is provided.

21 Exhibit No. 3 (AWA) lists each going-level adjustment proposed by the
22 Company. The adjustments are grouped into revenue, expense and rate base
23 categories and further grouped into sub-categories such as operating revenues,

1 operation and maintenance expense, federal income taxes and accumulated
2 provision for depreciation and amortization. Column 1 indicates the witness
3 supporting the adjustment. Column 2 provides the primary FERC USofA
4 account(s) associated with the adjustment. Column 3 contains the adjustment
5 number with a prefix to group similar adjustments (e.g. "OR" for operating
6 revenue adjustments). Column 4 provides a brief description of the adjustment.
7 Column 5 shows the amount of the adjustment.

8 **Q. PLEASE IDENTIFY THE WITNESSES AND THE GOING-LEVEL**
9 **ADJUSTMENTS SHOWN ON EXHIBIT NO. 3 THAT THEY ARE**
10 **SPONSORING.**

11 A. The Company witnesses and the respective adjustments they are sponsoring are as
12 follows:

13	<u>Witness</u>	<u>Adjustments</u>
14	Douglas R. Buck	OR-1 through OR-5, OM-14, OM-15 and OM-16
15	A. Wayne Allen	OR-6, OM-9, OM-10, OM-11, OM-17 through
16		OM-28, DE-29, DE-30, OT-31 through OT-34,
17		FIT-35, FIT-36, SIT-37, EP-38, AD-39, AD-40 and
18		AD-41
19	Garry H. Simmons	OR-7
20	Philip A. Wright	OM-8 and OM-12
21	William K. Castle	OM-13

22 **Q. PLEASE DISCUSS THE GOING-LEVEL ADJUSTMENTS SHOWN ON**
23 **EXHIBIT NO. 3 THAT YOU ARE SPONSORING.**

1 A. Other Operating Revenues (OR-6)

2 Adjustment OR-6 decreases KgPCo's other operating revenues (Account
3 454) by \$42,522 to remove adjustments to pole attachment revenues recorded in
4 2014, which relate to prior periods.

5 Operation and Maintenance Expenses (OM-9, OM-10, OM-11, OM-17, OM-18,
6 OM-19, OM-20, OM-21, OM-22, OM-23, OM-24, OM-25, OM-26, OM-27 and
7 OM-28)

8 Adjustment OM-9 increases distribution expenses (Account 588) by
9 \$762,096 to remove the prior period portions related to 2009 through 2013 of an
10 expense credit reclassification recorded in December 2014 to capitalize AEPSC
11 billings to KgPCo for software costs instead of expensing such costs immediately
12 upon billing. Previously, AEPSC had inadvertently billed an allocated portion of
13 capital software costs to KgPCo as an expense, but AEPSC had billed other AEP
14 operating companies their respective allocated portions as a capital asset. The
15 result for KgPCo from this former practice was that these software costs were
16 expensed when billed instead of being capitalized initially and then amortized
17 over 5 years, which generally approximates the useful life of a typical software
18 project. With this change in practice, KgPCo now accounts for capital software
19 costs consistent with the other AEP operating companies. In addition to the
20 above described reclassification affecting distribution expense, there was also a
21 related reclassification impacting amortization expense (Account 404) that was
22 included in the Company's depreciation and amortization Adjustment DE-29
23 discussed later in my testimony.

1 Adjustment OM-10 increases KgPCo's administrative and general (A&G)
2 expenses by \$101,221 to seek recovery over a 5-year amortization period of the
3 estimated incremental rate case expenses of \$506,104 related to this base rate
4 case. Company witness Castle supports the proposed 5-year amortization period
5 for recovery of the base rate case expenses that would be deferred upon approval
6 of the amortization. The anticipated expenses for this base rate case are
7 comprised of KgPCo employee expenses, billings from the AEPSC for functional
8 and operational expertise and support including expected travel expenses for
9 hearing/depositions, an external cost-of-equity expert witness, external attorney
10 expenses, printing and postage and newspaper public notices.

11 Adjustment OM-11 decreases KgPCo's distribution expenses (Account
12 589) by \$55,790 to remove pole attachment expenses recorded in 2014, which
13 relate to prior periods.

14 Adjustment OM-17 decreases the Company's payroll labor expense by
15 \$76,079 to annualize KgPCo's test year wages and salaries using the pay period
16 ended March 13, 2015.

17 Adjustment OM-18 increases the Company's payroll labor expense by
18 \$83,363 to provide for wage and salary increases through the rate year ending
19 December 31, 2016. This adjustment annualizes the approved 2015 merit
20 increases and reflects the expected 2016 rate year merit increases of
21 approximately 3% on a pro-rata basis.

22 Adjustment OM-19 increases the Company's A&G expenses (Account
23 926) by \$291 related to the matching employer savings plan contributions

1 associated with Adjustments OM-17 and OM-18. The employer's matching
2 contribution equals three-fourths of the employees' contribution up to a maximum
3 of 4.5% of the employees' base salary.

4 Adjustment OM-20 increases the Company's test year A&G expenses
5 (Account 926) by \$36,258 to reflect an expected reduction in the other
6 postretirement employee benefits (OPEB) expense credits to O&M accounts for
7 the 2015 pro-forma period based on the provisions of Statement of Financial
8 Accounting Standards (SFAS) No. 106, *Employers' Accounting for*
9 *Postretirement Benefits Other Than Pensions* (now referred to as Accounting
10 Standards Codification (ASC) Number 715-60 Compensation – Postretirement
11 Benefits - Defined Benefit Plans – Other Postretirement). The 2015 net periodic
12 postretirement benefit costs used in this adjustment were determined by the
13 Company's independent actuary, Towers Watson, by applying actuarial
14 assumptions to KgPCo's employee complement.

15 Adjustment OM-21 decreases the Company's A&G expenses (Account
16 926) by \$84,659 to reflect an expected decrease in pension expense for the 2015
17 pro-forma period based upon the latest actuarial information provided by the
18 Company's independent actuary, Towers Watson. The actuary determines net
19 periodic pension cost in accordance with the provisions of SFAS No. 87,
20 *Employers' Accounting for Pensions* (now referred to as ASC 715-30
21 Compensation – Postretirement Benefits - Defined Benefit Plans – Pension).

22 Adjustment OM-22 decreases the Company's A&G expenses (Account
23 926) by \$1,672 to reflect group life insurance expenses based upon the 2015

1 insurance rates. The adjustment also annualizes these expenses based on the
2 number of participating employees as of January 1, 2015.

3 Adjustment OM-23 decreases the Company's A&G expenses (Account
4 926) by \$46,264 to reflect group medical insurance expenses based upon the 2015
5 insurance rates. The adjustment also annualizes these expenses based on the
6 number of participating employees as of January 1, 2015.

7 Adjustment OM-24 decreases the Company's A&G expenses (Account
8 926) by \$67 to reflect group long-term disability insurance expenses based upon
9 the 2015 insurance rates. The adjustment also annualizes these expenses based on
10 the number of participating employees as of January 1, 2015.

11 Adjustment OM-25 increases the Company's A&G expenses (Account
12 926) by \$3,094 to reflect group dental insurance expenses based upon the 2015
13 insurance rates. The adjustment also annualizes these expenses based on the
14 number of participating employees as of January 1, 2015.

15 Adjustment OM-26 decreases the Company's A&G expenses by \$87,208
16 to adjust the test year level of incentive compensation plan expense for KgPCo
17 employees to a target payout factor of 1.0, which represents the achievement of
18 targeted goals and objectives.

19 Adjustment OM-27 increases the Company's customer service and
20 information (CS&I) expenses (Account 908) by \$66,690 to seek recovery of the
21 amortization of the regional transmission organization demand response
22 (RTODR) regulatory asset balance of \$333,450 estimated at December 31, 2015
23 over 5 years. On March 4, 2013, the TRA issued an order in Docket No. 12-

1 00012 approving the RTODR tariff and permitting KgPCo to defer the net costs
2 associated with its demand response programs. As of April 30, 2015, KgPCo had
3 deferred \$275,044 of RTODR costs on its books. Company witness Castle
4 supports the proposed 5-year amortization period for recovery of the RTODR
5 regulatory asset.

6 Adjustment OM-28 increases the Company's CS&I expenses (Account
7 908) by \$264,537 to reflect an on-going annualized level of RTODR expenses
8 based on the April 2015 actual monthly costs incurred consisting of payments
9 made by KgPCo to Curtailment Service Providers (CSP) under the provisions of
10 the approved RTODR tariff.

11 Depreciation and Amortization Expenses (DE-29 and DE-30)

12 Adjustment DE-29 annualizes and increases test year depreciation and
13 amortization expenses (Accounts 403 and 404) by \$20,516 using December 31,
14 2014 depreciable distribution plant balances including KgPCo's distribution
15 function portion of intangible and general plant and current depreciation rates that
16 were approved by the Tennessee Public Service Commission, the predecessor of
17 the Tennessee Regulatory Authority, in 1984 in Docket No. U-84-7308. The
18 \$20,516 increase in expense supported by Adjustment DE-29 includes the effect
19 of removing \$218,853 of non-recurring amortization expense from the test year.
20 That non-recurring expense was associated with KgPCo's distribution function
21 share of the prior period portion charged to Account 404 related to the
22 reclassification journal entry recorded in December 2014 as discussed above for
23 Adjustment OM-9. The contra entry (Adjustment AD-39) to Adjustment DE-29

1 has been included as an increase to the accumulated provision for depreciation
2 and amortization balance.

3 Adjustment DE-30 increases the going-level depreciation and amortization
4 expenses (Accounts 403 and 404) by \$660,449 to reflect an annualized December
5 2016 level of depreciation expense based on KgPCo's depreciable distribution
6 function plant balances estimated through November 2016 including forecasted
7 net plant in-service additions (i.e. additions less estimated retirements) from
8 January 1, 2015 through a 13-month average ending November 30, 2016.

9 Company witness Wright supports the forecasted plant in-service additions used
10 in this adjustment and also in Adjustment EP-38.

11 To build up the associated accumulated depreciation balances for the 13-
12 month average period ending November 30, 2016 that I describe below for
13 Adjustment AD-40, I applied the current KgPCo depreciation rates to the
14 estimated KgPCo distribution function plant balances including forecasted net
15 plant in-service additions for each month in 2015 and also applied the proposed
16 distribution and general plant depreciation rates sponsored by Company witness
17 Cash to the estimated KgPCo distribution function plant balances including
18 forecasted net plant in-service additions for each month in 2016. The resulting
19 one-month KgPCo distribution function depreciation expense for December 2016
20 (end of the rate year) of \$470,765 was multiplied by 12 to compute an annualized
21 level of depreciation expense of \$5,649,180. This amount was then compared to
22 the going-level depreciation expense of \$4,988,731 calculated in Adjustment DE-

1 29 based on December 31, 2014 (end of the test year) depreciable plant balances
2 to determine the \$660,449 amount of Adjustment DE-30.

3 Company witness Cash is recommending revised depreciation accrual
4 rates based on a test year-end December 31, 2014 depreciation study. Consistent
5 with the approval of KgPCo's current depreciation rates, the Company requests
6 that revised depreciation rates be effective on the first day of the month following
7 the receipt of the order in this proceeding.

8 Taxes Other than Income Taxes (OT-31, OT-32, OT-33 and OT-34)

9 Adjustment OT-31 provides for the FICA tax expense associated with
10 both Adjustment OM-17 (which annualized wages and salaries using the March
11 13, 2015 pay period) and Adjustment OM-18 (which recognized the wage and
12 salary increases through December 2016), and increases KgPCo's distribution
13 function tax expense (Account 408) by \$451. Employee salaries exceeding the
14 test year \$117,000 FICA tax limitation have been excluded from this calculation.

15 Adjustment OT-32 provides for the Medicare tax expense associated with
16 Adjustments OM-17 and OM-18 and increases KgPCo's distribution function tax
17 expense (Account 408) by \$106.

18 Adjustment OT-33 adjusts for the known increase in the FICA base wage
19 limitation from \$117,000 in 2014 to \$118,500 for 2015, which results in an
20 increase in KgPCo's distribution function tax expense (Account 408) of \$43.
21 This adjustment uses data applicable to those KgPCo employees subject to the
22 2014 FICA base wage limitation of \$117,000 and provides for the additional
23 employer matching FICA expense at 6.20%.

1 Adjustment OT-34 increases KgPCo's distribution function tax expense
2 (Account 408) by \$141,247 to allow for the expected increase in Tennessee Real
3 & Personal Property tax in conjunction with forecasted net additions to rate base
4 through the 13-month average ending December 2016 as reflected in Adjustment
5 EP-38 using the effective property tax rate.

6 Federal Income Taxes (FIT-35 and FIT-36)

7 Adjustment FIT-35 decreases KgPCo's distribution function current
8 federal income tax expense by \$420,345 to reflect the current federal income tax
9 effect at 35% of the going-level adjustments shown on Exhibit No. 3 that affect
10 pre-tax income and the related federal income tax Schedule M adjustments.

11 Adjustment FIT-36 decreases KgPCo's distribution function deferred
12 federal income tax expense by \$1,442,528 to reflect the appropriate deferred FIT
13 impact of the normalized Schedule M adjustments.

14 State Income Taxes (SIT-37)

15 Adjustment SIT-37 decreases KgPCo's distribution function Tennessee
16 state income tax expense by \$268,447 based on the adjustments to state taxable
17 income resulting from the going-level adjustments shown on Exhibit No. 3 that
18 affect pre-tax state income and the related Schedule M adjustments.

19 **Q. DOES THIS CONCLUDE YOUR DISCUSSION OF GOING-LEVEL**
20 **ADJUSTMENTS AFFECTING OPERATING INCOME?**

21 **A. Yes.**

1 **Q. PLEASE CONTINUE NOW WITH YOUR DISCUSSION OF THE**
2 **COMPANY’S GOING-LEVEL ADJUSTMENTS TO RATE BASE THAT**
3 **YOU ARE SPONSORING.**

4 **A. I am sponsoring the following adjustments to rate base:**

5 Utility Plant in-Service (EP-38)

6 Adjustment EP-38 increases electric plant in service (Account 101) by
7 \$9,749,409 to reflect a 13-month average for the rate year ending December 31,
8 2016 of KgPCo’s forecasted depreciable distribution function plant in-service
9 additions (provided to me by Company witness Wright) including intangible and
10 general plant net of estimated retirements from January 2015 through December
11 2016. I calculated estimated retirements totaling \$3,715,949 for KgPCo’s
12 distribution function plant by comparing the average actual retirements recorded
13 on the Company’s books by 300-level electric plant account for the most recent
14 10-year period from 2005 through 2014 to KgPCo’s actual plant in service
15 balances also by 300-level electric plant account for the same 10-year period.
16 This comparison resulted in the computation of a monthly average percentage of
17 retirements for each 300-level electric plant account that was applied to the
18 forecasted plant in-service additions for each month from January 2015 through
19 December 2016 to estimate the retirements for this period.

20 Accumulated Provision for Depreciation & Amortization (AD-39, AD-40 & AD-
21 41)

22 Adjustment AD-39 increases KgPCo’s accumulated provision for
23 depreciation and amortization (Accounts 108 and 111) and correspondingly

1 reduces rate base by \$20,516 for accumulated depreciation computed on
2 December 31, 2014 plant in-service balances using currently approved KgPCo
3 depreciation rates. The contra entry (Adjustment DE-29) to this adjustment has
4 been included as an increase to depreciation and amortization expenses.

5 Adjustment AD-40 increases KgPCo's accumulated provision for
6 depreciation and amortization (Accounts 108 and 111) and correspondingly
7 reduces rate base by \$7,988,600 for accumulated depreciation computed on
8 KgPCo's distribution function plant balances from January 2015 through the 13-
9 month average rate year ending December 31, 2016 including forecasted net plant
10 in-service additions (i.e. additions less retirements) from January 2015 through
11 November 2016 and the use of currently approved KgPCo depreciation rates for
12 January through December 2015 and the new proposed depreciation rates for
13 January through December 2016.

14 Adjustment AD-41 decreases KgPCo's accumulated provision for
15 depreciation and amortization (Accounts 108 and 111) and correspondingly
16 increases rate base by \$3,715,949 to reflect the offset to accumulated depreciation
17 for the estimated plant in-service retirements netted in Adjustment EP-38 related
18 to increasing rate base for plant additions from January 2015 through the 13-
19 month average rate year ending December 2016. The \$9,749,409 increase to
20 utility plant in-service reflected in Adjustment EP-38 has already been reduced by
21 estimated retirements over the update period. These same retirements will reduce
22 accumulated depreciation when recorded and therefore, the cost of service must
23 be adjusted to decrease accumulated depreciation by the same amount that utility

1 plant in-service is being decreased due to retirements included in Adjustment EP-

2 38.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 **A. Yes.**

**Kingsport Power Corp Consol
Income Statement**

Run Date: 03/12/2015 09:01

X_OPR_COS Rpt ID: GLR2100V Layout: GLR2100V **TWELVE MONTHS ENDED**
KGP_WIRES_C V2014-12-31 Acct: PRPT_ACCOUNT BU: GL_PRPT_CONS **2014**

4400001	Residential Sales-W/Space Htg	33,426,990.68
4400002	Residential Sales-W/O Space Ht	6,682,647.89
4400005	Residential Fuel Rev	20,763,865.47
NonAff	Residential Sales	60,873,504.04
4420001	Commercial Sales	20,419,241.03
4420002	Industrial Sales (Excl Mines)	30,542,076.61
4420006	Sales to Pub Auth - Schools	122,167.28
4420007	Sales to Pub Auth - Ex Schools	1,791,971.37
4420013	Commercial Fuel Rev	11,750,986.20
4420016	Industrial Fuel Rev	29,336,688.25
NonAff	Commercial and Industrial Sales	93,963,130.74
4420005	C&I Sales - Affil Cos	117.53
4420019	Affiliated C&I Sales -Fuel Rev	16.73
Aff	Affiliated Sales	134.26
4440000	Public Street/Highway Lighting	1,338,840.09
4440002	Public St & Hwy Light Fuel Rev	141,519.62
4450001	Oth Sales Pblic Auth (Inc Sch)	1,396,084.78
4450004	Oth Sales Public Auth Fuel Rev	833,101.51
NonAff	Other Retail Sales	3,709,546.00
	Retail Sales	158,546,315.04
NonAff	Sales for Resale - NonAffiliated	0.00
Aff	Sales for Resale - Affiliated	0.00
	Sales for Resale	0.00
	Sales of Electricity	158,546,315.04
NonAff	Provision for Refund - NonAffiliated	0.00
Aff	Provision for Refund - Affiliated	0.00
	Provision for Refund	0.00
	Sales of Electricity after Refund	158,546,315.04
4560015	Other Electric Revenues - ABD	231,095.56
4561006	PJM Trans Owner Admin Rev	17,181.75
4561007	PJM Network Integ Trans Svc	983,781.49
4561029	PJM NITS Revenue Whsl Cus-NAff	180,056.62
4561030	PJM TO Serv Rev Whls Cus-NAff	2,643.90
4561058	NonAffil PJM Trans Enhncmt Rev	38,412.93
4561061	NAff PJM RTEP Rev for Whsl-FR	2,935.63
4561064	PROVISION RTO Rev WhslCus-NAf	10,457.25
4561065	PROVISION RTO Rev - NonAff	61,134.66
NonAff	Other Electric Revenues - NonAffiliated	1,527,699.79
4561033	PJM NITS Revenue - Affiliated	2,405,532.46
4561034	PJM TO Adm. Serv Rev - Aff	36,357.85
4561059	Affil PJM Trans Enhancmnt Rev	39,135.81
4561063	PROVISION RTO Rev Affiliated	144,527.59
Aff	Other Electric Revenues - Affiliated	2,625,553.71
	Other Electric Revenues	4,153,253.50
4540002	Rent From Elect Property-NAC	7,300.00
4540004	Rent From Elect Prop-ABD-Nonaf	37,285.60
4540005	Rent from Elec Prop-Pole Attch	1,325,189.80
NonAff	Rent from Electric Property - NonAffiliated	1,369,775.40
4540001	Rent From Elect Property - Af	28,701.86
Aff	Rent from Electric Property - Affiliated	28,701.86
	Rent from Electric Property	1,398,477.26
4500000	Forfeited Discounts	280,371.75
4510001	Misc Service Rev - Nonaffil	29,485.99
NonAff	Miscellaneous Revenues - NonAffiliated	309,857.74
Aff	Miscellaneous Revenues - Affiliated	0.00
	Miscellaneous Revenues	309,857.74
NonAff	Gain (Loss) Disposition of Allowances	0.00
	Gain (Loss) Disposition of Allowances	0.00
	TOTAL NET OPERATING REVENUE	164,407,903.54
5010000	Fuel	0.00
	Fuel - Steam Power	0.00
	Fuel - Nuclear Power	0.00
5470004	Fuel - Gas Turb - Purch / Hand	0.00
	Fuel - Other Power	0.00
	Fuel	0.00
5550000	Purchased Power	0.00
	Purchased Power NonAffiliated	0.00

**Kingsport Power Corp Consol
Income Statement**

Run Date: 03/12/2015 09:01

X_OPR_COS	Rpt ID: GLR2100V	Layout: GLR2100V	TWELVE MONTHS ENDED
KGP_WIRES_C	V2014-12-31 Acct: PRPT_ACCOUNT	BU: GL_PRPT_CONS	2014

5550027	Purch Pwr-Non-Fuel Portion-Aff	78,034,766.77
5550046	Purch Power-Fuel Portion-Affil	63,686,698.00
	Purchased Power Affiliated	141,721,464.77
4265009	Factored Cust A/R Exp - Affil	312,263.86
4265010	Fact Cust A/R-Bad Debts-Affil	418,204.65
5000000	Oper Supervision & Engineering	0.00
5060000	Misc Steam Power Expenses	0.00
5390000	Misc Hydr Power Generation Exp	0.00
5460000	Oper Supervision & Engineering	0.00
5560000	Sys Control & Load Dispatching	0.00
5570000	Other Expenses	0.00
5600000	Oper Supervision & Engineering	84,095.13
5611000	Load Dispatch - Reliability	321.62
5612000	Load Dispatch-Mntr&Op TransSys	43,945.04
5614007	RTO Admin Default LSE.	199.22
5615000	Reliability,Plng&Stds Develop	5,524.50
5620001	Station Expenses - Nonassoc	117,018.36
5630000	Overhead Line Expenses	4,424.43
5640000	Underground Line Expenses	0.28
5660000	Misc Transmission Expenses	(34,185.46)
5670001	Rents - Nonassociated	0.00
5757001	PJM Admin-MAM&SC- Internal	0.01
5800000	Oper Supervision & Engineering	273,954.75
5810000	Load Dispatching	6,792.01
5820000	Station Expenses	62,457.36
5830000	Overhead Line Expenses	(25,158.09)
5840000	Underground Line Expenses	50,171.00
5841000	Oper of Energy Storage Equip	(0.01)
5850000	Street Lighting & Signal Sys E	37,014.65
5860000	Meter Expenses	30,240.02
5870000	Customer Installations Exp	85,684.79
5880000	Miscellaneous Distribution Exp	5,119.76
5890001	Rents - Nonassociated	510,872.14
9010000	Supervision - Customer Accts	65,775.14
9020000	Meter Reading Expenses	2,802.92
9020001	Customer Card Reading	18.18
9020002	Meter Reading - Regular	8,923.55
9020003	Meter Reading - Large Power	15,314.82
9020004	Read-In & Read-Out Meters	119,209.84
9030000	Cust Records & Collection Exp	80,858.82
9030001	Customer Orders & Inquiries	640,988.39
9030002	Manual Billing	10,528.79
9030003	Postage - Customer Bills	198,524.55
9030004	Cashiering	29,858.03
9030005	Collection Agents Fees & Exp	30,542.52
9030006	Credit & Oth Collection Activi	112,897.05
9030007	Collectors	145,018.85
9030009	Data Processing	25,734.62
9040007	Uncoll Accts - Misc Receivable	1,733.92
9050000	Misc Customer Accounts Exp	3,038.34
9070000	Supervision - Customer Service	14,886.08
9070001	Supervision - DSM	(1.30)
9080000	Customer Assistance Expenses	40,915.05
9080004	Cust Assistnce Exp - DSM - Ind	0.00
9080009	Cust Assistance Expense - DSM	992.20
9100000	Misc Cust Svc&Informational Ex	640.20
9120000	Demonstrating & Selling Exp	14,668.64
9120001	Demo & Selling Exp - Res	3.70
9120003	Demo & Selling Exp - Area Dev	(88.21)
9200000	Administrative & Gen Salaries	735,772.87
9210001	Off Supl & Exp - Nonassociated	44,447.48
9210003	Office Supplies & Exp - Trnsf	2.00
9210005	Cellular Phones and Pagers	0.13
9220000	Administrative Exp Trnsf - Cr	(294,110.33)
9220001	Admin Exp Trnsf to Cnstrction	(177,712.00)
9220004	Admin Exp Trnsf to ABD	(2,408.13)
9230001	Outside Svcs Empl - Nonassoc	138,856.68
9230002	Outside Svcs Empl - Assoc	0.01
9230003	AEPSC Billed to Client Co	59,678.45
9240000	Property Insurance	189,747.22
9250000	Injuries and Damages	148,621.13
9250001	Safety Dinners and Awards	0.00
9250002	Emp Accdent Prvntion-Adm Exp	1,309.15
9250004	Injuries to Employees	8.85
9250006	Wrkrs Cmpnsth Pre&Slf Ins Prv	36,617.66

**Kingsport Power Corp Consol
Income Statement**

Run Date: 03/12/2015 09:01

X_OPR_COS	Rpt ID: GLR2100V	Layout: GLR2100V	TWELVE MONTHS ENDED
KGP_WIRES_C	V2014-12-31	Acct: PRPT_ACCOUNT	BU: GL_PRPT_CONS
			2014
9250007	Prsnal Injries&Prop Dmage-Pub		18.26
9250010	Frg Ben Loading - Workers Comp		(14,438.47)
9260000	Employee Pensions & Benefits		(0.01)
9260001	Edit & Print Empl Pub-Salaries		1,954.52
9260002	Pension & Group Ins Admin		5,113.90
9260003	Pension Plan		536,763.93
9260004	Group Life Insurance Premiums		14,239.10
9260005	Group Medical Ins Premiums		588,975.17
9260006	Physical Examinations		0.24
9260007	Group L-T Disability Ins Prem		1,604.47
9260009	Group Dental Insurance Prem		19,654.93
9260010	Training Administration Exp		134.97
9260012	Employee Activities		459.51
9260014	Educational Assistance Pmts		9.50
9260021	Postretirement Benefits - OPEB		(341,576.43)
9260027	Savings Plan Contributions		171,873.92
9260040	SFAS 112 Postemployment Benef		409.84
9260050	Frg Ben Loading - Pension		(244,831.64)
9260051	Frg Ben Loading - Grp Ins		(296,291.40)
9260052	Frg Ben Loading - Savings		(89,986.76)
9260053	Frg Ben Loading - OPEB		80,539.35
9260055	IntercoFringeOffset- Don't Use		(296,912.87)
9260057	Postret Ben Medicare Subsidy		60,066.00
9260058	Frg Ben Loading - Accrual		(994.09)
9260060	Amort-Post Retirement Benefit		30,531.48
9280000	Regulatory Commission Exp		(0.61)
9280001	Regulatory Commission Exp-Adm		0.00
9280002	Regulatory Commission Exp-Case		259.43
9301000	General Advertising Expenses		0.00
9301002	Radio Station Advertising Time		4.05
9301010	Publicity		122.09
9301012	Public Opinion Surveys		2,089.32
9301014	Video Communications		0.00
9301015	Other Corporate Comm Exp		1,702.99
9302000	Misc General Expenses		32,514.99
9302003	Corporate & Fiscal Expenses		600.04
9302004	Research, Develop&Demonstr Exp		639.57
9302006	Assoc Bus Dev - Materials Sold		28.83
9302007	Assoc Business Development Exp		74,557.11
9302458	AEPSC Non Affiliated expenses		(0.01)
9310000	Rents		0.00
9310001	Rents - Real Property		315,209.23
9310002	Rents - Personal Property		29,974.41
	Operations		5,118,594.74
5100000	Maint Supv & Engineering		0.00
5110000	Maintenance of Structures		0.00
5120000	Maintenance of Boiler Plant		0.00
5140000	Maintenance of Misc Steam Plt		0.00
5280000	Maint Supv & Engineering		0.00
5310000	Maintenance of Electric Plant		0.00
5420000	Maintenance of Structures		0.00
5530001	Maint of Gen Plant - Gas Turb		0.00
5680000	Maint Supv & Engineering		3,839.87
5690000	Maintenance of Structures		2,733.68
5691000	Maint of Computer Hardware		1,460.71
5692000	Maint of Computer Software		20,482.68
5693000	Maint of Communication Equip		983.66
5700000	Maint of Station Equipment		213,423.86
5710000	Maintenance of Overhead Lines		81,621.21
5720000	Maint of Underground Lines		3.40
5730000	Maint of Misc Trnsmssion Plt		51,095.09
5900000	Maint Supv & Engineering		11,304.86
5910000	Maintenance of Structures		15,563.93
5920000	Maint of Station Equipment		137,002.08
5922000	Maint of Energy Storage Equip		0.00
5930000	Maintenance of Overhead Lines		1,830,705.22
5930001	Tree and Brush Control		32,484.72
5940000	Maint of Underground Lines		110,037.97
5950000	Maint of Lne Trnf,Rglators&Dvi		176,429.83
5960000	Maint of Strt Lghtng & Sgnal S		120,005.25
5970000	Maintenance of Meters		591.04
5980000	Maint of Misc Distribution Plt		221,525.57
9350000	Maintenance of General Plant		6.33
9350001	Maint of Structures - Owned		27,827.76
9350002	Maint of Structures - Leased		157,412.92
9350003	Maint of Prprty Held Fture Use		(0.44)

**Kingsport Power Corp Consol
Income Statement**

Run Date: 03/12/2015 09:01

X_OPR_COS		Rpt ID: GLR2100V	Layout: GLR2100V	TWELVE MONTHS ENDED
KGP_WIRES_C		V2014-12-31 Acct: PRPT_ACCOUNT	BU: GL_PRPT_CONS	2014
9350013	Maint of Cmmncation Eq-Unall			76,671.35
9350015	Maint of Office Furniture & Eq			79,824.25
9350016	Maintenance of Video Equipment			0.00
9350019	Maint of Gen Plant-SCADA Equ			79.61
	Maintenance			3,373,116.41
	Total Operations and Maintenance			150,213,175.92
4030001	Depreciation Exp			5,221,352.53
	Depreciation			5,221,352.53
4040001	Amort. of Plant			530,516.42
	Amortization of Electrical Plant - 403			530,516.42
	Amortization of Other Electric Plant - 404			0.00
	Amortization of Electric Plant Acq Adj - 406			0.00
	Amortization of Property Losses - 407			0.00
	Amortization of Reg Debits and Credits			0.00
	Amortization			530,516.42
	Depreciation and Amortization			5,751,868.95
4081002	FICA			336,454.48
4081003	Federal Unemployment Tax			2,447.50
408100512	Real Personal Property Taxes			0.00
408100513	Real Personal Property Taxes			6,279.88
408100514	Real Personal Property Taxes			1,159,000.00
408100612	State Gross Receipts Tax			0.00
408100613	State Gross Receipts Tax			1,926,579.52
408100614	State Gross Receipts Tax			2,046,162.00
4081007	State Unemployment Tax			198.27
408100811	State Franchise Taxes			0.00
408100812	State Franchise Taxes			0.00
408100813	State Franchise Taxes			29,186.00
408100814	State Franchise Taxes			120,100.00
408101713	St Lic Rgstrtion Tax-Fees			20.00
408101714	St Lic Rgstrtion Tax-Fees			3,422.25
408101813	St Publ Serv Comm Tax-Fees			0.00
408101814	St Publ Serv Comm Tax-Fees			654,642.25
408101912	State Sales and Use Taxes			0.00
408101913	State Sales and Use Taxes			212.21
408101914	State Sales and Use Taxes			1,489.88
4081033	Fringe Benefit Loading - FICA			(165,163.45)
4081034	Fringe Benefit Loading - FUT			(1,416.51)
4081035	Fringe Benefit Loading - SUT			(1,839.74)
	Taxes Other Than Income Taxes			6,117,774.54
409100212	Income Taxes UOI - State			0.00
409100213	Income Taxes UOI - State			697.44
409100214	Income Taxes UOI - State			(124,294.87)
	State, Local and Foreign Income Taxes			(123,597.43)
4091001	Income Taxes, UOI - Federal			(1,327,961.72)
4101001	Prov Def I/T Util Op Inc-Fed			3,782,279.66
4111001	Prv Def I/T-Cr Util Op Inc-Fed			(2,012,973.86)
	Federal Income Taxes			441,344.08
	Total Operating Expenses			162,400,566.06
	NET OPERATING INCOME			2,007,337.48
	AFUDC			0.00
	Equity Earnings of Subsidiary			0.00
4190002	Int & Dividend Inc - Nonassoc			571.48
4190005	Interest Income - Assoc CBP			35.48
	Interest Dividend Income			606.96
	Gain on Disposition of Property			0.00
	Merchandise Jobbing			0.00
	Net Revenue - Non Utility			0.00
	NonOperating Rental Income			0.00
4210002	Misc Non-Op Inc-NonAsc-Rents			130.11
4210007	Misc Non-Op Inc - NonAsc - Oth			41.67
4210009	Misc Non-Op Exp - NonAssoc			(415.41)
	Miscellaneous NonOperating Income			(243.63)
	Other Net NonOperating Income			(243.63)
	Other Income			363.33
408200513	Real Personal Property Taxes			0.00
408200514	Real Personal Property Taxes			(10,800.00)
408200813	State Franchise Taxes			(50.00)
408201414	St Lic-Registration Tax-Fees			(35.00)

**Kingsport Power Corp Consol
Income Statement**

Run Date: 03/12/2015 09:01

X_OPR_COS		Rpt ID: GLR2100V	Layout: GLR2100V	TWELVE MONTHS ENDED
KGP_WIRES_C		V2014-12-31 Acct: PRPT_ACCOUNT	BU: GL_PRPT_CONS	2014
		Taxes Other than Income - Other Inc/Ded		(10,885.00)
		Loss On Disposition of Property		0.00
		Miscellaneous Amortization		0.00
4261000		Donations		(9,820.96)
4263001		Penalties		(18,989.08)
4264000		Civic & Political Activities		(45,937.20)
4265002		Other Deductions - Nonassoc		(201.00)
4265004		Social & Service Club Dues		(39,165.63)
4265007		Regulatory Expenses		(435.10)
		Miscellaneous Income Deductions		(114,548.97)
		Other Income Deductions		(125,433.97)
409200212		Inc Tax Oth Inc Ded - State		0.00
409200213		Inc Tax Oth Inc Ded - State		2,674.19
409200214		Inc Tax Oth Inc Ded - State		4,880.33
		State Income Tax - Other Inc/Ded		7,554.52
		Local Income Tax - Other Inc/Ded		0.00
		Foreign Income Tax - Other Inc/Ded		0.00
4092001		Inc Tax, Oth Inc&Ded-Federal		38,036.59
4102001		Prov Def I/T Oth I&D - Federal		(85,357.30)
4112001		Prv Def I/T-Cr Oth I&D-Fed		51,033.50
4115001		ITC Adj, Non-Util Oper - Fed		15,372.00
		Federal Income Tax - Other Inc/Ded		19,084.79
		Income Taxes Applicable to Other Inc/Ded		26,639.31
		Net Other Income and Deductions		(98,431.33)
		INCOME BEFORE INTEREST CHARGES		1,908,906.15
4300001		Interest Exp - Assoc Non-CBP		903,999.96
		Interest on Long Term Debt		903,999.96
4300003		Int to Assoc Co - CBP		57,855.52
		Interest on Short Term Debt - Affiliated		57,855.52
4310007		Lines Of Credit		112,058.20
		Interest on Short Term Debt - NonAffiliated		112,058.20
		Amortization of Debt Disc, Prem & Exp		0.00
		Amortization of Loss on Reacquired Debt		0.00
		Amortization of Gain on Reacquired Debt		0.00
4310001		Other Interest Expense		2,062.15
4310002		Interest on Customer Deposits		238,216.14
4310022		Interest Expense - Federal Tax		0.00
4310023		Interest Expense - State Tax		1,669.00
		Other Interest Charges		241,947.29
		Interest Charges		1,315,860.97
4320000		Allw Brrowed Fnds Used Cnstr-Cr		(5,692.20)
		AFUDC Borrowed Funds		(5,692.20)
		Net Interest Charges		1,310,168.77
		Net Extraordinary Items		0.00
		NET INCOME BEFORE PREFERRED STOCK		598,737.38
		Preferred Stock Dividend Requirements		0.00
		NET INCOME - EARNINGS FOR COMMON STOCK		598,737.38

**Kingsport Power Corp Consol
Comparative Balance Sheet
December 31, 2014**

Run Date: 03/17/2015 13:31

X_OPR_COS	Rpt ID: GLR2200V	Layout: GLR2200V	Month End Balances	
KGP_WIRES_	V2014-12-31	Acct: PRPT_ACCOUNT	BU: GL_PRPT_CONS	
			2014	2013

ASSETS				
1010001	Plant in Service	154,362,099.37	141,409,652.54	
1011001	Capital Leases	880,221.00	419,682.19	
1050001	Held For Fut Use	34,829.00	425,219.56	
1060001	Const Not Classifd	10,600,445.28	13,820,708.82	
	Plant In Service	165,877,594.65	156,075,263.11	
1011012	Accrued Capital Leases	2,006.40	3,595.91	
	General Plant	2,006.40	3,595.91	
1070001	CWIP - Project	3,222,264.56	1,537,062.86	
	Construction Work-In-Progress	3,222,264.56	1,537,062.86	
	ELECTRIC UTILITY PLANT	169,101,865.61	157,615,921.88	
1011006	Prov-Leased Assets	(217,477.18)	(184,870.17)	
1080001	A/P for Deprec of Plt	(62,026,320.42)	(58,741,398.84)	
1080005	RWIP - Project Detail	344,165.62	378,739.66	
1080011	Cost of Removal Reserve	(693,950.00)	(656,264.96)	
1110001	A/P for Amort of Plt	(1,360,305.20)	(816,022.66)	
	less Accum Provision - Depre, Depl, Amort.	(63,953,887.19)	(60,019,816.98)	
	NET ELECTRIC UTILITY PLANT	105,147,978.43	97,596,104.91	
1210001	Nonutility Property - Owned	78,622.00	78,622.00	
	Gross NonUtility Property	78,622.00	78,622.00	
	Less Depr & Amort NonUtility Property	0.00	0.00	
	Other Property Investments	0.00	0.00	
	Net NonUtility Property	78,622.00	78,622.00	
	Investment in Consol Subsidiaries	0.00	0.00	
	Investment in NonConsol Subsidiaries	0.00	0.00	
	Investment in NonConsol Subs Cost Basis	0.00	0.00	
	Investment in Subsidiary & Associated	0.00	0.00	
1240002	Oth Investments-Nonassociated	3.00	3.00	
	Other Investments	3.00	3.00	
1290000	Pension Net Funded Position	0.00	1,157,252.02	
1290001	Non-UMWA PRW Funded Position	1,274,266.00	0.00	
1290002	SFAS 106 - Non-UMWA PRW	0.00	0.00	
	Other Special Funds	1,274,266.00	1,157,252.02	
	Allowance - NonCurrent	0.00	0.00	
	Long Term Energy Trading Contracts	0.00	0.00	
	OTHER PROPERTY AND INVESTMENTS	1,352,891.00	1,235,877.02	
1310000	Cash	77,069.67	88,373.53	
	Cash and Cash Equivalents	77,069.67	88,373.53	
1340051	Spec Depost RBC	5,431.43	0.00	
1340053	Deposits - Flexible Spending	488.64	646.51	
	Special Deposits	5,920.07	646.51	
	Other Intercompany Adj Working Funds	0.00	0.00	
	Miscellaneous Working Funds	0.00	0.00	
	Auction Rate Securities	0.00	0.00	
	Special Deposits and Working Funds	5,920.07	646.51	
	Temporary Cash Investments	0.00	0.00	
	Cash and Cash Equivalents	82,989.74	89,020.04	
	Advances to Affiliates	0.00	0.00	
1420001	Customer A/R - Electric	15,071,171.00	12,194,588.66	
1420006	A/R-Customer Assistance	110.00	754.00	
1420022	Cust A/R - Factored	(14,247,909.70)	(13,693,243.53)	
1420028	Emergency LIEAP	207.72	0.00	
1420044	Customer A/R - Estimated	0.00	2,425,824.48	
1420050	PJM AR Accrual	107,532.73	38,803.27	
1420102	AR Peoplesoft Billing - Cust	42,900.83	25,644.96	
	Acct Rec - Customers	974,012.58	992,371.84	
1430022	2001 Employee Biweekly Pay Cnv	6,642.68	7,900.46	
1430023	A/R PeopleSoft Billing System	0.00	0.00	
1430081	Damage Recovery - Third Party	0.00	448.00	
1430083	Damage Recovery Offset Demand	0.00	(448.00)	
1430102	AR Peoplesoft Billing - Misc	286,671.96	284,638.00	
1710048	Interest Receivable -FIT -LT	484.00	(56.00)	
1710348	Interest Receivable -SIT -LT	0.00	685.00	
1710448	Interest Receivable. -SIT -ST	0.00	984.00	
1720000	Rents Receivable	621,618.84	634,887.54	
	Acct Rec - Miscellaneous	915,417.48	929,039.00	
	Acct Rec - AP for Uncollectible Accounts	0.00	0.00	
1460001	A/R Assoc Co - InterUnit G/L	504,920.76	1,336,682.53	
1460006	A/R Assoc Co - Intercompany	308,255.29	279,917.70	
1460009	A/R Assoc Co - InterUnit A/P	2,338.44	556.85	
1460011	A/R Assoc Co - Multi Pmts	356,568.38	272,001.06	
1460025	Fleet - M4 - A/R	14,921.07	7,135.48	
	Acct Rec - Associated Companies	1,187,003.94	1,896,293.62	
	Fuel Stock	0.00	0.00	

**Kingsport Power Corp Consol
Comparative Balance Sheet
December 31, 2014**

Run Date: 03/17/2015 13:31

X_OPR_COS		Rpt ID: GLR2200V	Layout: GLR2200V	Month End Balances	
KGP_WIRES_	V2014-12-31	Acct: PRPT_ACCOUNT	BU: GL_PRPT_CONS	2014	2013
1540001	M&S - Regular			261,289.36	321,166.61
1540013	Transportation Inventory			15,912.92	15,912.92
1540014	Indus Direct Charge Clearing			0.00	1,086.00
	Plant Materials and Supplies			277,202.28	338,165.53
	Merchandise			0.00	0.00
	Allowance Inventory			0.00	0.00
	Stores Expenses			0.00	0.00
	Materials and Supplies			277,202.28	338,165.53
1730000	Accrued Utility Revenues			2,983,488.34	4,042,634.00
1730002	Acrd Utility Rev-Factored-Assc			(2,513,812.16)	(2,818,639.48)
	Accrued Utility Revenues			469,676.18	1,223,994.52
1760010	S/T Asset for Commodity Hedges			0.00	5,083.00
	Energy Trading			0.00	5,083.00
1650001	Prepaid Insurance			51,834.08	29,580.61
165000213	Prepaid Taxes			0.00	1,926,579.52
165000214	Prepaid Taxes			2,046,162.00	7,664.00
165000215	Prepaid Taxes			51,183.00	0.00
1650009	Prepaid Carry Cost-Factored AR			10,792.37	7,959.28
1650010	Prepaid Pension Benefits			4,922,325.93	5,206,964.03
1650014	FAS 158 Qual Contra Asset			(4,922,325.93)	(5,206,964.03)
1650021	Prepaid Insurance - EIS			95,123.82	113,923.55
1650023	Prepaid Lease			133.22	0.00
1650035	PRW Without MED-D Benefits			(298,994.38)	0.00
1650036	PRW for Med-D Benefits			602,428.50	0.00
1650037	FAS158 Contra-PRW Exclud Med-D			(303,434.12)	0.00
	Prepayments			2,255,228.49	2,085,706.96
1340043	Spec Deposit UBS Securities			0.00	4,551.41
1340048	Spec Deposits-Trading Contra			(1,916.00)	0.00
1860007	Billings and Deferred Projects			1,650.52	12,147.15
	Other Current Assets			(265.48)	16,698.56
	CURRENT ASSETS			6,161,265.21	7,576,373.07
1823007	SFAS 112 Postemployment Benef			170,111.80	343,353.44
1823077	Unreal Loss on Fwd Commitments			21,054.00	0.00
1823078	Deferred Storm Expense			2,039,409.36	2,039,409.36
1823165	REG ASSET FAS 158 QUAL PLAN			6,833,437.00	6,237,025.00
1823166	REG ASSET FAS 158 OPEB PLAN			(970,831.88)	(1,157,252.02)
1823299	SFAS 106 Medicare Subsidy			305,315.08	335,846.56
1823301	SFAS 109 Flow Thru Defd FIT			2,654,701.10	2,877,364.28
1823302	SFAS 109 Flow Thru Defrd SIT			3,019,124.00	2,824,518.00
1823310	RTO Demand Response costs			167,667.05	24,583.11
	Miscellaneous Regulatory Assets			14,239,987.51	13,524,847.73
	Unamortized Loss on Reacquired Debt			0.00	0.00
	REGULATORY ASSETS			14,239,987.51	13,524,847.73
	Unamortized Debt Expense			0.00	0.00
1840029	Transp-Assigned Vehicles			0.00	0.00
	Clearing Accounts			0.00	0.00
1830000	Prelimin Surv&Investgtn Chrgs			0.00	0.00
186000314	Deferred Property Taxes			0.00	0.00
1860005	Unidentified Cash Receipts			0.00	0.00
1860077	Agency Fees - Factored A/R			335,234.44	330,237.66
1860153	Unamortized Credit Line Fees			103,683.46	120,078.76
1860160	Deferred Expenses - Current			0.00	0.00
1860166	Def Lease Assets - Non Taxable			0.00	130,814.20
	Other Deferred Debits			438,917.90	581,130.62
1901001	Accum Deferred FIT - Other			(1,065,766.68)	(717,142.07)
1902001	Accum Defd FIT - Oth Inc & Ded			50,367.89	84,691.69
1903001	Acc Dfd FIT - FAS109 Flow Thru			1,095,539.94	1,026,968.44
1904001	Accum Dfd FIT - FAS 109 Excess			5,016.31	5,083.61
	Accumulated Deferred Income Taxes			85,157.46	399,601.67
	TOTAL DEFERRED CHARGES			524,075.36	980,732.29
	TOTAL ASSETS			127,426,197.51	120,913,935.02

**Kingsport Power Corp Consol
Comparative Balance Sheet
December 31, 2014**

Run Date: 03/17/2015 13:31

X_OPR_COS		Rpt ID: GLR2200V	Layout: GLR2200V	Month End Balances	
KGP_WIRES_		V2014-12-31	Acct: PRPT_ACCOUNT	BU: GL_PRPT_CONS	
				2014	2013
CAPITALIZATION and LIABILITIES					
COMMON STOCK					
2010001	Common Stock Issued-Affiliated			4,100,000.00	4,100,000.00
	Common Stock			4,100,000.00	4,100,000.00
	Premium on Capital Stock			0.00	0.00
2080000	Donations Recvd from Stckhldrs			13,800,000.00	13,800,000.00
2190010	OCI for Commodity Hedges			0.00	3,295.83
	Paid-In-Capital			13,800,000.00	13,803,295.83
	Retained Earnings			13,377,290.98	13,178,553.60
	COMMON SHAREHOLDERS' EQUITY			31,277,290.98	31,081,849.43
	PS Subject To Mandatory Redemption			0.00	0.00
	PS Not Subject Mandatory Redemption			0.00	0.00
	CUMULATIVE PREFERRED STOCK			0.00	
	TRUST PREFERRED SECURITIES			0.00	0.00
2230000	Advances from Associated Co			20,000,000.00	20,000,000.00
	Long-Term Debt Less Amt Due 1 Yr			20,000,000.00	20,000,000.00
	CAPITALIZATION			51,277,290.98	51,081,849.43
2270001	Obligatns Undr Cap Lse-Noncurr			485,812.25	168,754.17
2270003	Accrued Noncur Lease Oblig			1,605.12	2,876.73
	Obligations Under Capital Lease-NonCurrent			487,417.37	171,630.90
	Accumulated Provision Rate Relief			0.00	0.00
2282003	Accm Prv I/D - Worker's Com			461.45	912.61
2283003	SFAS 106 Post Retirement Benef			0.00	644,219.38
2283005	SFAS 112 Postemployment Benef			100,544.80	230,080.44
2283006	SFAS 87 - Pensions			0.00	0.00
2283016	FAS 158 Qual Payable Long Term			1,911,111.07	1,030,060.97
2283018	SFAS 106 Med Part-D			0.00	(692,105.53)
	Accumlated Provision - Miscellaneous			2,012,117.32	1,213,167.87
	Other NonCurrent Liabilities			2,499,534.69	1,384,798.77
	Preferred Stock Due Within 1 Year			0.00	0.00
	Long-Term Debt Due Within 1 Year			0.00	0.00
	Accumulated Provision Due Within 1 Year			0.00	0.00
	Short-Term Debt			0.00	0.00
2330000	Corp Borrow Program (NP-Assoc)			22,038,617.13	19,082,806.85
	Advances from Affiliates			22,038,617.13	19,082,806.85
2320001	Accounts Payable - Regular			209,494.18	124,035.43
2320002	Unvouchered Invoices			1,017,129.10	304,937.60
2320003	Retention			7,189.12	0.00
2320076	Corporate Credit Card Liab			3,741.71	11,524.18
2320077	INDUS Unvouchered Liabilities			14,675.36	0.00
2320083	PJM Net AP Accrual			95,779.71	66,773.25
	A/P General			1,348,009.19	507,270.47
2340001	A/P Assoc Co - InterUnit G/L			12,814,773.44	12,977,323.46
2340027	A/P Assoc Co - Intercompany			196,011.45	226,970.12
2340029	A/P Assoc Co - AEPSC Bills			594,663.57	456,519.64
2340030	A/P Assoc Co - InterUnit A/P			1,895.65	573.83
2340032	A/P Assoc Co - Multi Pmts			55.00	22.00
2340035	Fleet - M4 - A/P			1,082.62	(144.70)
2340037	A/P Assoc-Global Borrowing Int			225,999.99	226,000.01
	A/P Associated Companies			13,834,481.72	13,887,264.36
2350001	Customer Deposits-Active			4,085,237.74	3,888,479.53
	Customer Deposits			4,085,237.74	3,888,479.53
2360001	Federal Income Tax			(229,773.79)	(184,165.48)
236000211	State Income Taxes			28,803.94	28,803.94
236000212	State Income Taxes			(17,793.83)	(1.83)
236000213	State Income Taxes			17,792.00	19,768.75
236000214	State Income Taxes			(129,142.20)	0.00
2360004	FICA			8,604.74	21,817.52
2360005	Federal Unemployment Tax			696.35	792.72
2360006	State Unemployment Tax			384.38	1,914.57
236000713	State Sales and Use Taxes			0.00	3,452.28
236000714	State Sales and Use Taxes			10,260.52	0.00
236000813	Real Personal Property Taxes			0.00	1,131,198.60
236000814	Real Personal Property Taxes			1,175,000.00	0.00
236001207	State Franchise Taxes			91,775.00	91,775.00
236001211	State Franchise Taxes			19,101.63	19,101.63
236001212	State Franchise Taxes			(29,646.00)	0.00
236001213	State Franchise Taxes			29,646.00	900.00
236001214	State Franchise Taxes			(140,000.00)	0.00
236003513	Real Prop Tax-Cap Leases			0.00	27,342.00
236003514	Real Prop Tax-Cap Leases			0.00	0.00
2360037	FICA - Incentive accrual			34,076.69	37,299.42

**Kingsport Power Corp Consol
Comparative Balance Sheet
December 31, 2014**

Run Date: 03/17/2015 13:31

X_OPR_COS		Rpt ID: GLR2200V	Layout: GLR2200V	Month End Balances	
KGP_WIRES_		V2014-12-31	Acct: PRPT_ACCOUNT	BU: GL_PRPT_CONS	
				2014	2013
2360502	State Inc Tax-Short Term FIN48			0.00	(7,372.00)
2360601	Fed Inc Tax-Long Term FIN48			0.00	(82,228.37)
2360602	State Inc Tax-Long Term FIN48			0.00	(7,436.00)
2360701	SEC Accum Defd FIT-Util FIN 48			0.00	82,228.01
2360702	SEC Accum Defd SIT - FIN 48			0.00	14,841.00
	Taxes Accrued			869,785.43	1,200,031.76
2370007	Interest Accrd-Customer Depsts			986,898.72	878,930.69
	Interest Accrued			986,898.72	878,930.69
	Dividends Accrued			0.00	0.00
2430001	Oblig Under Cap Leases - Curr			176,931.57	66,057.85
2430003	Accrued Cur Lease Oblig			401.28	719.18
	Obligation Under Capital Leases			177,332.85	66,777.03
2440001	Curr. Unreal Losses - NonAffil			21,054.00	0.00
2440021	S/T Liability MTM Collateral			(1,916.00)	0.00
	Energy Contracts Current			19,138.00	0.00
2410001	Federal Income Tax Withheld			0.00	24,216.58
2410002	State Income Tax Withheld			0.00	3,022.75
2410004	State Sales Tax Collected			235,557.93	209,915.39
2410005	FICA Tax Withheld			0.00	13,083.87
	Tax Collections Payable			235,557.93	250,238.59
2420514	Revenue Refunds Accrued			0.00	20,740.09
	Revenue Refunds Accured			0.00	20,740.09
	Accrued Rents - Affiliated			0.00	0.00
2420504	Accrued Lease Expense			0.00	2.51
	Accrued Rents - NonAffiliated			0.00	2.51
	Accrued Rents			0.00	2.51
2420020	Vacation Pay - This Year			0.00	0.00
2420021	Vacation Pay - Next Year			379,479.61	460,217.55
	Accrued Vacations			379,479.61	460,217.55
2420051	Non-Productive Payroll			5,540.63	5,098.76
	Miscellaneous Employee Benefits			5,540.63	5,098.76
	Employee Benefits			385,020.24	465,316.31
2420002	P/R Ded - Medical Insurance			13,958.28	15,954.26
2420003	P/R Ded - Dental Insurance			1,243.65	1,338.26
2420010	P/R Ded - Dependent Life Ins			50.90	0.00
2420013	P/R Ded - LTD Ins Premiums			149.38	0.00
2420018	P/R Ded-Reg&Spec Life Ins Prem			239.23	0.00
2420044	P/R Withholdings			0.00	6,810.53
	Payroll Deductions			15,641.44	24,103.05
2420532	Adm Liab-Cur-S/Ins-W/C			40,624.00	41,374.04
	Accrued Workers' Compensation			40,624.00	41,374.04
2420027	FAS 112 CURRENT LIAB			69,567.00	113,273.00
2420071	P/R Ded - Vision Plan			519.50	501.36
2420076	P/R Savings Plan - Incentive			15,099.93	14,837.78
2420081	Environmntl Remediation Accrue			0.00	37,537.50
2420083	Active Med and Dental IBNR			29,104.13	0.00
2420087	Engage to Gain Incentive			0.00	68,556.07
2420511	Control Cash Disburse Account			180,772.68	302,344.18
2420512	Unclaimed Funds			2,007.01	1,289.16
2420558	Admitted Liab NC-Self/Ins-W/C			31,394.51	37,856.96
2420618	Accrued Payroll			109,350.82	109,918.64
2420623	Distr, Cust Ops & Reg Svcs ICP			381,450.10	282,139.14
2420624	Corp & Shrd Srv Incentive Plan			36,574.52	30,817.00
2420643	Accrued Audit Fees			42.79	60.79
2420660	AEP Transmission ICP			39,893.86	106,058.11
2420665	Dollar Energy Assistance Pgm			760.64	572.75
	Miscellaneous Current and Accrued Liab			896,537.49	1,105,762.44
	Other Current and Accrued Liabilities			1,573,381.10	1,907,537.04
	Current Liabilities			44,932,881.88	41,419,097.72
2821001	Accum Defd FIT - Utility Prop			20,357,471.15	19,259,960.00
2822001	Accum Defd FIT - Other Prop			258.15	258.15
2823001	Acc Dfrd FIT FAS 109 Flow Thru			1,750,892.46	1,898,305.81
2824001	Acc Dfrd FIT - SFAS 109 Excess			(9,316.00)	(9,441.00)
2830006	ADIT Federal - SFAS 133 Nonaff			0.00	1,775.60
2831001	Accum Deferred FIT - Other			938,362.39	615,768.35
2833001	Acc Dfrd FIT FAS 109 Flow Thru			1,997,257.73	1,995,658.84
2833002	Acc Dfrd SIT FAS 109 Flow Thru			3,019,124.00	2,824,518.00
	Deferred Income Taxes			28,054,049.88	26,586,803.75
2550001	Accum Deferred ITC - Federal			3,883.00	19,255.00
	Deferred Investment Tax Credits			3,883.00	19,255.00
2543001	SFAS109 Flow Thru Def FIT Liab			2,090.85	10,368.07
2544001	SFAS 109 Exces Deferred FIT			14,332.31	14,524.61
	FAS109 DFIT Reclass (Acct 254)			16,423.16	24,892.68
	Unamortized Gain on Reacquired Debt			0.00	0.00
	Regulatory Liabilities			16,423.16	24,892.68
2530022	Customer Advance Receipts			419,757.72	301,768.14
2530050	Deferred Rev -Pole Attachments			98,001.02	95,153.31
2530101	MACSS Unidentified EDI Cash			324.96	316.22
2530112	Other Deferred Credits-Curr			428.99	0.00
2530124	Contr In Aid of Constr Advance			123,621.23	0.00
	Other Deferred Credits			642,133.92	397,237.67
	Deferred Credits			642,133.92	397,237.67
	DEFERRED CREDITS & REGULATED LIABILITIES			28,716,489.96	27,028,189.10
	CAPITAL & LIABILITIES			127,426,197.51	120,913,935.02

KINGSPORT POWER COMPANY
List of Going-Level Adjustments
For the Year Ended 12/31/2014

KgPCo Exhibit No. 3 (AWA)
Page 1 of 2

Witness	Account	Adj. No.	Description of Adjustments	KGPCo Adjustments
(1)	(2)	(3)	(4)	
ADJUSTMENTS TO OPERATING INCOME				
OPERATING REVENUES				
<u>OPERATING REVENUES (Sale of Electricity)</u>				
Buck	44X	OR-1	Weather Normalization	(2,426,081)
Buck	44X	OR-2	Customer Growth	(692,989)
Buck	44X	OR-3	Adjust revenues from a book to billed basis	227,055
Buck	44X	OR-4	Transfer Non-Base PPAR and Non-Base Fuel Into Base Revenue	
			Base (incl. partial fuel & PPAR)	63,279,977
			Fuel (non Base)	(27,745,545)
			PPAR (non-Base)	(35,534,432)
Buck	44X	OR-5	Rate Annualization	1,955,389
SUBTOTAL OPERATING REVENUES (Sale of Electricity) ADJUSTMENTS				(936,626)
<u>OTHER ELECTRIC OPERATING REVENUES</u>				
Allen	454	OR-6	Decrease test year pole attachment revenues to remove prior period adjustment	(42,522)
Simmons	451	OR-7	Increase reconnect and bad check fees	44,641
SUBTOTAL OPERATING REVENUES - Sale of Electricity ADJUSTMENTS				2,119
TOTAL OPERATING REVENUE ADJUSTMENTS				(934,507)
OPERATING REVENUE DEDUCTIONS				
<u>OPERATION AND MAINTENANCE EXPENSES</u>				
Wright	583, 584, 593, 594	OM-8	Distribution Tennessee Reliability Strategy adjustment to an on-going level of expenses.	2,087,140
Allen	588	OM-9	Increase test year distribution expense to remove prior period portion (2009-2013) of reclassification recorded in 2014 to capitalize AEPSC billings to KGPCo for software costs instead of expensing immediately upon billing	762,096
Allen	928	OM-10	Increase test year rate case expenses to a going-level based on 5-year amortization of expected 2015 KGPCo base rate case expenses	101,221
Allen	589	OM-11	Decrease test year pole attachment rental expenses to remove prior period adjustment	(55,790)
Wright	593	OM-12	Normalization of Major Storm Expenses (average of 2010, 2011, 2012 and 2014)	406,528
Castle	908	OM-13	Energy Efficiency and Residential Load Control Programs	300,000
Buck	555	OM-14	Adjust Fuel Expense for rate year sales	(1,163,763)
Buck	555	OM-15	Adjust Non Fuel Purchased Power Expense for rate year sales	(1,428,638)
Buck	555	OM-16	Increase PPAR Expense for Rate Annualization	1,979,229
Allen	Various	OM-17	Annualize wage and salary using the pay period ending 3/13/15	(76,079)
Allen	Various	OM-18	Provide for wage and salary increases through rate year ending 12/31/16	83,363
Allen	926	OM-19	Increase savings plan expense related to adjustments to wages and salaries	291
Allen	926	OM-20	Increase SFAS 106 Other Post-Retirement Benefits expense to pro forma level	36,258
Allen	926	OM-21	Decrease SFAS 87 pension expense to pro forma level	(84,659)
Allen	926	OM-22	Decrease group Life insurance expense to pro forma level	(1,672)
Allen	926	OM-23	Decrease group Medical insurance expense to pro forma level	(46,264)
Allen	926	OM-24	Decrease group Long Term Disability insurance expense to pro forma level	(67)
Allen	926	OM-25	Increase group Dental insurance expense to pro forma level	3,094
Allen	Various	OM-26	Decrease KGPCo Incentive Compensation Plan expense to target level	(87,208)
Allen	908	OM-27	Amortize RTO Demand Response Regulatory Asset over 5 years	66,690

KINGSPORT POWER COMPANY
List of Going-Level Adjustments
For the Year Ended 12/31/2014

KgPCo Exhibit No. 3 (AWA)
Page 2 of 2

Witness	Account	Adj. No.	Description of Adjustments	KGPCo Adjustments
(1)	(2)	(3)	(4)	
Allen	908	OM-28	Provide for on-going annualized level of RTO Demand Response expense	264,537
			SUBTOTAL OPERATION & MAINTENANCE EXPENSE ADJUSTMENTS	3,146,307
			<u>DEPRECIATION & AMORTIZATION EXPENSES</u>	
Allen	403	DE-29	Increase depreciation expense based on test year end depreciable plant balances and currently approved KGPCo depreciation rates	20,516
Allen	403	DE-30	Annualize December 2016 level of estimated depreciation expense using proposed new depreciation rates and forecasted plant in service balances thru 13-month average for rate year	660,449
			SUBTOTAL DEPRECIATION & AMORTIZATION EXPENSE ADJUSTMENTS	680,965
			<u>TAXES OTHER THAN INCOME TAXES</u>	
Allen	408	OT-31	Increase Social Security tax expense related to the annualization of wages and salaries	451
Allen	408	OT-32	Increase Medicare tax related to wages and salaries	106
Allen	408	OT-33	Increase Social Security tax expense related to the FICA base increase	43
Allen	408	OT-34	Increase Property Taxes for forecasted Property Additions thru 13-month average for rate year	141,247
			SUBTOTAL TAXES OTHER THAN INCOME TAXES EXPENSE ADJUSTMENTS	141,847
			<u>FEDERAL INCOME TAXES</u>	
Allen	4091	FIT-35	Reflect Current FIT impact of adjustments	(420,345)
Allen	4111	FIT-36	Reflect Deferred FIT impact of adjustments	(1,442,528)
			SUBTOTAL FEDERAL INCOME TAXES ADJUSTMENTS	(1,862,873)
			<u>STATE INCOME TAXES</u>	
Allen	4091	SIT-37	Reflect Current SIT impact of adjustments	(268,447)
			TOTAL OPERATING REVENUE DEDUCTIONS	1,837,799
			NET ADJUSTMENTS TO OPERATING INCOME	(2,772,306)
			RATE BASE ITEMS (Schedule 14)	
			NET UTILITY PLANT	
			<u>UTILITY PLANT IN SERVICE - ORIGINAL COST</u>	
Allen	101	EP-38	Forecasted plant In-service Capital Additions from Jan 2015 thru 13-month average ending Dec 2016 net of estimated retirements	9,749,409
			SUBTOTAL UTILITY PLANT IN SERVICE	9,749,409
			<u>ACCUMULATED PROVISION FOR DEPRECIATION & AMORTIZATION</u>	
Allen	108	AD-39	Increase A/D provision for the contra to the increase in depreciation expense based on 12/2014 depreciable plant balances and currently approved KGPCo depreciation rates	20,516
Allen	108	AD-40	Increase A/D provision from 1/1/15 through the 13-month average ending 12/31/16 including forecasted net plant in-service additions using new proposed KGPCo depreciation rates	7,988,600
Allen	108	AD-41	Decrease A/D provision for estimated electric plant in service retirements from 1/1/15 thru the 13-month average ending 12/31/16	(3,715,949)
			SUBTOTAL ACC. PROVISION FOR DEPRECIATION & AMORTIZATION ADJUSTMENTS	4,293,167
			TOTAL NET UTILITY PLANT ADJUSTMENTS	5,456,242
			TOTAL RATE BASE ITEMS	5,456,242