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October 1, 2025

[www.hdsdlaw.com](http://www.hdsdlaw.com)

**VIA EMAIL (tpuc.docketroom@tn.gov) & FEDEX**

David F. Jones, Chairman  
c/o Ectory Lawless, Dockets & Records Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4th Floor  
Nashville, TN 37243

Electronically Filed in TPUC Docket  
Room on October 1, 2025 at 1:33 p.m.

RE: Application of Kingsport Power Company d/b/a AEP Appalachian Power  
Re: Financing through December 31, 2027  
(Docket No. 25-00083)

Dear Chairman Jones:

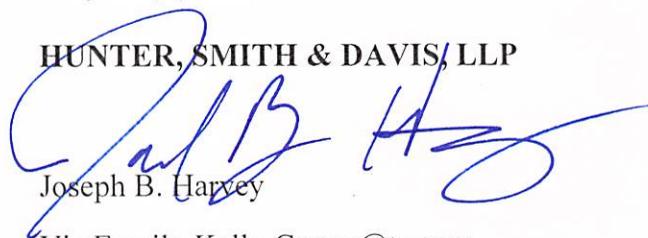
On behalf of Kingsport Power Company d/b/a AEP Appalachian Power ("Kingsport"), we transmit herewith for filing The Petition of Kingsport Power Company d/b/a AEP Appalachian Power for Financing Program Through December 31, 2027.

Also, enclosed is a check in the amount of \$25.00 for the filing fee.

The original and four (4) copies of the Petition are being sent via Federal Express. Simultaneously with this filing, copies of Kingsport's Petition also are being provided to the Consumer Advocate Unit of the Tennessee Attorney General's Office by email.

Very truly yours,

**HUNTER, SMITH & DAVIS, LLP**



Joseph B. Harvey

Cc: Kelly Grams, General Counsel (w/enc.)  
David Foster (w/enc.)  
Monica L. Smith-Ashford, Esq. (w/enc.)  
Karen H. Stachowski, Esq. (w/enc.)  
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Before the  
TENNESSEE PUBLIC UTILITY COMMISSION

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In the Matter of the Application  
of  
KINGSPORT POWER COMPANY

For Permission to Make Notes to Evidence  
Indebtedness Not to Exceed \$60,000,000

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Docket No. 25- 00083

TO THE HONORABLE TENNESSEE PUBLIC UTILITY COMMISSION:

Comes the Petitioner, Kingsport Power Company d/b/a AEP Appalachian Power (hereinafter called "Kingsport"), and presents this Application for the following purposes:

Kingsport seeks approval from this Commission to issue up to \$60,000,000 of its unsecured long-term indebtedness from time to time through December 31, 2027. The proceeds will be used to reduce the maturing long and short-term unsecured indebtedness of the Company. Short-term indebtedness of the Company was \$2,633,908 at June 30, 2025. The proposed financing will bear interest at a fixed rate, a fluctuating rate or some combination of fixed and fluctuating rates. In order to obtain a favorable rate of interest, however, it is generally necessary to be able to commit to the financing within 24 hours from the time that funds become available. Therefore, this Application seeks approval of the financing within the ranges of maturities and interest specified herein without the need for a separate hearing on the final commitment.

In support of this Application, Kingsport respectfully submits the following:

1. It is a corporation duly organized and existing under the laws of the Commonwealth of Virginia, and qualified to transact business in the State of Tennessee and with its principal office in the City of Kingsport, Tennessee.

2. Kingsport proposes to issue and sell from time to time through December 31, 2027 up to \$60,000,000 principal amount of its unsecured promissory note or notes (the "Notes") to one or more commercial banks, financial institutions or other institutional investors or lenders pursuant to one or more term loan agreements and/or note purchase agreements (collectively, the "Proposed

Agreement"). In addition, Kingsport proposes to issue one or more unsecured promissory notes ("AEP Notes") to its parent, American Electric Power Company, Inc. ("AEP"), provided that the aggregate amount of Notes and AEP Notes issued will not exceed \$60,000,000.

3. Kingsport is requesting an Order of this Commission approving the proposed financing in all respects such that, upon receipt of such Order, Kingsport may unconditionally, and without further Order of this Commission, enter into a definitive agreement with a bank or qualified investor, in the form of a Proposed Agreement and subject to the conditions, restrictions and limitations specified herein.

4. A Proposed Agreement would be a definitive form of agreement with any bank or investor and would provide that the Notes bear interest at either a fixed rate, fluctuating rate or some combination of fixed and fluctuating rates. Kingsport believes that it would be beneficial to commit itself to a long-term obligation. The actual rate of interest which each Note shall bear, and the maturity thereof, shall be subject to further negotiation between Kingsport and the lender.

Any fixed rate of interest of the Notes will not, at the time of issuance of the Notes, be greater than 400 basis points above the yield to maturity of United States Treasury obligations that mature on or about the date of maturity of the Notes.

In the event a bank or financial institution arranges for a borrowing from a third party, such institution may charge Kingsport a placement fee, not to exceed 1% of the principal amount of such borrowing.

Kingsport believes, given its size and the size of the requested indebtedness, that obtaining this financing through private sources is more cost effective than the public markets.

The Proposed Agreement may specify that, in the event a Note bearing interest at a fixed rate is paid prior to maturity in whole or in part and the fixed rate at that time exceeds the yields to maturity

of United States Treasury Notes maturing on or close to the Note, Kingsport shall pay to the lender an amount based on the present value of such prepaid amounts discounted at such treasury yield.

The Proposed Agreement may contain restrictive covenants which would prohibit Kingsport from, among other things, (i) creating, incurring, assuming or suffering to exist any liens on its property, with certain stated exceptions; (ii) creating or incurring any indebtedness for borrowed money, except as specified therein; (iii) failing to maintain a specified level of capitalization; (iv) entering into certain mergers, consolidations and dispositions of assets; and (v) permitting certain events to occur in connection with its pension plans.

A borrowing by Kingsport from a bank under the Proposed Agreement may be evidenced by one or more Notes of Kingsport. The Proposed Agreement and such Notes thereunder would be for a term of not less than nine months nor more than forty years from the date of borrowing.

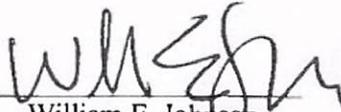
5. The interest rates and maturity dates of any AEP Notes would be designed to reflect prevailing market rates. In addition, the interest rate and maturity parameters governing the Notes would apply to the AEP Notes.

6. Kingsport proposes to apply all of the proceeds of the financing for general corporate purposes relating to Kingsport's utility business. These purposes include redeeming or repurchasing outstanding short or long-term debt, funding its construction program and replenishing working capital. Kingsport's long and short term debt totals \$107,633,908 as of June 30, 2025. The amount requested of \$60,000,000 will permit Kingsport to refinance the total debt within the requested approval period, and to cover costs of issuance of up to \$500,000 for a minimum of \$30,000,000 in new money.

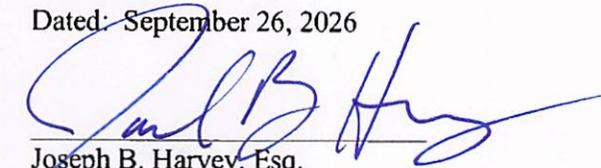
7. Submitted as Exhibit A is the Pre-Filed Testimony of Franz D. Messner, Exhibit B - 2024 Financial Reports and Exhibit C - 2025 Financial Reports.

WHEREFORE, Kingsport respectfully prays that an Order be entered (1) authorizing Kingsport from time to time through December 31, 2024 to borrow up to \$60,000,000 pursuant to the Proposed Agreement and to execute a note or notes, substantially in the form of the Notes or AEP Notes in an amount not to exceed \$60,000,000 to evidence the borrowings to be made pursuant to the Proposed Agreement and (2) granting to Kingsport such other, further or general relief as, in your judgment, Kingsport may be entitled to have upon the facts hereinabove set forth.

KINGSPORT POWER COMPANY

By:   
William E. Johnson  
Assistant Secretary

Dated: September 26, 2026

  
Joseph B. Harvey, Esq.  
Hunter, Smith & Davis LLP  
P.O. Box 3740  
Kingsport, Tennessee 37664  
Attorney for Petitioner

Before the  
TENNESSEE PUBLIC UTILITY COMMISSION

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In the Matter of the Application

of

KINGSPORT POWER COMPANY

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Docket No. 22-  
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For Permission to Make Notes to Evidence  
Indebtedness Not to Exceed \$60,000,000  
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**VERIFICATION**

I, William E. Johnson, am authorized to represent Kingsport Power Company and to make this verification on its behalf. The statements in the Application of Kingsport Power Company filed in this docket today are true and of my own knowledge, except as to matters which are stated therein on information and belief, and as to those matters, I believe them to be true. Kingsport Power Company will comply with all applicable laws with respect to its issuance of securities to the public. I declare under penalty of perjury that the foregoing is true and correct.

KINGSPORT POWER COMPANY

By William E. Johnson  
Assistant Secretary

STATE OF OHIO :  
: ss:  
COUNTY OF FRANKLIN :

Subscribed and sworn to me this 26<sup>th</sup> day of September, 2025.

Megan E. Bailey  
Megan E. Bailey  
Notary Public

My Commission does not expire.



MEGAN E. BAILEY  
Attorney At Law  
Notary Public, State of Ohio  
My commission has no expiration date  
Sec. 147.03 R.C.

**DIRECT TESTIMONY OF  
FRANZ D. MESSNER  
ON BEHALF OF KINGSPORT POWER COMPANY  
D/B/A AEP APPALACHIAN POWER  
BEFORE THE TENNESSEE REGULATORY AUTHORITY  
DOCKET NO. 25-**

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

A. My name is Franz D. Messner. My business address is 1 Riverside Plaza, Columbus, Ohio 43215. I am employed by the American Electric Power Service Corporation (AEPSC) as a Managing Director, Corporate Finance. AEPSC supplies engineering, financing, accounting, and planning and advisory services to the subsidiaries of the American Electric Power (AEP) System, one of which is Kingsport Power Company (KgPCo) or the Company.

**Q. TELL US BRIEFLY ABOUT YOUR BACKGROUND.**

A. I earned a Bachelor of Science in Systems Engineering from the United States Naval Academy in 1990. I earned a Master of Business Administration from the Fisher College of Business at the Ohio State University in 1999. Prior to joining AEP, I served for seven years as a U.S. Naval officer and completed both chief engineer and submarine officer qualifications.

In June 1999, I was hired by AEPSC as an associate in a finance associate development program. My primary roles have been in the areas of financial analysis, budgeting, and forecasting.

In July 2007, I was named Manager in Corporate Planning and Budgeting and subsequently promoted to Director in November 2009. In May 2016, I assumed the position of Managing Director of Corporate Finance. In April 2025, I was named Assistant Treasurer.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. The purpose of my testimony is to support the proposed long-term debt financing application of the Company, which, if approved by the Commission, will allow the Company to issue unsecured long-term debt up to the aggregate principal amount of \$60,000,000 from time to time through December 31, 2027.

**Q. FOR WHAT PURPOSES WILL THE COMPANY BE ISSUING THESE SECURITIES?**

A. The securities may be used to repay short-term debt, for construction costs and to fund working capital. KgPCo's short term debt is funded through the AEP Utility Money Pool.

**Q. PLEASE FURTHER DESCRIBE THE UNSECURED LONG-TERM DEBT THAT MAY BE ISSUED.**

A. Kingsport proposes to issue and sell from time to time unsecured promissory note or notes (the "Notes") to one or more commercial banks, financial institutions or other institutional investors or lenders pursuant to one or more term loan agreements and/or note purchase agreements (collectively, the "Proposed Agreement"). In addition, Kingsport proposes to issue one or more unsecured promissory notes ("AEP Notes") to either its parent, American Electric Power Company, Inc. ("AEP"), or other institutional investors or lenders, provided that the aggregate amount of Notes and AEP Notes issued will not exceed \$60,000,000.

**Q. WILL THE LONG-TERM DEBT BE SECURED?**

A. No.

**Q. PLEASE DESCRIBE THE PROPOSED AGREEMENT FOR NOTES ISSUED TO THIRD PARTIES?**

A. A definitive notes purchase agreement would be entered between KgPCo and a bank or qualified investors. The terms of the agreement would include fixed or variable interest rates, term, financial covenants and any redemption provisions. The actual interest rate and maturity would be subject to negotiation between KgPCo and the lender. To the extent the notes are fixed rate, they cannot be at a rate higher than 400 basis points above the comparable US Treasury yield-to-maturity and any placement fee or arranging fee cannot exceed 1% of the principal amount of the borrowing.

**Q. WHAT ARE AEP NOTES AND HOW DOES THE COMPANY DETERMINE THE COST OF THE AEP NOTES?**

A. An AEP Note is an affiliate borrowing, in this case, between KgPCo and AEP. A determination will be made on the current interest rates for a bond issued by AEP. The interest rate is determined by averaging multiple quotes presented to us by investment or commercial banks estimating the cost of issuing new notes at AEP. An example of setting the rate on a 10-year affiliate note is as follows:

10-year Treasury Rate:	4.33%
Credit Spread Bank 1:	1.00%
Credit Spread Bank 2:	1.05%
Credit Spread Bank 3:	0.95%
<u>Credit Spread Bank 4:</u>	<u>0.93%</u>
+ Average Spread:	0.98%
AEP Notes Rate:	5.31%

As a note, we have not determined if we will be issuing the long term debt as an AEP Note or placing the debt with third parties.

**Q. WHY WOULD UTILIZATION OF AEP NOTES BE BENEFICIAL TO KINGSPORT CUSTOMERS?**

A. AEP is a utility holding company with senior unsecured credit ratings of Baa2 (stable) and BBB (stable), respectively from Moody's Investor Service and Standard & Poor's and fixed income investors are familiar with the company. As such, the credit spreads achievable by AEP are very competitive. In comparison, KgPCo has only \$105million in notes outstanding which does not require a credit rating. As a result, investors would require a greater level of diligence prior to making an investment in a KgPCo security. Additionally, by utilizing AEP Notes, KgPCo is able to avoid typical issuance costs such as legal fees, accounting fees, underwriting costs and trustee fees. The fixed costs associated with an external offering would not vary even though the size of a KgPCo issuance may be \$10 million or \$30 million. Additionally, there is a placing agent fee that is typically a percentage of the notional amount raised. For a larger transaction that fee may be only 0.4%, while for a smaller transaction, one that would be typical for Kingsport, that fee may be 0.75% or more.

**Q. WHAT INTEREST RATE WOULD YOU ANTICIPATE FOR AN AEP NOTE?**

A. As previously discussed in the question above, the anticipated rate for an AEP Note based upon recent comparable transactions and current interest rates is approximately 5.31% for a 10-year note issuance. I note that interest rates have been volatile this year and the overall rate will depend on current interest rates at the time the agreement is executed.

**Q. IN CONNECTION WITH THE SALE OF ANY UNSECURED NOTES, WILL KGPCO AGREE TO ANY RESTRICTIVE COVENANTS?**

A. Yes. The Company may agree to restrictive covenants which would prohibit it from, among other things: (i) creating or allowing to exist any liens on its property, with certain stated exceptions; (ii) creating indebtedness except as specified therein; (iii) failing to maintain a specified financial condition; (iv) entering into certain mergers, consolidations and

dispositions of asset; and (v) permitting certain event as to occur in connection with pension plans. Also, KgPCo may permit the holder of the Notes to require KgPCo to prepay them after certain specified events, including an ownership change.

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

A. Yes, it does.

**Exhibit B**

# Kingsport Power Company

2024 Annual Report

Audited Financial Statements



BOUNDLESS ENERGY<sup>SM</sup>

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## GLOSSARY OF TERMS

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

Term	Meaning
AEP	American Electric Power Company, Inc., an investor-owned electric public utility holding company which includes American Electric Power Company, Inc. (Parent) and majority-owned consolidated subsidiaries and consolidated affiliates.
AEP Credit	AEP Credit, Inc., a consolidated VIE of AEP which securitizes accounts receivable and accrued utility revenues for affiliated electric utility companies.
AEP System	American Electric Power System, an electric system, owned and operated by AEP subsidiaries.
AEPSC	American Electric Power Service Corporation, an AEP service subsidiary providing management and professional services to AEP and its subsidiaries.
AEPTCo	AEP Transmission Company, LLC, a wholly-owned subsidiary of AEP Transmission Holdco, is an intermediate holding company that owns the State Transcos.
AFUDC	Allowance for Equity Funds Used During Construction.
APCo	Appalachian Power Company, an AEP electric utility subsidiary.
ARO	Asset Retirement Obligation.
ASC	Accounting Standards Codification.
ASU	Accounting Standards Update.
EIS	Energy Insurance Services, Inc., a nonaffiliated captive insurance company and consolidated VIE of AEP.
Excess ADIT	Excess accumulated deferred income taxes.
FASB	Financial Accounting Standards Board.
Federal EPA	United States Environmental Protection Agency.
FERC	Federal Energy Regulatory Commission.
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.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IRS	Internal Revenue Service.
KGPCo	Kingsport Power Company, an AEP electric utility subsidiary.
KPCo	Kentucky Power Company, an AEP electric utility subsidiary.
MTM	Mark-to-Market.
OATT	Open Access Transmission Tariff.
OPCo	Ohio Power Company, an AEP electric utility subsidiary.
OPEB	Other Postretirement Benefits.
OTC	Over the counter.
Parent	American Electric Power Company, Inc., the equity owner of AEP subsidiaries within the AEP consolidation.
PJM	Pennsylvania – New Jersey – Maryland regional transmission organization.
Risk Management Contracts	Trading and non-trading derivatives, including those derivatives designated as cash flow and fair value hedges.
RPM	Reliability Pricing Model.
Tax Reform	On December 22, 2017, President Trump signed into law legislation referred to as the “Tax Cuts and Jobs Act” (the TCJA). The TCJA includes significant changes to the Internal Revenue Code of 1986, including a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.
TPUC	Tennessee Public Utility Commission, formerly known as Tennessee Regulatory Authority (TRA).
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.
VIE	Variable Interest Entity.
WPCo	Wheeling Power Company, an AEP electric utility subsidiary.



## **Report of Independent Auditors**

To the Board of Directors and Management of Kingsport Power Company

### ***Opinion***

We have audited the accompanying financial statements of Kingsport Power Company (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, changes in common shareholder's equity and cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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



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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*PricewaterhouseCoopers LLP*

Columbus, Ohio  
March 21, 2025

**KINGSPORT POWER COMPANY**  
**STATEMENTS OF INCOME**  
For the Years Ended December 31, 2024 and 2023  
(in thousands)

	<b>Years Ended December 31,</b>	
<b>REVENUES</b>	<b>2024</b>	<b>2023</b>
Electricity, Transmission and Distribution	\$ 210,578	\$ 233,989
Sales to AEP Affiliates	6,262	5,600
Other Revenues	476	307
<b>TOTAL REVENUES</b>	<b>217,316</b>	<b>239,896</b>
<b>EXPENSES</b>		
Purchased Electricity from AEP Affiliates	166,149	187,718
Other Operation	9,662	7,937
Maintenance	5,547	7,098
Depreciation and Amortization	11,184	10,210
Taxes Other Than Income Taxes	12,020	12,383
<b>TOTAL EXPENSES</b>	<b>204,562</b>	<b>225,346</b>
<b>OPERATING INCOME</b>	12,754	14,550
<b>Other Income (Expense):</b>		
Interest Income	842	210
Allowance for Equity Funds Used During Construction	354	1,039
Non-Service Cost Components of Net Periodic Benefit Cost	71	749
Interest Expense	(4,145)	(3,663)
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	9,876	12,885
Income Tax Expense	1,338	3,132
<b>NET INCOME</b>	<b>\$ 8,538</b>	<b>\$ 9,753</b>

*The common stock of KGPCo is wholly-owned by Parent.*

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

**KINGSPORT POWER COMPANY**  
**STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY**  
**For the Years Ended December 31, 2024 and 2023**  
(in thousands)

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2022</b>	\$ 4,100	\$ 55,800	\$ 39,424	\$ 99,324
Capital Contribution from Parent		791		791
Return of Capital to Parent		(67)		(67)
Net Income			9,753	9,753
<b>TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2023</b>	4,100	56,524	49,177	109,801
Capital Contribution from Parent		180		180
Return of Capital to Parent		(145)		(145)
Net Income			8,538	8,538
<b>TOTAL COMMON SHAREHOLDER'S EQUITY – DECEMBER 31, 2024</b>	<u>\$ 4,100</u>	<u>\$ 56,559</u>	<u>\$ 57,715</u>	<u>\$ 118,374</u>

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

**KINGSPORT POWER COMPANY**  
**BALANCE SHEETS**  
**ASSETS**  
**December 31, 2024 and 2023**  
**(in thousands)**

	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 168	\$ 174
Advances to Affiliates	18,105	6,283
Accounts Receivable:		
Customers	1,762	1,526
Affiliated Companies	1,899	3,022
Miscellaneous	5	6
Total Accounts Receivable	3,666	4,554
Materials and Supplies	689	916
Accrued Tax Benefits	249	325
Prepayments	3,635	2,722
Other Current Assets	295	213
<b>TOTAL CURRENT ASSETS</b>	<b>26,807</b>	<b>15,187</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Electric:		
Transmission	62,841	62,082
Distribution	261,109	246,159
Other Property, Plant and Equipment	22,932	22,866
Construction Work in Progress	13,060	10,411
<b>Total Property, Plant and Equipment</b>	359,942	341,518
Accumulated Depreciation and Amortization	92,017	87,923
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT – NET</b>	<b>267,925</b>	<b>253,595</b>
<b>OTHER NONCURRENT ASSETS</b>		
Regulatory Assets	23,163	22,601
Deferred Charges and Other Noncurrent Assets	9,837	9,941
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b>33,000</b>	<b>32,542</b>
<b>TOTAL ASSETS</b>	<b>\$ 327,732</b>	<b>\$ 301,324</b>

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

**KINGSPORT POWER COMPANY**  
**BALANCE SHEETS**  
**LIABILITIES AND COMMON SHAREHOLDER'S EQUITY**  
**December 31, 2024 and 2023**

	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>CURRENT LIABILITIES</b>	<b>(in thousands)</b>	
Accounts Payable		
General	\$ 12,479	\$ 4,375
Affiliated Companies	19,436	15,561
Customer Deposits	5,204	4,883
Accrued Taxes	2,162	2,263
Accrued Interest	3,617	3,497
Obligations Under Operating Leases	374	387
Other Current Liabilities	4,860	3,454
<b>TOTAL CURRENT LIABILITIES</b>	<b>48,132</b>	<b>34,420</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term Debt – Affiliated	105,000	105,000
Deferred Income Taxes	35,716	33,540
Regulatory Liabilities	16,113	14,700
Obligations Under Operating Leases	1,343	1,560
Deferred Credits and Other Noncurrent Liabilities	3,054	2,303
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>161,226</b>	<b>157,103</b>
<b>TOTAL LIABILITIES</b>	<b>209,358</b>	<b>191,523</b>
Rate Matters (Note 3)		
Commitments and Contingencies (Note 5)		
<b>COMMON SHAREHOLDER'S EQUITY</b>		
Common Stock – No Par Value:		
Authorized – 500,000 Shares		
Outstanding – 410,000 Shares	4,100	4,100
Paid-in Capital	56,559	56,524
Retained Earnings	57,715	49,177
<b>TOTAL COMMON SHAREHOLDER'S EQUITY</b>	<b>118,374</b>	<b>109,801</b>
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>	<b>\$ 327,732</b>	<b>\$ 301,324</b>

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

**KINGSPORT POWER COMPANY**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2024 and 2023  
(in thousands)

	<b>Years Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net Income</b>	\$ 8,538	\$ 9,753
<b>Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:</b>		
Depreciation and Amortization	11,184	10,210
Deferred Income Taxes	346	(3,181)
Allowance for Equity Funds Used During Construction	(354)	(1,039)
Mark-to-Market of Risk Management Contracts	—	6
Change in Regulatory Assets	130	27,609
Change in Regulatory Liabilities	1,218	2,096
Change in Other Noncurrent Assets	(1,756)	(6,358)
Change in Other Noncurrent Liabilities	936	431
<b>Changes in Certain Components of Working Capital:</b>		
Accounts Receivable, Net	1,129	8,187
Materials and Supplies	227	44
Accounts Payable	10,240	(21,197)
Accrued Taxes, Net	(25)	(650)
Other Current Assets	(1,005)	(618)
Other Current Liabilities	1,543	1,141
<b>Net Cash Flows from Operating Activities</b>	<b>32,351</b>	<b>26,434</b>
<b>INVESTING ACTIVITIES</b>		
Construction Expenditures	(21,069)	(35,426)
Change in Advances to Affiliates, Net	(11,822)	(6,283)
Other Investing Activities	562	758
<b>Net Cash Flows Used for Investing Activities</b>	<b>(32,329)</b>	<b>(40,951)</b>
<b>FINANCING ACTIVITIES</b>		
Capital Contribution from Parent	180	791
Return of Capital to Parent	(145)	(67)
Issuance of Long-term Debt – Affiliated	—	20,000
Change in Advances from Affiliates, Net	—	(6,209)
Principal Payments for Finance Lease Obligations	(151)	(200)
Other Financing Activities	88	17
<b>Net Cash Flows from (Used for) Financing Activities</b>	<b>(28)</b>	<b>14,332</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(6)</b>	<b>(185)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>174</b>	<b>359</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 168</b>	<b>\$ 174</b>
<b>SUPPLEMENTARY INFORMATION</b>		
Cash Paid for Interest, Net of Capitalized Amounts	\$ 3,966	\$ 2,565
Net Cash Paid for Income Taxes	761	6,742
Noncash Acquisitions Under Finance Leases	156	101
Construction Expenditures Included in Current Liabilities as of December 31,	3,929	2,424

See Notes to Financial Statements beginning on page 9.

## INDEX OF NOTES TO FINANCIAL STATEMENTS

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## **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **ORGANIZATION**

KGPCo is a wholly-owned subsidiary of AEP. KGPCo is engaged in the purchase of electric power and the subsequent sale, transmission and distribution of that power to approximately 50,000 retail customers in its service territory in Kingsport, Tennessee and the surrounding area. As a member of the AEP System, KGPCo's facilities are operated in conjunction with the facilities of certain other AEP affiliated utilities as an integrated utility system. All of the power KGPCo sells and distributes at retail is purchased from APCo, an affiliated AEP System company.

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Rates and Service Regulation***

KGPCo's wholesale rates are regulated by the FERC and its retail rates are regulated by the TPUC. The FERC also regulates KGPCo's affiliated transactions, including AEPSC intercompany service billings which are generally at cost, under the 2005 Public Utility Holding Company Act and the Federal Power Act. The FERC also has jurisdiction over the issuances and acquisitions of securities, the acquisition or sale of certain utility assets and mergers with another electric utility or holding company. The TPUC also regulates certain intercompany transactions under its affiliate statutes.

KGPCo purchases electricity at wholesale from APCo. The FERC regulates KGPCo's cost-based wholesale power transactions with APCo. The TPUC regulates KGPCo's bundled transmission and distribution rates on a cost basis.

KGPCo's purchased power agreement with APCo includes a component for the recovery of transmission costs under the FERC's OATT. The transmission cost component of purchased power is cost-based and regulated by the TPUC.

In addition, the FERC regulates the Transmission Agreement, which allocates shared system costs and revenues to the utility subsidiaries that are parties to the agreement.

Both the FERC and the TPUC are permitted to review and audit the books and records of any company within a public utility holding company system.

#### ***Accounting for the Effects of Cost-Based Regulation***

As a rate-regulated electric public utility company, KGPCo's financial statements reflect the actions of regulators that result in the recognition of certain revenues and expenses in different time periods than enterprises that are not rate-regulated. In accordance with accounting guidance for "Regulated Operations," KGPCo records regulatory assets (deferred expenses to be recovered in the future) and regulatory liabilities (deferred revenue reductions or refunds) to reflect the economic effects of regulation in the same accounting period by matching expenses with their recovery through regulated revenues and by matching income with its passage to customers in cost-based regulated rates.

#### ***Use of Estimates***

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates include, but are not limited to, inventory valuation, allowance for credit losses, long-lived asset impairment, unbilled electricity revenue, the effects of regulation, long-lived asset recovery, storm costs, AROs, the effects of contingencies and certain assumptions made in accounting for pension and postretirement benefits. The estimates and assumptions used are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could ultimately differ from those estimates.

#### ***Cash and Cash Equivalents***

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

#### ***Inventory***

Materials and supplies inventories are carried at average cost.

### ***Accounts Receivable and Allowance for Credit Losses***

Customer accounts receivable primarily include receivables from retail energy customers. Revenue is recognized from electric power sales when power is delivered to customers. To the extent that deliveries have occurred but a bill has not been issued, KGPCo accrues and recognizes, as Accrued Unbilled Revenues on the balance sheets, an estimate of the revenues for energy delivered since the last billing.

AEP Credit factors accounts receivable on a daily basis, excluding receivables from risk management activities, for KGPCo. See “Securitized Accounts Receivable – AEP Credit” section of Note 11 for additional information.

Generally, AEP Credit records bad debt expense related to receivables purchased from KGPCo under a sale of receivables agreement. For other accounts receivable, bad debt expense is recorded based upon a 12-month rolling average of bad debt write-offs in proportion to gross accounts receivable, unless specifically identified.

In addition to these processes, management contemplates available current information, as well as any reasonable and supportable forecast information, to determine if allowances for credit losses should be further adjusted in accordance with the accounting guidance for “Credit Losses”. Management’s assessments contemplate expected losses over the life of the accounts receivable.

### ***Concentrations of Credit Risk and Significant Customers***

One of KGPCo’s industrial customers who manufactures chemical products accounts for the following percentages of total operating revenues for the years ended December 31 and accounts receivable as of December 31:

<b>Percentage of Operating Revenues</b>	<b>2024</b>	<b>2023</b>
Customer Who Manufactures Chemical Products	19 %	24 %

<b>Percentage of Accounts Receivable</b>	<b>2024</b>	<b>2023</b>
Customer Who Manufactures Chemical Products	18 %	19 %

Management monitors credit levels and the financial condition of KGPCo’s customers on a continuing basis to minimize credit risk. Management believes adequate provision for credit loss has been made in the accompanying financial statements.

### ***Property, Plant and Equipment***

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

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

Long-lived assets are required to be tested for impairment when it is determined that the carrying value of the assets may no longer be recoverable or when the assets meet the held-for-sale criteria under the accounting guidance for “Impairment or Disposal of Long-Lived Assets.” When it becomes probable that an asset in service or an asset under construction will be abandoned and regulatory cost recovery has been disallowed or is not probable, the cost of that asset shall be written down to its then current estimated fair value, with the change charged to expense, and the asset is removed from plant-in-service or construction work in progress. The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, as opposed to a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and are used as the basis for the measurement, if available. In the absence of quoted prices for identical or similar assets in active markets, fair value is estimated using various internal and external valuation methods including cash flow analysis and appraisals.

### ***Allowance for Funds Used During Construction***

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

### ***Valuation of Nonderivative Financial Instruments***

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

### ***Fair Value Measurements of Assets and Liabilities***

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

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

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

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

restrictions which may include the right to suspend redemptions under certain circumstances. Redemption restrictions may also prevent certain investments from being redeemed at the reporting date for the underlying value.

### ***Revenue Recognition***

#### *Regulatory Accounting*

KGPCo's financial statements reflect the actions of regulators that can result in the recognition of revenues and expenses in different time periods than enterprises that are not rate-regulated. Regulatory assets (deferred expenses or alternative revenues recognized in accordance with the guidance for "Regulated Operations") and regulatory liabilities (deferred revenue reductions or refunds) are recorded to reflect the economic effects of regulation in the same accounting period by matching expenses with their recovery through regulated revenues and by matching revenue with its passage to customers in cost-based regulated rates.

When regulatory assets are probable of recovery through regulated rates, KGPCo records them as assets on its balance sheets. KGPCo tests for probability of recovery at each balance sheet date or whenever new events occur. Examples of new events include the issuance of a regulatory commission order or passage of new legislation. If it is determined that recovery of a regulatory asset is no longer probable, KGPCo derecognizes that regulatory asset as a charge against income.

#### *Electricity Supply and Delivery Activities*

KGPCo recognizes retail revenues on the statements of income as the performance obligations of delivering energy to customers are satisfied. Recognized revenues include both billed and unbilled amounts. In general, expenses are recorded when purchased electricity is received and when expenses are incurred. Changes in the fuel component of affiliated purchased power are expensed as incurred. The fuel rate billed to the customer is on a two-month lag, as permitted by the TPUC.

### ***Maintenance***

Maintenance costs are expensed as incurred. If it becomes probable that KGPCo will recover specifically-incurred costs through future rates, a regulatory asset is established to match the expensing of those maintenance costs with their recovery in cost-based regulated revenues.

### ***Income Taxes***

KGPCo uses the liability method of accounting for income taxes. Under the liability method, deferred income taxes are provided for all temporary differences between the book and tax basis of assets and liabilities which will result in a future tax consequence. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled.

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

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

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

### ***Excise Taxes***

As an agent for some state and local governments, KGPCo collects from customers certain excise taxes levied by those state or local governments on customers. KGPCo does not recognize these taxes as revenue or expense.

## ***Pension and OPEB Plans***

KGPCo participates in an AEPSC sponsored qualified pension plan and an unfunded nonqualified plan. Substantially all of KGPCo's employees are covered by the qualified plan or both the qualified and a nonqualified pension plan. KGPCo also participates in OPEB plans sponsored by AEPSC to provide health and life insurance benefits for retired employees. KGPCo is allocated a proportionate share of benefit costs and accounts for its participation in the AEPSC sponsored pension and OPEB plans using multiple-employer accounting. See Note 6 - Benefit Plans for additional information including significant accounting policies associated with the plans.

## ***Investments Held in Trust for Future Liabilities***

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

## ***Benefit Plans***

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

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

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

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

<b>Pension Plan Assets</b>	<b>Target</b>
Equity	35 %
Fixed Income	49 %
Other Investments	15 %
Cash and Cash Equivalents	1 %

<b>OPEB Plans Assets</b>	<b>Target</b>
Equity	67 %
Fixed Income	32 %
Cash and Cash Equivalents	1 %

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

For equity investments, the concentration limits are as follows:

- No security in excess of 5% of the outstanding class of equity of any one company.
- Cash equivalents must be less than 10% of an investment manager's equity portfolio.
- No securities may be bought or sold on margin or other use of leverage.

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

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

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

AEP participates in a securities lending program with BNY Mellon to provide incremental income on idle assets and to provide income to offset custody fees and other administrative expenses. AEP lends securities to borrowers approved by BNY Mellon in exchange for collateral. All loans are collateralized by at least 102% of the loaned asset's market value and the collateral is invested. The difference between the rebate owed to the borrower and the collateral rate of return determines the earnings on the loaned security. The securities lending program's objective is to provide modest incremental income with a limited increase in risk. As of December 31, 2024 and 2023, the fair value of securities on loan as part of the program was \$60.1 million and \$62.3 million, respectively. Cash and securities obtained as collateral exceeded the fair value of the securities loaned as of December 31, 2024 and 2023.

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

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

### ***Subsequent Events***

Management reviewed subsequent events through March 21, 2025, the date that KGPCo's 2024 annual report was available to be issued.

## **2. NEW ACCOUNTING STANDARDS**

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

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

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

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

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

The amendments in the new standard may be applied on either a prospective or retrospective basis for non-public business entities for fiscal years beginning after December 15, 2025 with early adoption permitted. Management has concluded to adopt the amendments to this standard prospectively beginning on January 1, 2025.

### **3. RATE MATTERS**

KGPCo is involved in rate and regulatory proceedings at the FERC and the TPUC. Rate matters can have a material impact on net income, cash flows and possibly financial condition. KGPCo's recent significant rate orders and pending rate filings are addressed in this note.

#### ***Hurricane Helene***

In late September 2024, the remnants of Hurricane Helene significantly impacted KGPCo's service territory resulting in customer outages and damage to KGPCo utility assets. As of December 31, 2024, KGPCo incurred an estimated \$8 million in incremental storm costs related to service restorations efforts. The storm restoration costs include an estimated \$4.9 million related to distribution services, which were deferred for recovery in KGPCo's Targeted Reliability Plan and Major Storms rider and \$2.5 million related to capital expenditures that will be included in a future base rate case. Approximately \$562 thousand of storm restoration costs related to transmission services will be included in the next transmission FERC formula rate true-up. If any costs related to Hurricane Helene are not recoverable, it could reduce future net income and cash flows and impact financial condition.

#### 4. EFFECTS OF REGULATION

Regulatory assets and liabilities are comprised of the following items:

	<b>December 31,</b>		<b>Remaining</b>
	<b>2024</b>	<b>2023</b>	<b>Recovery Period</b>
	<b>(in thousands)</b>		
<b>Regulatory Assets:</b>			
<b>Noncurrent Regulatory Assets</b>			
<b>Regulatory assets pending final regulatory approval:</b>			
<u>Regulatory Assets Currently Not Earning a Return</u>			
Income Taxes, Net	\$ 2,354	\$ 1,647	
<b>Total Regulatory Assets Pending Final Regulatory Approval</b>	<u>2,354</u>	<u>1,647</u>	
<b>Regulatory assets approved for recovery:</b>			
<u>Regulatory Assets Currently Not Earning a Return</u>			
Targeted Reliability Plan and Major Storm Rider Costs	13,006	5,917	2 years
Pension and OPEB Funded Status	3,546	4,678	12 years
Income Taxes, Net	3,537	2,413	(a)
Fuel and Purchased Power Adjustment Rider	—	6,962	
Other Regulatory Assets Approved for Recovery	720	984	various
<b>Total Regulatory Assets Approved for Recovery</b>	<u>20,809</u>	<u>20,954</u>	
<b>Total Noncurrent Regulatory Assets</b>	<u>\$ 23,163</u>	<u>\$ 22,601</u>	

- (a) Recovered over the period for which the related deferred income tax reverse, which is generally based on the expected life for the underlying assets. Excess ADIT Associated with Certain Depreciable Property is refunded over the remaining depreciable life of the underlying assets. Excess ADIT that is Not Subject to Rate Normalization Requirements were \$300 thousand and \$400 thousand for the years ended December 31, 2024 and 2023, respectively. The remaining balance of Excess ADIT that is Not Subject to Rate Normalization Requirements as of December 31, 2024 is to be refunded over 4 years.

	<b>December 31,</b>		<b>Remaining</b>
	<b>2024</b>	<b>2023</b>	<b>Refund Period</b>
	<b>(in thousands)</b>		
<b>Regulatory Liabilities:</b>			
<b>Noncurrent Regulatory Liabilities</b>			
<b>Regulatory liabilities pending final regulatory determination:</b>			
<u>Regulatory Liabilities Currently Not Paying a Return</u>			
FERC 2021 Transmission Formula Rate Challenge Refunds	\$ 3,070	\$ 2,284	
<b>Total Regulatory Liabilities Pending Final Regulatory Determination</b>	<u>3,070</u>	<u>2,284</u>	
<b>Regulatory liabilities approved for payment:</b>			
<u>Regulatory Liabilities Currently Paying a Return</u>			
Asset Removal Costs	11,965	11,770	(a)
<b>Total Regulatory Liabilities Currently Paying a Return</b>	<u>11,965</u>	<u>11,770</u>	
<u>Regulatory Liabilities Currently Not Paying a Return</u>			
Fuel and Purchased Power Adjustment Rider	641	—	2 years
Other Regulatory Liabilities Approved for Payment	437	646	various
<b>Total Regulatory Liabilities Currently Not Paying a Return</b>	<u>1,078</u>	<u>646</u>	
<b>Total Regulatory Liabilities Approved for Payment</b>	<u>13,043</u>	<u>12,416</u>	
<b>Total Noncurrent Regulatory Liabilities</b>	<u>\$ 16,113</u>	<u>\$ 14,700</u>	

(a) Relieved as removal costs are incurred.

## **5. COMMITMENTS, GUARANTEES AND CONTINGENCIES**

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

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

### **COMMITMENTS**

KGPCo has construction commitments to support its operations and investments. In managing the overall construction program and in the normal course of business, KGPCo contractually commits to third-party construction vendors for certain material purchases and other construction services. KGPCo also purchases materials, supplies, services and property, plant and equipment under contract as part of its normal course of business. Certain supply contracts contain penalty provisions for early termination.

In accordance with the accounting guidance for "Commitments", KGPCo had no actual contractual commitments as of December 31, 2024.

### **GUARANTEES**

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

#### ***Indemnifications and Other Guarantees***

##### *Contracts*

KGPCo enters into certain types of contracts which require indemnifications. Typically, these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. As of December 31, 2024, there were no material liabilities recorded for any indemnifications.

##### *Lease Obligations*

KGPCo leases certain equipment under master lease agreements. See "Master Lease Agreements" section of Note 10 for additional information.

### **CONTINGENCIES**

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

KGPCo's transmission and distribution facilities have used asbestos, polychlorinated biphenyls and other hazardous and non-hazardous materials. KGPCo currently incurs costs to dispose of these substances safely.

Superfund addresses clean-up of hazardous substances that have been released to the environment. The Federal EPA administers the clean-up programs. Several states enacted similar laws. Superfund does not recognize compliance as a defense, but imposes strict liability on parties who fall within its broad statutory categories. As of December 31, 2024, management's estimates do not anticipate material cleanup costs.

### ***Insurance and Potential Losses***

KGPCo maintains insurance coverage normal and customary for an electric utility, subject to various deductibles. KGPCo also maintains property and casualty insurance that may cover certain physical damage or third-party injuries caused by cybersecurity incidents. Insurance coverage includes all risks of physical loss or damage to assets, subject to insurance policy conditions and exclusions. Covered property generally includes substations, facilities and inventories. Excluded property generally includes transmission and distribution lines, poles and towers. The insurance programs also generally provide coverage against loss arising from certain claims made by third-parties and are in excess of retentions absorbed by KGPCo. Coverage is generally provided by a combination of the protected cell of EIS and/or various industry mutual and/or commercial insurance carriers.

In July 2024, KGPCo and other AEP subsidiaries renewed insurance programs including coverage for wildfire liability. Some potential losses or liabilities may not be insurable or the amount of insurance carried may not be sufficient to meet potential losses and liabilities, including, but not limited to, liabilities relating to a cybersecurity incident, extreme weather or wildfire related liabilities. Future losses or liabilities, if they occur, which are not completely insured, unless recovered from customers, could reduce future net income and cash flows and impact financial condition.

## 6. BENEFIT PLANS

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

KGPCo participates in an AEPSC sponsored qualified pension plan and an unfunded nonqualified pension plan which covers substantially all of KGPCo’s employees. KGPCo also participates in OPEB plans sponsored by AEPSC to provide health and life insurance benefits for retired employees.

KGPCo recognizes the funded status associated with defined benefit pension and OPEB plans on its balance sheets. Disclosures about the plans are required by the “Compensation – Retirement Benefits” accounting guidance. KGPCo recognizes an asset for a plan’s overfunded status or a liability for a plan’s underfunded status. KGPCo records a regulatory asset instead of other comprehensive income for qualifying benefit costs of regulated operations that for ratemaking purposes are deferred for future recovery. The cumulative funded status adjustment is equal to the remaining unrecognized deferrals for unamortized actuarial losses or gains, prior service costs and transition obligations, such that remaining deferred costs result in a regulatory asset and deferred gains result in a regulatory liability.

### *Actuarial Assumptions for Benefit Obligations*

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

Assumptions	Pension Plan		OPEB	
	December 31,			
	2024	2023	2024	2023
Discount Rate	5.65 %	5.15 %	5.60 %	5.15 %
Interest Crediting Rate	4.55 %	4.00 %	NA	NA
Rate of Compensation Increase	5.70 % (a)	5.10 % (a)	NA	NA

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

NA Not applicable.

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

For 2024, the rate of compensation increase assumed varies with the age of the employee, ranging from 3% per year to 11.5% per year, with the average increase shown in the table above.

### *Actuarial Assumptions for Net Periodic Benefit Costs*

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

Assumptions	Pension Plan		OPEB	
	Years Ended December 31,			
	2024	2023	2024	2023
Discount Rate	5.20 %	5.50 %	5.15 %	5.50 %
Interest Crediting Rate	4.05 %	4.25 %	NA	NA
Expected Return on Plan Assets	7.30 %	7.50 %	6.75 %	7.25 %
Rate of Compensation Increase	5.20 % (a)	5.10 % (a)	NA	NA

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

NA Not applicable.

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

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

<b>Health Care Trend Rates</b>	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
Initial	6.50 %	7.00 %
Ultimate	4.50 %	4.50 %
Year Ultimate Reached	2029	2030

***Significant Concentrations of Risk within Plan Assets***

In addition to establishing the target asset allocation of plan assets, the investment policy also places restrictions on securities to limit significant concentrations within plan assets. The investment policy establishes guidelines that govern maximum market exposure, security restrictions, prohibited asset classes, prohibited types of transactions, minimum credit quality, average portfolio credit quality, portfolio duration and concentration limits. The guidelines were established to mitigate the risk of loss due to significant concentrations in any investment. The plans are monitored to control security diversification and ensure compliance with the investment policy. As of December 31, 2024, the assets were invested in compliance with all investment limits. See “Investments Held in Trust for Future Liabilities” section of Note 1 for limit details.

### **Benefit Plan Obligations, Plan Assets and Funded Status**

For the year ended December 31, 2024, the pension plans had an actuarial gain primarily due to an increase in discount rates, and to a lesser extent the effect of demographic experience (updated census data on January 1, 2024). These gains were partially offset by increasing the cash balance account interest crediting rate, increasing the rate used to convert lump sums to annuities and updating the compensation increase rate to reflect the results of an experience study conducted in 2024. For the year ended December 31, 2024, the OPEB plans had an actuarial gain primarily due to updated per capita cost assumptions and updated discount rates. These gains were partially offset by the addition of a life insurance administrative load of 5%, the effect of special termination benefits and earlier retirements due to the voluntary severance program that occurred in the second quarter of 2024 and assumption changes as a result of an experience study conducted in 2024. For the year ended December 31, 2023, the pension plans had an actuarial loss primarily due to a decrease in the discount rate, and to the lesser extent the effect of demographic experience (updated census data on January 1, 2023). These losses were partially offset by decreasing the cash balance account interest crediting rate. For the year ended December 31, 2023, the OPEB plans had an actuarial loss primarily due to discount rates, as well as actual benefit payments above expected. These losses were partially offset by updated per capita cost assumptions. The following tables provide a reconciliation of the changes in the plans' benefit obligations, fair value of plan assets, funded status and the presentation on the balance sheets. The benefit obligation for the defined benefit pension and OPEB plans are the projected benefit obligation and the accumulated benefit obligation, respectively.

	<b>Pension Plan</b>		<b>OPEB</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>(in thousands)</b>				
<b>Change in Benefit Obligation</b>				
Benefit Obligation as of January 1,	\$ 14,806	\$ 14,534	\$ 2,921	\$ 3,033
Service Cost	299	288	19	21
Interest Cost	723	771	146	160
Actuarial (Gain) Loss	(405)	221	(614)	19
Settlements	(1,914)	—	—	—
Special/Contractual Termination Benefits	—	—	27	—
Benefit Payments	(908)	(1,008)	(406)	(450)
Participant Contributions	—	—	167	138
<b>Benefit Obligation as of December 31,</b>	<b>\$ 12,601</b>	<b>\$ 14,806</b>	<b>\$ 2,260</b>	<b>\$ 2,921</b>
<b>Change in Fair Value of Plan Assets</b>				
Fair Value of Plan Assets as of January 1,	\$ 14,065	\$ 13,764	\$ 6,047	\$ 5,671
Actual Gain on Plan Assets	278	1,309	798	688
Participant Contributions	—	—	167	138
Settlements	(1,914)	—	—	—
Benefit Payments	(908)	(1,008)	(406)	(450)
<b>Fair Value of Plan Assets as of December 31,</b>	<b>\$ 11,521</b>	<b>\$ 14,065</b>	<b>\$ 6,606</b>	<b>\$ 6,047</b>
<b>Funded (Underfunded) Status as of December 31,</b>	<b>\$ (1,080)</b>	<b>\$ (741)</b>	<b>\$ 4,346</b>	<b>\$ 3,126</b>

### **Amounts Recognized on the Balance Sheets**

	<b>Pension Plan</b>		<b>OPEB</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>(in thousands)</b>				
Deferred Charges and Other Noncurrent Assets – Prepaid Benefit Costs	\$ —	\$ —	\$ 4,346	\$ 3,126
Employee Benefits and Pension Obligations – Accrued Long-term Benefit Liability	(1,080)	(741)	—	—
<b>Funded (Underfunded) Status</b>	<b>\$ (1,080)</b>	<b>\$ (741)</b>	<b>\$ 4,346</b>	<b>\$ 3,126</b>

**Amounts Included in Regulatory Assets (Liabilities)**

The following table shows the components of the plans included in Regulatory Assets (Liabilities):

Components	Pension Plan		OPEB	
	December 31,			
	2024	2023	2024	2023
	(in thousands)			
Net Actuarial (Gain) Loss	\$ 4,343	\$ 4,496	\$ (744)	\$ 274
Prior Service Credit	—	—	(53)	(92)
<b>Recorded as</b>				
Regulatory Assets (Liabilities)	\$ 4,343	\$ 4,496	\$ (797)	\$ 182

Components of the change in amounts included in Regulatory Assets (Liabilities) were as follows:

Components	Pension Plan		OPEB	
	2024	2023	2024	2023
		(in thousands)		
Actuarial (Gain) Loss During the Year	\$ 397	\$ 53	\$ (1,006)	\$ (273)
Amortization of Actuarial Loss	(11)	—	(12)	(55)
Amounts Recognized Due to Settlement	(539)	—	—	—
Amortization of Prior Service Credit	—	—	39	198
<b>Change for the Year Ended December 31,</b>	<u>\$ (153)</u>	<u>\$ 53</u>	<u>\$ (979)</u>	<u>\$ (130)</u>

**Determination of Pension Expense**

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

**Pension and OPEB Assets**

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

Pension Plan		OPEB	
December 31,			
2024	2023	2024	2023
0.3 %	0.3 %	0.4 %	0.4 %

The following table presents the classification of pension plan assets for AEP within the fair value hierarchy as of December 31, 2024:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
	(in millions)					
Equities (a):						
Domestic	\$ 327.0	\$ —	\$ —	\$ —	\$ 327.0	8.9 %
International	290.2	—	—	—	290.2	7.9 %
Common Collective Trusts (b)	176.1	—	—	472.6	648.7	17.7 %
Subtotal – Equities	793.3	—	—	472.6	1,265.9	34.5 %
Fixed Income (a):						
United States Government and Agency Securities	(2.3)	865.6	—	—	863.3	23.6 %
Corporate Debt	—	719.2	—	—	719.2	19.6 %
Foreign Debt	—	136.1	—	—	136.1	3.7 %
State and Local Government	—	25.8	—	—	25.8	0.7 %
Other – Asset Backed	—	0.9	—	—	0.9	— %
Subtotal – Fixed Income	(2.3)	1,747.6	—	—	1,745.3	47.6 %
Infrastructure (b)	—	—	—	112.9	112.9	3.1 %
Real Estate (b)	—	—	—	227.9	227.9	6.2 %
Alternative Investments (b)	—	—	—	223.8	223.8	6.1 %
Cash and Cash Equivalents (b)	—	41.3	—	27.2	68.5	1.9 %
Other – Pending Transactions and Accrued Income (c)	—	—	—	21.9	21.9	0.6 %
<b>Total</b>	<b>\$ 791.0</b>	<b>\$ 1,788.9</b>	<b>\$ —</b>	<b>\$ 1,086.3</b>	<b>\$ 3,666.2</b>	<b>100.0 %</b>

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

The following table presents the classification of OPEB plan assets for AEP within the fair value hierarchy as of December 31, 2024:

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
	(in millions)					
Equities:						
Domestic	\$ 616.8	\$ —	\$ —	\$ —	\$ 616.8	34.7 %
International	267.2	—	—	—	267.2	15.0 %
Common Collective Trusts (a)	64.2	—	—	129.4	193.6	10.9 %
Subtotal – Equities	948.2	—	—	129.4	1,077.6	60.6 %
Fixed Income:						
Common Collective Trust – Debt (a)	—	—	—	132.9	132.9	7.5 %
United States Government and Agency Securities	(0.5)	157.6	—	—	157.1	8.9 %
Corporate Debt	—	132.3	—	—	132.3	7.5 %
Foreign Debt	—	27.1	—	—	27.1	1.5 %
State and Local Government	57.8	5.0	—	—	62.8	3.5 %
Other – Asset Backed	—	0.2	—	—	0.2	— %
Subtotal – Fixed Income	57.3	322.2	—	132.9	512.4	28.9 %
Trust Owned Life Insurance:						
International Equities	—	23.1	—	—	23.1	1.3 %
United States Bonds	—	118.2	—	—	118.2	6.7 %
Subtotal – Trust Owned Life Insurance	—	141.3	—	—	141.3	8.0 %
Cash and Cash Equivalents (a)	27.6	—	—	3.1	30.7	1.7 %
Other – Pending Transactions and Accrued Income (b)	—	—	—	13.9	13.9	0.8 %
<b>Total</b>	<b>\$ 1,033.1</b>	<b>\$ 463.5</b>	<b>\$ —</b>	<b>\$ 279.3</b>	<b>\$ 1,775.9</b>	<b>100.0 %</b>

(a) Amounts in “Other” column represent investments for which fair value is measured using net asset value per share.

(b) Amounts in “Other” column primarily represent accrued interest, dividend receivables and transactions pending settlement.

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

Asset Class	Level 1	Level 2	Level 3	Other	Total	Year End Allocation
	(in millions)					
Equities (a):						
Domestic	\$ 411.3	\$ —	\$ —	\$ —	\$ 411.3	10.0 %
International	389.8	—	—	—	389.8	9.5 %
Common Collective Trusts (b)	—	—	—	420.9	420.9	10.2 %
Subtotal – Equities	801.1	—	—	420.9	1,222.0	29.7 %
Fixed Income (a):						
United States Government and Agency Securities	8.3	1,099.2	—	—	1,107.5	26.9 %
Corporate Debt	—	894.8	—	—	894.8	21.7 %
Foreign Debt	—	167.1	—	—	167.1	4.1 %
State and Local Government	—	38.7	—	—	38.7	0.9 %
Other – Asset Backed	—	1.3	—	—	1.3	— %
Subtotal – Fixed Income	8.3	2,201.1	—	—	2,209.4	53.6 %
Infrastructure (b)	—	—	—	101.4	101.4	2.5 %
Real Estate (b)	—	—	—	239.3	239.3	5.8 %
Alternative Investments (b)	—	—	—	241.8	241.8	5.8 %
Cash and Cash Equivalents (b)	—	51.0	—	33.8	84.8	2.1 %
Other – Pending Transactions and Accrued Income (c)	—	—	0.1	19.4	19.5	0.5 %
<b>Total</b>	<b>\$ 809.4</b>	<b>\$ 2,252.1</b>	<b>\$ 0.1</b>	<b>\$ 1,056.6</b>	<b>\$ 4,118.2</b>	<b>100.0 %</b>

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

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

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

(a) Amounts in “Other” column represent investments for which fair value is measured using net asset value per share.

(b) Amounts in “Other” column primarily represent accrued interest, dividend receivables and transactions pending settlement.

### ***Accumulated Benefit Obligation***

As of December 31, 2024 and 2023, the accumulated benefit obligation for the qualified pension plan was \$12.1 million and \$14.3 million, respectively.

### ***Obligations in Excess of Fair Values***

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

#### ***Projected Benefit Obligation***

	<b>Underfunded Pension Plan December 31, 2024</b>
	<b>(in thousands)</b>
Projected Benefit Obligation	\$ 12,601
Fair Value of Plan Assets	11,521
<b>Underfunded Projected Benefit Obligation</b>	<b>\$ (1,080)</b>

*Accumulated Benefit Obligation*

	<b>Underfunded Pension Plan December 31, 2024 (in thousands)</b>
Accumulated Benefit Obligation	\$ 12,076
Fair Value of Plan Assets	11,521
<b>Underfunded Accumulated Benefit Obligation</b>	<b>\$ (555)</b>

*Estimated Future Benefit Payments and Contributions*

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

	<b>Estimated Payments</b>	
	<b>Pension Plan</b>	<b>OPEB</b>
	<b>(in thousands)</b>	
2025	\$ 1,168	\$ 454
2026	1,186	450
2027	1,180	451
2028	1,136	472
2029	1,218	446
Years 2030 to 2034, in Total	5,318	1,835

*Components of Net Periodic Benefit Cost (Credit)*

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

	<b>Pension Plan</b>		<b>OPEB</b>	
	<b>Years Ended December 31,</b>			
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>(in thousands)</b>			
Service Cost	\$ 299	\$ 288	\$ 19	\$ 21
Interest Cost	723	771	146	160
Expected Return on Plan Assets	(1,082)	(1,140)	(408)	(397)
Amortization of Prior Service Credit	—	—	(39)	(198)
Amortization of Net Actuarial Loss	11	—	12	55
Settlements	539	—	—	—
Special/Contractual Termination Benefits	—	—	27	—
<b>Net Periodic Benefit Cost (Credit)</b>	<b>490</b>	<b>(81)</b>	<b>(243)</b>	<b>(359)</b>
Capitalized Portion	(190)	(182)	(12)	(13)
<b>Net Periodic Benefit Cost (Credit) Recognized in Expense</b>	<b>\$ 300</b>	<b>\$ (263)</b>	<b>\$ (255)</b>	<b>\$ (372)</b>

*American Electric Power System Retirement Savings Plan*

KGPCo participates in an AEP sponsored defined contribution retirement savings plan, the American Electric Power System Retirement Savings Plan, for substantially all employees. This qualified plan offers participants an opportunity to contribute a portion of their pay, includes features under Section 401(k) of the Internal Revenue Code and provides for matching contributions. The matching contributions to the plan are 100% of the first 1% of eligible employee contributions and 70% of the next 5% of contributions. The cost for matching contributions was \$240 thousand and \$242 thousand in 2024 and 2023, respectively.

## 7. DERIVATIVES AND HEDGING

AEPSC is agent for and transacts on behalf of KGPCo.

### *Risk Management Strategies*

KGPCo's vehicle fleet is exposed to gasoline and diesel fuel price volatility. KGPCo utilizes financial heating oil and gasoline derivative contracts in order to mitigate price risk of future fuel purchases. KGPCo does not hedge all fuel price risk. The gross notional volumes of KGPCo's outstanding derivative contracts for heating oil and gasoline as of December 31, 2024 and 2023 were 246 thousand gallons and 49 thousand gallons, respectively.

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

According to the accounting guidance for "Derivatives and Hedging," KGPCo 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, KGPCo is required to post or receive cash collateral based on third party contractual agreements and risk profiles. There was no cash collateral received from third-parties netted against short-term and long-term risk management assets as of December 31, 2024 and 2023 and the amount of cash collateral paid to third-parties netted against short-term and long-term risk management liabilities was immaterial for KGPCo as of December 31, 2024 and 2023.

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

Balance Sheet Location	Fair Value of Derivative Instruments		
	December 31, 2024		
	Risk Management Contracts - Commodity (a)	Gross Amounts Offset on the Balance Sheets (b)	Net Amounts of Assets/Liabilities Presented on the Balance Sheets (c)
			(in thousands)
Current Risk Management Assets	\$ —	\$ —	\$ —
Long-term Risk Management Assets	—	—	—
<b>Total Assets</b>	<b>—</b>	<b>—</b>	<b>—</b>
Current Risk Management Liabilities	39	(39)	—
Long-term Risk Management Liabilities	—	—	—
<b>Total Liabilities</b>	<b>39</b>	<b>(39)</b>	<b>—</b>
<b>Total MTM Derivative Contract Net Assets (Liabilities)</b>	<b>\$ (39)</b>	<b>\$ 39</b>	<b>\$ —</b>

Balance Sheet Location	Fair Value of Derivative Instruments		
	December 31, 2023		
	Risk Management Contracts - Commodity (a)	Gross Amounts Offset on the Balance Sheets (b)	Net Amounts of Assets/Liabilities Presented on the Balance Sheets (c)
			(in thousands)
Current Risk Management Assets	\$ —	\$ —	\$ —
Long-term Risk Management Assets	—	—	—
<b>Total Assets</b>	<b>—</b>	<b>—</b>	<b>—</b>
Current Risk Management Liabilities	6	(6)	—
Long-term Risk Management Liabilities	—	—	—
<b>Total Liabilities</b>	<b>6</b>	<b>(6)</b>	<b>—</b>
<b>Total MTM Derivative Contract Net Assets (Liabilities)</b>	<b>\$ (6)</b>	<b>\$ 6</b>	<b>\$ —</b>

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

The table below presents KGPCo’s activity of derivative risk management contracts:

**Amount of Gain (Loss) Recognized on Risk Management Contracts**

Location of Gain (Loss)	Years Ended December 31,	
	2024	2023
	(in thousands)	
Other Operation	\$ (4)	\$ (1)
Maintenance	(3)	(4)
Regulatory Assets (a)	(33)	(6)
<b>Total Loss on Risk Management Contracts</b>	<b>\$ (40)</b>	<b>\$ (11)</b>

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

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

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

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

## 8. FAIR VALUE MEASUREMENTS

### *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 KGPCo's Long-term Debt are summarized in the following table:

	<b>December 31,</b>			
	<b>2024</b>		<b>2023</b>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
	(in thousands)			
Long-term Debt	\$ 105,000	\$ 91,381	\$ 105,000	\$ 92,808

### *Fair Value Measurements of Financial Assets and Liabilities*

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

The following tables set forth, by level within the fair value hierarchy, KGPCo's financial liabilities that were accounted for at fair value on a recurring basis as of December 31, 2024 and 2023. KGPCo had no financial assets measured at fair value on a recurring basis as of December 31, 2024 and 2023. 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**

##### **December 31, 2024**

<u>Risk Management Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
	(in thousands)				
Risk Management Commodity Contracts (a)	\$ —	\$ 39	\$ —	\$ (39)	\$ —

##### **December 31, 2023**

<u>Risk Management Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
	(in thousands)				
Risk Management Commodity Contracts (a)	\$ —	\$ 6	\$ —	\$ (6)	\$ —

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

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2024 and 2023.

## 9. INCOME TAXES

### *Income Tax Expense*

The details of KGPCo's Income Tax Expense are as follows:

	<b>Year Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(in thousands)</b>	
<b>Federal:</b>		
Current	\$ 977	\$ 6,341
Deferred	445	(4,947)
<b>Total Federal</b>	<u>1,422</u>	<u>1,394</u>
<b>State and Local:</b>		
Current	15	(28)
Deferred	(99)	1,766
<b>Total State and Local</b>	<u>(84)</u>	<u>1,738</u>
<b>Income Tax Expense</b>	<u>\$ 1,338</u>	<u>\$ 3,132</u>

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

	<b>Years Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(in thousands)</b>	
Net Income	\$ 8,538	\$ 9,753
Income Tax Expense	1,338	3,132
<b>Pretax Income</b>	<u>\$ 9,876</u>	<u>\$ 12,885</u>
Income Taxes on Pretax Income at Statutory Rate (21%)	\$ 2,074	\$ 2,706
Increase (Decrease) in Income Taxes Resulting from the Following Items:		
Reversal of Origination Flow-Through	42	40
Removal Costs	(558)	(641)
AFUDC Equity	(100)	(322)
State and Local Income Taxes, Net	(67)	1,373
Tax Reform Excess ADIT Reversal	(190)	(208)
Other	137	184
<b>Income Tax Expense</b>	<u>\$ 1,338</u>	<u>\$ 3,132</u>
<b>Effective Income Tax Rate</b>	13.5 %	24.3 %

### *Net Deferred Tax Liability*

The following table shows elements of the net deferred tax liability and significant temporary differences for KGPCo. Amounts presented for 2023 were recast to allocate “Deferred State Income Taxes”, and other miscellaneous temporary differences, amongst other categories to substantively reflect the elements of the net deferred tax liability.

	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(in thousands)</b>	
Deferred Tax Assets	\$ 6,716	\$ 6,904
Deferred Tax Liabilities	(42,432)	(40,444)
<b>Net Deferred Tax Liabilities</b>	<b><u>\$ (35,716)</u></b>	<b><u>\$ (33,540)</u></b>
Property Related Temporary Differences	\$ (36,298)	\$ (33,130)
Amounts Due to Customers for Future Income Taxes	1,544	1,612
Regulatory Assets	(4,480)	(5,062)
Net Operating Loss Carryforward	2,122	2,043
All Other, Net	1,396	997
<b>Net Deferred Tax Liabilities</b>	<b><u>\$ (35,716)</u></b>	<b><u>\$ (33,540)</u></b>

### *Federal and State Income Tax Audit Status*

KGPCo and other AEP subsidiaries are not currently under IRS audit and the statute of limitations (“SOL”) for the IRS to examine KGPCo and other AEP subsidiaries’ originally filed federal return has expired for tax years prior to 2017. KGPCo and other AEP subsidiaries agreed to extend the SOL on the 2017-2020 tax returns to May 31, 2025, to allow the Congressional Joint Committee on Taxation (“JCT”) adequate time to complete its review of the now closed IRS audit. Following JCT’s approval, KGPCo and other AEP subsidiaries received IRS confirmation that tax years 2017-2020 are now effectively closed as they only remain open for changes to other non-consolidated entities that KGPCo and other AEP subsidiaries hold an interest in.

KGPCo and other AEP subsidiaries file income tax returns in various state and local jurisdictions. KGPCo and other AEP subsidiaries are not currently under any state and local income tax examinations. Generally, the SOL have expired for tax years prior to 2017. In addition, management is monitoring and continues to evaluate the potential impact of federal legislation and corresponding state conformity.

### *Net Income Tax Operating Loss Carryforward*

KGPCo had no federal net income tax operating loss carryforward as of December 31, 2024 and 2023. KGPCo had Tennessee state net income tax operating loss carryforwards of \$40.5 million and \$39.9 million in 2024 and 2023, respectively. As a result, KGPCo recognized deferred state income tax benefits of \$2.6 million and \$2.6 million in 2024 and 2023, respectively. These carryforwards for Tennessee expire between 2036 and 2037. Management anticipates future taxable income will be sufficient to realize the state net income tax operating loss tax benefits.

## 10. LEASES

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

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

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

Lease Rental Costs	Years Ended December 31,	
	2024	2023
	(in thousands)	
Operating Lease Cost	\$ 453	\$ 478
Finance Lease Cost:		
Amortization of Right-of-Use Assets	151	200
Interest on Lease Liabilities	27	26
<b>Total Lease Rental Costs (a)</b>	<b>\$ 631</b>	<b>\$ 704</b>

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

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

Lease Type	Weighted-Average Remaining Lease Term (years)		Weighted-Average Discount Rate	
	December 31,		2024	2023
	2024	2023	2024	2023
Operating Leases	4.43	5.20	3.85 %	3.82 %
Finance Leases	4.64	4.34	5.58 %	4.47 %

Cash Paid for Amounts Included in the Measurement of Lease Liabilities	Years Ended December 31,	
	2024	2023
	(in thousands)	
Operating Cash Flows from Operating Leases	\$ 464	\$ 471
Operating Cash Flows from Finance Leases	27	26
Financing Cash Flows from Finance Leases	151	200
Non-cash Acquisitions Under Operating Leases	\$ 208	\$ 182

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

	December 31,	
	2024	2023
	(in thousands)	
<b>Property, Plant and Equipment Under Finance Leases</b>		
Total Property, Plant and Equipment – Other	\$ 1,023	\$ 1,042
Accumulated Amortization	485	513
<b>Net Property, Plant and Equipment Under Finance Leases</b>	<b>\$ 538</b>	<b>\$ 529</b>
<b>Obligations Under Finance Leases</b>		
Noncurrent Liability	\$ 401	\$ 389
Liability Due Within One Year	137	140
<b>Total Obligations Under Finance Leases</b>	<b>\$ 538</b>	<b>\$ 529</b>
	December 31,	
	2024	2023
	(in thousands)	
<b>Operating Lease Assets</b>	<b>\$ 1,718</b>	<b>\$ 1,937</b>
<b>Obligations Under Operating Leases</b>		
Noncurrent Liability	\$ 1,343	\$ 1,560
Liability Due Within One Year	374	387
<b>Total Obligations Under Operating Leases</b>	<b>\$ 1,717</b>	<b>\$ 1,947</b>

Future minimum lease payments consisted of the following as of December 31, 2024:

Future Minimum Lease Payments	Finance Leases	Operating Leases
	(in thousands)	
2025	\$ 168	\$ 471
2026	150	432
2027	105	389
2028	71	310
2029	51	192
After 2029	68	92
<b>Total Future Minimum Lease Payments</b>	<b>613</b>	<b>1,886</b>
Less: Imputed Interest	75	169
<b>Estimated Present Value of Future Minimum Lease Payments</b>	<b>\$ 538</b>	<b>\$ 1,717</b>

### ***Master Lease Agreements***

KGPCo leases certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, KGPCo is committed to pay the difference between the actual fair value and the residual value guarantee. Historically, at the end of the lease term the fair value has been in excess of the amount guaranteed. As of December 31, 2024, the maximum potential loss for these lease agreements was \$246 thousand assuming the fair value of the equipment is zero at the end of the lease term.

### ***Lessor Activity***

KGPCo's lessor activity was immaterial as of and for the twelve months ended December 31, 2024 and December 31, 2023, respectively.

## 11. FINANCING ACTIVITIES

### Long-term Debt

The following table details Long-term Debt outstanding:

Type of Debt	Maturity	Weighted-Average Interest Rate as of December 31, 2024	Interest Rate Ranges as of December 31,		Outstanding as of December 31,	
			2024	2023	2024	2023
Notes Payable - Affiliated	2027-2042	3.70%	2.84%-5.63%	2.84%-5.63%	\$ 105,000	\$ 105,000
<b>Total Long-term Debt Outstanding</b>					<u>\$ 105,000</u>	<u>\$ 105,000</u>

### Dividend Restrictions

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

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

The most restrictive dividend limitation for KGPCo is through the Federal Power Act restriction. As of December 31, 2024, the maximum amount of restricted net assets of KGPCo that may not be distributed to Parent in the form of a loan, advance or dividend was \$60.7 million.

### Corporate Borrowing Program – AEP System

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of AEP's subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds AEP's utility subsidiaries. The AEP Utility Money Pool operates in accordance with the terms and conditions of the AEP Utility Money Pool agreement filed with the FERC. The amounts of outstanding loans to the Utility Money Pool as of December 31, 2024 and 2023 are included in Advances to Affiliates on KGPCo's balance sheets. KGPCo's Utility Money Pool activity and corresponding authorized borrowing limits are described in the following table:

Years Ended December 31,	Maximum Borrowings from the Utility Money Pool	Maximum Loans to the Utility Money Pool	Average Borrowings from the Utility Money Pool	Average Loans to the Utility Money Pool	Net Loans to the Utility Money Pool as of December 31,	Authorized Short-Term Borrowing Limit
(in thousands)						
2024	\$ 2,370	\$ 31,868	\$ 452	\$ 15,691	\$ 18,105	\$ 30,000
2023	27,145	21,250	8,843	7,012	6,283	30,000

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

Years Ended December 31,	Maximum Interest Rate for Funds Borrowed from the Utility Money Pool	Minimum Interest Rate for Funds Borrowed from the Utility Money Pool	Maximum Interest Rate for Funds Loaned to the Utility Money Pool	Minimum Interest Rate for Funds Loaned to the Utility Money Pool	Average Interest Rate for Funds Borrowed from the Utility Money Pool	Average Interest Rate for Funds Loaned to the Utility Money Pool
2024	5.74 %	5.69 %	5.79 %	4.74 %	5.74 %	5.39 %
2023	5.79 %	4.66 %	5.81 %	4.99 %	5.24 %	5.67 %

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

	<b>Years Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(in thousands)</b>	
Interest Expense	\$ 1	\$ 224
Interest Income	842	209

***Securitized Accounts Receivable – AEP Credit***

Under a sale of receivables arrangement, KGPCo sells, without recourse, certain of its customer accounts receivable and accrued unbilled revenue balances to AEP Credit and is charged a fee based on AEP Credit's financing costs, administrative costs and uncollectible accounts experience for KGPCo's receivables. The costs of customer accounts receivable sold are reported in Other Operation expense on KGPCo's statements of income. KGPCo manages and services its customer accounts receivable, which are sold to AEP Credit.

AEP Credit's receivables securitization agreement provides a commitment of \$900 million from bank conduits to purchase receivables and expires in September 2026. As of December 31, 2024, KGPCo was in compliance with all requirements under the agreement.

KGPCo's factored accounts receivable were \$18.6 million and \$20.2 million as of December 31, 2024 and 2023, respectively. KGPCo's factored accrued unbilled revenues were \$675 thousand and \$778 thousand as of December 31, 2024 and 2023, respectively.

The fees paid by KGPCo to AEP Credit for customer accounts receivable sold were \$1.3 million and \$1.4 million for the years ended December 31, 2024 and 2023, respectively.

KGPCo's proceeds on the sale of receivables to AEP Credit were \$209.2 million and \$226.5 million for the years ended December 31, 2024 and 2023, respectively.

## 12. RELATED PARTY TRANSACTIONS

For other related party transactions, also see “Income Taxes” section of Note 1 in addition to “Corporate Borrowing Program – AEP System” and “Securitized Accounts Receivables – AEP Credit” sections of Note 11.

### *Intercompany Billings*

KGPCo performs certain utility services for other AEP subsidiaries when necessary or practical. The costs of these services are billed on a direct-charge basis, whenever possible, or on reasonable bases of proration for services that benefit multiple companies. The billings for services are made at cost and include no compensation for the use of equity capital.

### *Sales and Purchases of Property*

KGPCo had affiliated sales and purchases of meters and transformers. There were no gains or losses recorded on the transactions. The following table shows the sales and purchases that were recorded at net book value:

	Years Ended December 31,	
	2024	2023
	(in thousands)	
Sales	\$ 151	\$ 483
Purchases	437	596

The amounts above are recorded in Property, Plant and Equipment on the balance sheets.

### *Other Related Party Contributions*

For the years ended December 31, 2023, AEP made contributions of \$100 thousand to Clean Affordable Reliable Coalition (CARE), a 501(c)(6) organization established to encourage communication, discussion and concerted action related to tax policy associated with clean, affordable and reliable power initiatives. These contributions were made in the ordinary course of business. AEP was a member of CARE and provided the organization its primary financial support. In addition, an employee of AEP served as a board member of the organization during 2023. AEP management has determined these contributions are Related Party transactions under ASC 850 based on AEP’s ability to significantly influence the management and operating policies of CARE. KGPCo made no contributions to CARE in 2024.

Beginning in August 2024, an officer of AEP also served as a member of the board of directors of a company that is a vendor of KGPCo. From August 2024 through December 2024, KGPCo purchased \$942 thousand of distribution and transmission infrastructure services from the related party vendor in the ordinary course of business.

### *Affiliated Revenues and Purchases*

KGPCo provides transmission services directly to APCo which are approved by the FERC. KGPCo’s revenues of \$230 thousand and \$228 thousand for these services for the years ended December 31, 2024 and 2023, respectively, were recorded in Sales to AEP Affiliates on KGPCo’s statements of income. KGPCo also purchases all of its power from APCo based on a FERC-approved rate. KGPCo’s purchases of \$111.4 million and \$115 million for the years ended December 31, 2024 and 2023, respectively, were recorded in Purchased Electricity from AEP Affiliates on KGPCo’s statements of income. Effective September 1, 2016, KGPCo implemented the Fuel and Purchased Power Adjustment Rider (FPPAR) rates per the approved TPUC order in KGPCo’s base rate case, which included, for the first time, monthly over-recovery or under-recovery accounting for the difference between the actual total costs billed monthly to KGPCo from APCo, and the actual monthly revenues recorded under the FPPAR. For the year ended December 31, 2024, KGPCo had a regulatory liability of \$641 thousand and for the year ended December 31, 2023, KGPCo had a regulatory asset of \$7 million. The activity above is excluded from the Transmission Agreement activity discussed below.

### ***Transmission Agreement (TA)***

APCo, I&M, KGPCo, KPCo, OPCo and WPCo (AEP East Companies) are parties to the TA, which defines how transmission costs through PJM OATT are allocated among the AEP East Companies on a 12-month average coincident peak basis.

KGPCo's revenues recorded in Sales to AEP Affiliates on its statements of income as a result of the TA for the years ended December 31, 2024 and 2023 were \$6 million and \$5.4 million, respectively. KGPCo's charges recorded in Purchased Electricity from AEP Affiliates on its statements of income as a result of the TA for the years ended December 31, 2024 and 2023 were \$47.1 million and \$43 million, respectively.

### ***Global Borrowing Notes***

AEP had seven intercompany notes in place with KGPCo as of December 31, 2024 and 2023, respectively. The debt is reflected in Long-term Debt – Affiliated on KGPCo's balance sheets. KGPCo accrues interest for its share of the global borrowing and remits the interest to AEP. The accrued interest is reflected in Accrued Interest on KGPCo's balance sheets.

### **13. VARIABLE INTEREST ENTITIES**

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

AEPSC provides certain managerial and professional services to AEP’s subsidiaries. Parent is the sole equity owner of AEPSC. AEP management controls the activities of AEPSC. The costs of the services are based on a direct charge or on a prorated basis and billed to the AEP subsidiary companies at AEPSC’s cost. AEP subsidiaries have not provided financial or other support outside the reimbursement of costs for services rendered. AEPSC finances its operations through cost reimbursement from other AEP subsidiaries. There are no other terms or arrangements between AEPSC and any of the AEP subsidiaries that could require additional financial support from an AEP subsidiary or expose them to losses outside of the normal course of business. AEPSC and its billings are subject to regulation by the FERC. AEP subsidiaries are exposed to losses to the extent they cannot recover the costs of AEPSC through their normal business operations. AEP subsidiaries are considered to have a significant interest in AEPSC due to their activity in AEPSC’s cost reimbursement structure. However, AEP subsidiaries do not have control over AEPSC. AEPSC is consolidated by AEP. In the event AEPSC would require financing or other support outside the cost reimbursement billings, this financing would be provided by AEP. KGPCo’s total billings from AEPSC for the years ended December 31, 2024 and 2023 were \$8.1 million and \$9.4 million, respectively. The carrying amount of liabilities associated with AEPSC as of December 31, 2024 and 2023 was \$1.1 million and \$643 thousand, respectively. Management estimates the maximum exposure of loss to be equal to the amount of such liability.

## 14. PROPERTY, PLANT AND EQUIPMENT

### *Depreciation*

KGPCo provides for depreciation of Property, Plant and Equipment on a straight-line basis over the estimated useful lives of property, generally using composite rates by functional class. The following table provides the annual composite depreciation rates by functional class:

<u>Functional Class of Property</u>	<u>Years Ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Transmission	2.4 %	2.1 %
Distribution	3.1 %	2.9 %
Other	8.6 %	8.7 %

Expenditures for demolition and removal of property, plant and equipment are charged to the accumulated provision for depreciation and recovered through depreciation charges included in rates. The higher composite depreciation rate in the other class of property compared to the rate of transmission and distribution is due to capitalized software, which has a relatively shorter expected useful life compared to the transmission and distribution functional property classes.

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

### *Asset Retirement Obligations*

KGPCo has identified, but not recognized, ARO liabilities related to electric transmission and distribution assets, as a result of certain easements on property on which assets are owned. Generally, such easements are perpetual and require only the retirement and removal of assets upon the cessation of the property's use. The retirement obligation is not estimable for such easements since KGPCo plans to use its facilities indefinitely. The retirement obligation would only be recognized if and when KGPCo abandons or ceases the use of specific easements, which is not expected.

### *Allowance for Funds Used During Construction*

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

	<u>Years Ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
	<u>(in thousands)</u>	
Allowance for Equity Funds Used During Construction	\$ 354	\$ 1,039
Allowance for Borrowed Funds Used During Construction	124	493

## 15. REVENUE FROM CONTRACTS WITH CUSTOMERS

### *Disaggregated Revenues from Contracts with Customers*

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

	<b>Years Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(in thousands)</b>	
<b>Retail Revenues:</b>		
Residential Revenues	\$ 81,661	\$ 82,951
Commercial Revenues	48,485	49,553
Industrial Revenues	72,743	94,020
Other Retail Revenues	4,817	4,960
<b>Total Retail Revenues</b>	<b>207,706</b>	<b>231,484</b>
<b>Wholesale Revenues:</b>		
Transmission Revenues (a)	7,507	6,711
<b>Total Wholesale Revenues</b>	<b>7,507</b>	<b>6,711</b>
Other Revenues from Contracts with Customers (a)	2,325	1,883
<b>Total Revenues from Contracts with Customers</b>	<b>217,538</b>	<b>240,078</b>
<b>Other Revenues:</b>		
Alternative Revenues	(222)	(182)
<b>Total Other Revenues</b>	<b>(222)</b>	<b>(182)</b>
<b>Total Revenues</b>	<b>\$ 217,316</b>	<b>\$ 239,896</b>

(a) Amounts include affiliated and nonaffiliated revenues.

### *Performance Obligations*

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

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

#### *Retail Revenues*

KGPCo has performance obligations to purchase, sell, transmit and distribute electricity for sale to rate-regulated retail customers. The performance obligation to deliver electricity is satisfied over time as the customer simultaneously receives and consumes the benefits provided. Revenues are variable as they are subject to the customer's usage requirements.

Rate-regulated retail customers typically have the right to discontinue receiving service at will, therefore these contracts between KGPCo and its customers for rate-regulated services are generally limited to the services requested and received to date for such arrangements. Retail customers are generally billed on a monthly basis, and payment is typically due within 15 to 20 days after the issuance of the invoice.

## *Wholesale Revenues - Transmission*

KGPCo has performance obligations to transmit electricity to wholesale customers through assets owned and operated by KGPCo and other AEP subsidiaries. The performance obligation to provide transmission services in PJM is partially fixed for a period of one year or less. Payments from PJM for transmission services are typically received within one week from the issuance of the invoice, which is issued weekly for PJM.

KGPCo collects revenues through Transmission Formula Rates. The FERC-approved rates establish the annual transmission revenue requirement (ATRR) and transmission service rates for transmission owners. The formula rates establish rates for a one year period and also include a true-up calculation for the prior year's billings, allowing for over/under-recovery of the transmission owner's ATRR. The annual true-ups meet the definition of alternative revenues in accordance with the accounting guidance for "Regulated Operations," and are therefore presented as such in the disaggregated revenues table above.

APCo, I&M, KGPCo, KPCo, OPCo and WPCo (AEP East Companies) are parties to the Transmission Agreement (TA), which defines how transmission costs are allocated among the AEP East Companies on a 12-month average coincident peak basis. AEPTCo is a transmission owner within PJM providing transmission services to affiliates in accordance with the OATT and TA. Affiliate revenues as a result of the TA are reflected as Transmission Revenues in the disaggregated revenues table above.

### ***Fixed Performance Obligations***

KGPCo's fixed performance obligations are satisfied over time. Fixed performance obligations primarily include electricity sales for fixed amounts of energy and stand ready services into PJM's RPM market. The revenues from fixed performance obligations include affiliated and nonaffiliated. KGPCo and other AEP subsidiaries elected to apply the exemption to not disclose the value of unsatisfied performance obligations for contracts with an original expected term of one year or less. Due to the annual establishment of revenue requirements, transmission revenues are excluded from the fixed performance obligations satisfied over time. As of December 31, 2024, KGPCo had no remaining fixed performance obligations satisfied over time.

### ***Contract Assets and Liabilities***

Contract assets are recognized when KGPCo has a right to consideration that is conditional upon the occurrence of an event other than the passage of time, such as future performance under a contract. KGPCo did not have material contract assets as of December 31, 2024 and 2023.

When KGPCo receives consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, it recognizes a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. KGPCo did not have material contract liabilities as of December 31, 2024 and 2023.

### ***Accounts Receivable from Contracts with Customers***

Accounts receivable from contracts with customers are presented on KGPCo's balance sheets within the Accounts Receivable - Customers line item. KGPCo's balances for receivables from contracts that are not recognized in accordance with the accounting guidance for "Revenue from Contracts with Customers" included in Accounts Receivable - Customers were not material as of December 31, 2024 and 2023. See "Securitized Accounts Receivable - AEP Credit" section of Note 11 for additional information related to AEP Credit's securitized accounts receivable.

The amount of affiliated accounts receivable from contracts with customers included in Accounts Receivable - Affiliated Companies on KGPCo's balance sheets were \$711 thousand and \$532 thousand, respectively as of December 31, 2024 and 2023.

### ***Contract Costs***

Contract costs to obtain or fulfill a contract are accounted for under the guidance for "Other Assets and Deferred Costs" and presented as a single asset and neither bifurcated nor reclassified between current and noncurrent assets on KGPCo's balance sheets. Contract costs to acquire a contract are amortized in a manner consistent with the transfer of goods or services to the customer in Other Operation on KGPCo's statements of income. KGPCo did not have material contract costs as of December 31, 2024 and 2023.

**Exhibit C**

# Kingsport Power Company

2025 Second Quarter Report

Financial Statements



BOUNDLESS ENERGY<sup>SM</sup>

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## GLOSSARY OF TERMS

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

Term	Meaning
AEP	American Electric Power Company, Inc., an investor-owned electric public utility holding company which includes American Electric Power Company, Inc. (Parent) and majority owned consolidated subsidiaries and consolidated affiliates.
AEP Credit	AEP Credit, Inc., a consolidated variable interest entity (VIE) of AEP which securitizes accounts receivable and accrued utility revenues for affiliated electric utility companies.
AEPSC	American Electric Power Service Corporation, an AEP service subsidiary providing management and professional services to AEP and its subsidiaries.
AFUDC	Allowance for Equity Funds Used During Construction.
ASU	Accounting Standards Update.
EIS	Energy Insurance Services, Inc., a nonaffiliated captive insurance company and consolidated VIE of AEP.
Excess ADIT	Excess accumulated deferred income taxes.
FASB	Financial Accounting Standards Board.
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	Generally Accepted Accounting Principles in the United States of America.
IRS	Internal Revenue Service.
ITC	Investment Tax Credit.
KGPCo	Kingsport Power Company, an AEP electric utility subsidiary.
MTM	Mark-to-Market.
NOLC	Net Operating Loss Carryforward.
OPEB	Other Postretirement Benefits.
Parent	American Electric Power Company, Inc., the equity owner of AEP subsidiaries within the AEP consolidation.
PJM	Pennsylvania-New Jersey-Maryland regional transmission organization.
PLR	Private Letter Ruling.
PTC	Production Tax Credit.
Risk Management Contracts	Trading and nontrading derivatives, including those derivatives designated as cash flow and fair value hedges.
Tax Reform	On December 22, 2017, President Trump signed into law legislation referred to as the “Tax Cuts and Jobs Act” (the TCJA). The TCJA includes significant changes to the Internal Revenue Code of 1986, including a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.
TPUC	Tennessee Public Utility Commission, formerly known as Tennessee Regulatory Authority (TRA).
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.

**KINGSPORT POWER COMPANY**  
**CONDENSED STATEMENTS OF INCOME**  
For the Three and Six Months Ended June 30, 2025 and 2024  
(in thousands)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<b>REVENUES</b>				
Electricity, Transmission and Distribution	\$ 46,625	\$ 49,306	\$ 103,658	\$ 107,922
Sales to AEP Affiliates	2,622	1,474	4,184	3,156
Other Revenues	462	65	560	132
<b>TOTAL REVENUES</b>	<u>49,709</u>	<u>50,845</u>	<u>108,402</u>	<u>111,210</u>
<b>EXPENSES</b>				
Purchased Electricity from AEP Affiliates	35,076	38,466	80,310	85,082
Other Operation	2,304	2,636	4,275	5,162
Maintenance	1,513	1,093	3,392	2,487
Depreciation and Amortization	2,961	2,800	5,857	5,570
Taxes Other Than Income Taxes	3,479	1,459	7,166	4,170
<b>TOTAL EXPENSES</b>	<u>45,333</u>	<u>46,454</u>	<u>101,000</u>	<u>102,471</u>
<b>OPERATING INCOME</b>	4,376	4,391	7,402	8,739
<b>Other Income (Expense):</b>				
Interest Income	65	192	239	351
Allowance for Equity Funds Used During Construction	146	104	261	222
Non-Service Cost Components of Net Periodic Benefit Cost	115	134	227	294
Interest Expense	(1,042)	(1,016)	(2,079)	(2,060)
<b>INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)</b>	3,660	3,805	6,050	7,546
Income Tax Expense (Benefit)	(286)	725	101	1,443
<b>NET INCOME</b>	<u>\$ 3,946</u>	<u>\$ 3,080</u>	<u>\$ 5,949</u>	<u>\$ 6,103</u>

*The common stock of KGPCo is wholly-owned by Parent.*

*See Condensed Notes to Condensed Financial Statements beginning on page 7.*

**KINGSPORT POWER COMPANY**  
**CONDENSED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S EQUITY**  
**For the Six Months Ended June 30, 2025 and 2024**  
(in thousands)  
(Unaudited)

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2023</b>	\$ 4,100	\$ 56,524	\$ 49,177	\$ 109,801
Net Income			3,023	3,023
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2024</b>	4,100	56,524	52,200	112,824
Capital Contribution from Parent		180		180
Net Income			3,080	3,080
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - JUNE 30, 2024</b>	<u>\$ 4,100</u>	<u>\$ 56,704</u>	<u>\$ 55,280</u>	<u>\$ 116,084</u>
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2024</b>	\$ 4,100	\$ 56,559	\$ 57,715	\$ 118,374
Common Stock Dividends			(1,250)	(1,250)
Net Income			2,003	2,003
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2025</b>	4,100	56,559	58,468	119,127
Capital Contribution from Parent		33		33
Common Stock Dividends			(4,500)	(4,500)
Net Income			3,946	3,946
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - JUNE 30, 2025</b>	<u>\$ 4,100</u>	<u>\$ 56,592</u>	<u>\$ 57,914</u>	<u>\$ 118,606</u>

*See Condensed Notes to Condensed Financial Statements beginning on page 7.*

**KINGSPORT POWER COMPANY**  
**CONDENSED BALANCE SHEETS**  
**ASSETS**  
**June 30, 2025 and December 31, 2024**  
**(in thousands)**  
**(Unaudited)**

	<b>June 30, 2025</b>	<b>December 31, 2024</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 231	\$ 168
Advances to Affiliates	—	18,105
Accounts Receivable:		
Customers	2,896	1,762
Affiliated Companies	1,623	1,899
Accrued Unbilled Revenues	41	—
Miscellaneous	2	5
Total Accounts Receivable	4,562	3,666
Materials and Supplies	542	689
Accrued Tax Benefits	494	249
Prepayments	566	3,635
Other Current Assets	432	295
<b>TOTAL CURRENT ASSETS</b>	<b>6,827</b>	<b>26,807</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Electric:		
Transmission	63,543	62,841
Distribution	269,637	261,109
Other Property, Plant and Equipment	22,727	22,932
Construction Work in Progress	15,887	13,060
<b>Total Property, Plant and Equipment</b>	371,794	359,942
Accumulated Depreciation and Amortization	94,642	92,017
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT – NET</b>	<b>277,152</b>	<b>267,925</b>
<b>OTHER NONCURRENT ASSETS</b>		
Regulatory Assets	27,613	23,163
Deferred Charges and Other Noncurrent Assets	9,090	9,837
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b>36,703</b>	<b>33,000</b>
<b>TOTAL ASSETS</b>	<b>\$ 320,682</b>	<b>\$ 327,732</b>

*See Condensed Notes to Condensed Financial Statements beginning on page 7.*

**KINGSPORT POWER COMPANY**  
**CONDENSED BALANCE SHEETS**  
**LIABILITIES AND COMMON SHAREHOLDER'S EQUITY**  
**June 30, 2025 and December 31, 2024**  
**(Unaudited)**

	<b>June 30, 2025</b>	<b>December 31, 2024</b>
<b>CURRENT LIABILITIES</b>		
Advances from Affiliates	\$ 2,634	\$ —
Accounts Payable:		
General	7,708	12,479
Affiliated Companies	16,731	19,436
Customer Deposits	5,483	5,204
Accrued Taxes	2,603	2,162
Accrued Interest	3,659	3,617
Obligations Under Operating Leases	413	374
Other Current Liabilities	2,566	4,860
<b>TOTAL CURRENT LIABILITIES</b>	<b>41,797</b>	<b>48,132</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term Debt – Affiliated	105,000	105,000
Deferred Income Taxes	37,924	35,716
Regulatory Liabilities	13,431	16,113
Obligations Under Operating Leases	1,439	1,343
Deferred Credits and Other Noncurrent Liabilities	2,485	3,054
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>160,279</b>	<b>161,226</b>
<b>TOTAL LIABILITIES</b>	<b>202,076</b>	<b>209,358</b>
Rate Matters (Note 3)		
Commitments and Contingencies (Note 4)		
<b>COMMON SHAREHOLDER'S EQUITY</b>		
Common Stock – No Par Value:		
Authorized – 500,000 Shares		
Outstanding – 410,000 Shares	4,100	4,100
Paid-in Capital	56,592	56,559
Retained Earnings	57,914	57,715
<b>TOTAL COMMON SHAREHOLDER'S EQUITY</b>	<b>118,606</b>	<b>118,374</b>
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>	<b>\$ 320,682</b>	<b>\$ 327,732</b>

*See Condensed Notes to Condensed Financial Statements beginning on page 7.*

**KINGSPORT POWER COMPANY**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**For the Six Months Ended June 30, 2025 and 2024**  
(in thousands)  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net Income</b>	\$ 5,949	\$ 6,103
<b>Adjustments to Reconcile Net Income to Net Cash Flows from (Used for) Operating Activities:</b>		
Depreciation and Amortization	5,857	5,570
Deferred Income Taxes	79	171
Allowance for Equity Funds Used During Construction	(261)	(222)
Pension Contributions to Qualified Plan Trusts	(306)	—
Property Taxes	(1,077)	(772)
Change in Regulatory Assets	(1,974)	6,292
Change in Regulatory Liabilities	(3,807)	2,080
Change in Other Noncurrent Assets	1,704	7
Change in Other Noncurrent Liabilities	(357)	78
<b>Changes in Certain Components of Working Capital:</b>		
Accounts Receivable, Net	(896)	(2,365)
Materials and Supplies	147	349
Prepayments	3,069	1,984
Accounts Payable	(6,352)	(771)
Accrued Taxes, Net	196	(405)
Other Current Assets	(138)	(478)
Other Current Liabilities	(1,897)	607
<b>Net Cash Flows from (Used for) Operating Activities</b>	<u>(64)</u>	<u>18,228</u>
<b>INVESTING ACTIVITIES</b>		
Construction Expenditures	(14,903)	(8,598)
Change in Advances to Affiliates, Net	18,105	(10,034)
Other Investing Activities	84	246
<b>Net Cash Flows from (Used for) Investing Activities</b>	<u>3,286</u>	<u>(18,386)</u>
<b>FINANCING ACTIVITIES</b>		
Capital Contribution from Parent	33	180
Change in Advances from Affiliates, Net	2,634	—
Principal Payments for Finance Lease Obligations	(76)	(77)
Dividends Paid on Common Stock	(5,750)	—
Other Financing Activities	—	14
<b>Net Cash Flows from (Used for) Financing Activities</b>	<u>(3,159)</u>	<u>117</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	63	(41)
<b>Cash and Cash Equivalents at Beginning of Period</b>	168	174
<b>Cash and Cash Equivalents at End of Period</b>	<u>\$ 231</u>	<u>\$ 133</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Cash Paid for Interest, Net of Capitalized Amounts	\$ 2,002	\$ 1,977
Net Cash Paid for Income Taxes	583	123
Noncash Acquisitions Under Finance Leases	—	51
Construction Expenditures Included in Current Liabilities as of June 30,	2,562	1,320

See Condensed Notes to Condensed Financial Statements beginning on page 7.

## INDEX OF CONDENSED NOTES TO CONDENSED FINANCIAL STATEMENTS

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## **1. SIGNIFICANT ACCOUNTING MATTERS**

### ***General***

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

In the opinion of management, the unaudited condensed interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair statement of the net income, financial position and cash flows for the interim periods. Net income for the three and six months ended June 30, 2025 is not necessarily indicative of results that may be expected for the year ending December 31, 2025. The condensed financial statements are unaudited and should be read in conjunction with the audited 2024 financial statements and notes thereto, which are included in the KGPCo's 2024 Annual Report.

### ***Subsequent Events***

Management reviewed subsequent events through August 26, 2025, the date that KGPCo's second quarter 2025 report was available to be issued.

## **2. NEW ACCOUNTING STANDARDS**

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

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

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

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

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

The amendments in the new standard may be applied on either a prospective or retrospective basis for non-public business entities for fiscal years beginning after December 15, 2025 with early adoption permitted. Management will adopt the amendments to this standard prospectively beginning with the Annual Report for the fiscal year ending December 31, 2025.

### 3. RATE MATTERS

As discussed in KGPCo’s 2024 Annual Report, KGPCo is involved in rate and regulatory proceedings at the FERC and the TPUC. The Rate Matters and Effects of Regulation notes within KGPCo’s 2024 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 2025 and updates KGPCo’s 2024 Annual Report.

#### *Regulatory Assets Pending Final Regulatory Approval*

	June 30, 2025	December 31, 2024
Noncurrent Regulatory Assets	(in thousands)	
<u>Regulatory Assets Currently Not Earning a Return</u>		
Income Taxes, Net	\$ 1,904	\$ 2,354
<b>Total Regulatory Assets Pending Final Regulatory Approval</b>	<b>\$ 1,904</b>	<b>\$ 2,354</b>

#### *FERC 2021 PJM Transmission Formula Rate Challenge*

KGPCo and other AEP subsidiaries transitioned to stand-alone treatment of NOLCs in their PJM transmission formula rates beginning with the 2022 projected transmission revenue requirements and 2021 true-up to actual transmission revenue requirements, and provided notice of this change in informational filings made with the FERC. The annual revenue requirement increase as a result of the transition to stand-alone treatment of NOLCs for transmission formula rates is shown in the table below:

2021	2022	2023	2024	2025	Total
(in thousands)					
\$ 250	\$ 322	\$ 285	\$ 202	\$ 185	\$ 1,244

In January 2024, the FERC issued two orders granting formal challenges by certain unaffiliated customers related to stand-alone treatment of NOLCs in the 2021 Transmission Formula Rates of the AEP transmission owning subsidiaries within PJM. The FERC directed the AEP transmission owning subsidiaries within PJM to provide refunds with interest on all amounts collected for the 2021 rate year, and for such refunds to be reflected in the annual update for the next rate year. Accordingly, AEP transmission owning subsidiaries within PJM are providing refunds for the 2021 rate year, primarily through 2025 projected transmission revenue requirements. AEP transmission owning subsidiaries within PJM have not been directed to make cash refunds related to 2022 through 2025 rate years. As a result of the January 2024 FERC orders, KGPCo’s balance sheet reflected a liability for the probable refund of all NOLC revenues included in transmission formula rates, with interest.

In February 2024, AEPSC on behalf of the AEP transmission owning subsidiaries within PJM filed a request for rehearing. In March 2024, the FERC denied AEPSC’s request for rehearing of the January 2024 order by operation of law and stated it may address the request for rehearing in future orders. In March 2024, AEPSC submitted a refund compliance report to the FERC, which preserves the non-finality of the FERC’s January 2024 order pending further proceedings on rehearing and appeal. In April 2024, AEPSC made a filing with the FERC which requested that the FERC: (a) reopen the record so that the FERC may take the IRS PLRs received in April 2024 regarding the treatment of stand-alone NOLCs in ratemaking into evidence and consider them in a substantive order on rehearing and (b) stay its January 2024 order and related compliance filing and refunds to provide time for consideration of the April 2024 IRS PLRs. In May 2024, AEPSC filed a petition for review with the United States Court of Appeals for the District of Columbia Circuit seeking review of the FERC’s January 2024 and March 2024 decisions. In July 2024, the FERC issued orders approving AEPSC’s request to reopen the record for the limited purpose of accepting into the record the IRS PLRs and establish additional briefing procedures. In August 2024, AEPSC filed briefs with the FERC requesting the commission modify or overturn their initial orders.

In June 2025, the FERC issued two orders, partially reversing its January 2024 decisions on the basis of IRS PLRs accepted into the record, and concluding that the accelerated depreciation-related NOLC adjustments should be included in rate base and should also be included in the computation of Excess ADIT regulatory liabilities to be refunded to customers. The FERC directed the AEP transmission owning subsidiaries within PJM to submit compliance filings in August 2025 that will revise March 2024 refund compliance reports and permit the collection of excess refunds provided to customers, with interest, in the annual update for the 2025 rate year.

As a result of the June 2025 FERC orders, KGPCo recognized revenues, with interest, attributable to accelerated depreciation-related NOLCs included in transmission formula rates for years 2021 through 2025 and reduced Excess ADIT regulatory liabilities. Increases in affiliated transmission expense, which correspond to affiliated transmission revenues recognized, were deferred as an increase to regulatory assets or a reduction to regulatory liabilities on the balance sheets where management expects that expense would be collected from retail customers through authorized retail jurisdiction rider mechanisms. The table below summarizes the impact to the statements of income recorded by KGPCo in the second quarter of 2025:

	<b>(in thousands)</b>
Total Revenues	\$ 1,063
Other Operation	(87)
<b>Income Before Income Tax Benefit</b>	<u>1,150</u>
Income Tax Benefit	(616)
<b>Net Income</b>	<u><u>\$ 1,766</u></u>

#### **4. COMMITMENTS, GUARANTEES AND CONTINGENCIES**

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

For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements. The Commitments, Guarantees and Contingencies note within KGPCo's 2024 Annual Report should be read in conjunction with this report.

#### **GUARANTEES**

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

##### ***Indemnifications and Other Guarantees***

###### ***Contracts***

KGPCo enters into certain types of contracts which require indemnifications. Typically, these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. As of June 30, 2025, there were no material liabilities recorded for any indemnifications.

###### ***Master Lease Agreements***

KGPCo leases certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, KGPCo is committed to pay the difference between the actual fair value and the residual value guarantee. Historically, at the end of the lease term the fair value has been in excess of the amount guaranteed. As of June 30, 2025, the maximum potential loss for these lease agreements was \$289 thousand assuming the fair value of the equipment is zero at the end of the lease term.

#### **OPERATIONAL CONTINGENCIES**

##### ***Insurance and Potential Losses***

KGPCo maintains insurance coverage normal and customary for electric utilities, subject to various deductibles. KGPCo also maintains property and casualty insurance that may cover certain physical damage or third-party injuries caused by cybersecurity incidents. Insurance coverage includes all risks of physical loss or damage to assets, subject to insurance policy conditions and exclusions. Covered property generally includes substations, facilities and inventories. Excluded property generally includes transmission and distribution lines, poles and towers. The insurance programs also generally provide coverage against loss arising from certain claims made by

third-parties and are in excess of retentions absorbed by KGPCo. Coverage is generally provided by a combination of the protected cell of EIS and/or various industry mutual and/or commercial insurance carriers.

Some potential losses or liabilities may not be insurable or the amount of insurance carried may not be sufficient to meet potential losses and liabilities, including, but not limited to, liabilities relating to a cybersecurity incident, extreme weather or wildfire related liabilities. Future losses or liabilities, if they occur, which are not completely insured, unless recovered through the ratemaking process, could reduce future net income and cash flows and impact financial condition.

## 5. BENEFIT PLANS

KGPCo participates in an AEPSC sponsored qualified pension plan and an unfunded non-qualified pension plan which covers substantially all of KGPCo's employees. KGPCo also participates in OPEB plans sponsored by AEPSC to provide health and life insurance benefits for retired employees.

### *Components of Net Periodic Benefit Cost (Credit)*

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

	<b>Pension Plan</b>		<b>OPEB</b>	
	<b>Three Months Ended June 30,</b>		<b>Three Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>(in thousands)</b>			
Service Cost	\$ 64	\$ 77	\$ 3	\$ 5
Interest Cost	169	183	31	36
Expected Return on Plan Assets	(215)	(274)	(110)	(101)
Amortization of Prior Service Credit	—	—	(2)	(10)
Amortization of Net Actuarial Loss	12	2	—	3
<b>Net Periodic Benefit Cost (Credit) (a)</b>	<b>\$ 30</b>	<b>\$ (12)</b>	<b>\$ (78)</b>	<b>\$ (67)</b>

	<b>Pension Plan</b>		<b>OPEB</b>	
	<b>Six Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>(in thousands)</b>			
Service Cost	\$ 128	\$ 154	\$ 6	\$ 10
Interest Cost	338	366	63	73
Expected Return on Plan Assets	(429)	(548)	(221)	(203)
Amortization of Prior Service Credit	—	—	(4)	(20)
Amortization of Net Actuarial Loss	24	5	—	6
<b>Net Periodic Benefit Cost (Credit) (a)</b>	<b>\$ 61</b>	<b>\$ (23)</b>	<b>\$ (156)</b>	<b>\$ (134)</b>

- (a) Excludes an immaterial amount related to special termination benefits resulting from the voluntary severance program announced in the second quarter of 2024.

### *Qualified Pension Contribution*

For the qualified pension plan, discretionary contributions may be made to maintain the funded status of the plan. In the second quarter of 2025, KGPCo's discretionary contribution to the qualified pension plan was \$306 thousand.

## 6. DERIVATIVES AND HEDGING

AEPSC is agent for and transacts on behalf of KGPCo.

### *Risk Management Strategies*

KGPCo’s vehicle fleet is exposed to gasoline and diesel fuel price volatility. KGPCo utilizes financial heating oil and gasoline derivative contracts in order to mitigate price risk of future fuel purchases. KGPCo does not hedge all fuel price risk. The gross notional volumes of KGPCo’s outstanding derivative contracts for heating oil and gasoline as of June 30, 2025 and December 31, 2024 were 226 thousand gallons and 246 thousand gallons, respectively.

### ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND THE IMPACT ON KGPCo’s FINANCIAL STATEMENTS

According to the accounting guidance for “Derivatives and Hedging,” KGPCo 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, KGPCo is required to post or receive cash collateral based on third party contractual agreements and risk profiles. There was no cash collateral received from third-parties netted against short-term and long-term risk management assets as of June 30, 2025 and December 31, 2024. The amount of cash collateral paid to third-parties netted against short-term and long-term risk management liabilities was immaterial for KGPCo as of June 30, 2025 and December 31, 2024.

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

Balance Sheet Location	Fair Value of Derivative Instruments		
	June 30, 2025		
	Risk Management Contracts - Commodity (a)	Gross Amounts Offset on the Balance Sheets (b)	Net Amounts of Assets/Liabilities Presented on the Balance Sheets (c)
		(in thousands)	
Current Risk Management Assets	\$ —	\$ —	\$ —
Long-term Risk Management Assets	2	—	2
<b>Total Assets</b>	<b>2</b>	<b>—</b>	<b>2</b>
Current Risk Management Liabilities	21	(21)	—
Long-term Risk Management Liabilities	—	—	—
<b>Total Liabilities</b>	<b>21</b>	<b>(21)</b>	<b>—</b>
<b>Total MTM Derivative Contract Net Assets (Liabilities)</b>	<b>\$ (19)</b>	<b>\$ 21</b>	<b>\$ 2</b>

Balance Sheet Location	December 31, 2024		
	Risk Management Contracts - Commodity (a)	Gross Amounts Offset on the Balance Sheets (b)	Net Amounts of Assets/Liabilities Presented on the Balance Sheets (c)
	(in thousands)		
Current Risk Management Assets	\$ —	\$ —	\$ —
Long-term Risk Management Assets	—	—	—
<b>Total Assets</b>	—	—	—
Current Risk Management Liabilities	39	(39)	—
Long-term Risk Management Liabilities	—	—	—
<b>Total Liabilities</b>	39	(39)	—
<b>Total MTM Derivative Contract Net Assets (Liabilities)</b>	\$ (39)	\$ 39	\$ —

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

The table below presents KGPCo’s activity of derivative risk management contracts:

#### Amount of Gain (Loss) Recognized on Risk Management Contracts

Location of Gain (Loss)	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Other Operation	\$ (2)	\$ 11	\$ (3)	\$ 11
Maintenance	(10)	32	(15)	34
Regulatory Assets (a)	2	—	19	6
Regulatory Liabilities (a)	—	(4)	—	—
<b>Total Gain (Loss) on Risk Management Contracts</b>	\$ (10)	\$ 39	\$ 1	\$ 51

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

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

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

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

## 7. FAIR VALUE MEASUREMENTS

### *Fair Value Hierarchy and Valuation Techniques*

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

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

### *Fair Value Measurements of Long-term Debt*

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

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

	<b>June 30, 2025</b>		<b>December 31, 2024</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Fair Value</b>
Long-term Debt	\$ 105,000	\$ 93,994	\$ 105,000	\$ 91,381

## ***Fair Value Measurements of Financial Assets and Liabilities***

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

### **Assets and Liabilities Measured at Fair Value on a Recurring Basis**

**June 30, 2025**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
	<b>(in thousands)</b>				
<b>Risk Management Assets</b>					
Risk Management Commodity Contracts (a)	\$ —	\$ 2	\$ —	\$ —	\$ 2
<b>Risk Management Liabilities</b>					
Risk Management Commodity Contracts (a)	\$ —	\$ 21	\$ —	\$ (21)	\$ —

**December 31, 2024**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
	<b>(in thousands)</b>				
<b>Risk Management Liabilities</b>					
Risk Management Commodity Contracts (a)	\$ —	\$ 39	\$ —	\$ (39)	\$ —

- (a) Amounts in “Other” column primarily represent counterparty netting of risk management and hedging contracts and associated cash collateral under the accounting guidance for “Derivatives and Hedging.”

## 8. INCOME TAXES

### *Effective Tax Rates (ETR)*

KGPCo's interim ETR reflects the estimated annual ETR for 2025 and 2024, adjusted for tax expense associated with certain discrete items. In the second quarter of 2025, KGPCo recorded a tax benefit of \$928 thousand related to the remeasurement of Excess ADIT associated with the FERC order related to the treatment of NOLCs in transmission formula rates, driving a reduction to the interim ETR resulting in KGPCo's tax rate of (7.8)% for three months ended June 30, 2025 and 1.7% for six months ended June 30, 2025 as shown below.

The ETR for KGPCo are included in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
U.S. Federal Statutory Rate	21.0 %	21.0 %	21.0 %	21.0 %
Increase (decrease) due to:				
State and Local Income Taxes, Net	(0.4)%	2.4 %	(0.3)%	1.8 %
Tax Reform Excess ADIT Reversal	(0.3)%	(1.7)%	(1.0)%	(1.5)%
Remeasurement of Excess ADIT	(25.4)%	— %	(15.3)%	— %
Reversal of Origination Flow-Through	(2.1)%	(2.3)%	(2.0)%	(1.9)%
AFUDC Equity	(0.7)%	(3.7)%	(0.8)%	(2.0)%
Other	0.1 %	3.4 %	0.1 %	1.7 %
Effective Income Tax Rate	<u>(7.8)%</u>	<u>19.1 %</u>	<u>1.7 %</u>	<u>19.1 %</u>

### *Federal and State Income Tax Audit Status*

KGPCo and other AEP subsidiaries are not currently under IRS audit and the statute of limitations (SOL) for the IRS to examine KGPCo and other AEP subsidiaries originally filed federal return has expired for tax years prior to 2021. In July 2025, AEP received notification that its 2023 federal income tax return was selected for IRS examination.

KGPCo and other AEP subsidiaries file income tax returns in various state and local jurisdictions. KGPCo and other AEP subsidiaries are not currently under any state and local income tax examinations. Generally, the SOL have expired for tax years prior to 2021. In addition, management is monitoring and continues to evaluate the potential impact of federal legislation and corresponding state conformity.

### *Federal Legislation*

On July 4, 2025, President Trump signed H.R. 1 into law, commonly known as the One Big Beautiful Bill Act (OBBBA). Most notably for AEP, this budget reconciliation legislation modifies and accelerates the phase out of wind and solar PTCs and ITCs, adds new restrictions to guard against certain foreign ownership or influence with respect to otherwise credit-eligible projects and makes 100% bonus depreciation permanent for our non-regulated entities. With the exception of bonus depreciation, this legislation is prospective and has no material impact on the current period financial statements. Following enactment of the legislation, on July 7, 2025, the President issued an Executive Order directing the Department of Treasury to issue new and revised wind and solar tax credit guidance within 45 days, which could impose further practical limits on the development of wind and solar projects. In addition to this potential near term guidance, additional significant guidance from the Department of Treasury and the IRS is expected on the tax provisions included in the OBBBA. AEP will continue to monitor any issued guidance and evaluate the impact on future net income, cash flows and financial condition.

## 9. FINANCING ACTIVITIES

### *Long-term Debt*

There was no Long-term Debt issued or retired during the first six months of 2025.

### *Dividend Restrictions*

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

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

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

### *Corporate Borrowing Program*

AEP subsidiaries use a corporate borrowing program to meet their short-term borrowing needs. The corporate borrowing program includes a Utility Money Pool, which funds AEP's utility subsidiaries. The AEP Utility Money Pool operates in accordance with the terms and conditions of its agreement filed with the FERC. The amounts of outstanding loans to (borrowings from) the Utility Money Pool as of June 30, 2025 and December 31, 2024 are included in Advances to Affiliates and Advances from Affiliates, respectively, on KGPCo's balance sheets. KGPCo's Utility Money Pool activity and corresponding authorized borrowing limits for the six months ended June 30, 2025 are described in the following table:

<b>Maximum Borrowings from the Utility Money Pool</b>	<b>Maximum Loans to the Utility Money Pool</b>	<b>Average Borrowings from the Utility Money Pool</b>	<b>Average Loans to the Utility Money Pool</b>	<b>Net Borrowings from the Utility Money Pool as of June 30, 2025</b>	<b>Authorized Short-Term Borrowing Limit</b>
(in thousands)					
\$ 10,346	\$ 29,996	\$ 3,694	\$ 13,963	\$ 2,634	\$ 30,000

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

<b>Six Months Ended June 30,</b>	<b>Maximum Interest Rate for Funds Borrowed from the Utility Money Pool</b>	<b>Minimum Interest Rate for Funds Borrowed from the Utility Money Pool</b>	<b>Maximum Interest Rate for Funds Loaned to the Utility Money Pool</b>	<b>Minimum Interest Rate for Funds Loaned to the Utility Money Pool</b>	<b>Average Interest Rate for Funds Borrowed from the Utility Money Pool</b>	<b>Average Interest Rate for Funds Loaned to the Utility Money Pool</b>
2025	4.83 %	4.14 %	4.76 %	4.64 %	4.61 %	4.70 %
2024	5.74 %	5.69 %	5.79 %	5.14 %	5.74 %	5.67 %

### ***Securitized Accounts Receivables - AEP Credit***

Under a sale of receivables arrangement, KGPCo sells, without recourse, certain of its customer accounts receivable and accrued unbilled revenue balances to AEP Credit and is charged a fee based on AEP Credit's financing costs, administrative costs and uncollectible accounts experience for KGPCo's receivables. The costs of customer accounts receivable sold are reported in Other Operation expense on KGPCo's statements of income. KGPCo manages and services its customer accounts receivable sold.

AEP Credit's receivables securitization agreement provides a commitment of \$900 million from bank conduits to purchase receivables and expires in September 2026. As of June 30, 2025, KGPCo was in compliance with all requirements under the agreement.

KGPCo's factored accounts receivable were \$15.3 million and \$18.6 million as of June 30, 2025 and December 31, 2024, respectively. KGPCo's factored accrued unbilled revenues were \$671 thousand and \$675 thousand as of June 30, 2025 and December 31, 2024, respectively.

The fees paid by KGPCo to AEP Credit for customer accounts receivable sold for the three months ended June 30, 2025 and 2024 were \$248 thousand and \$340 thousand, respectively, and for the six months ended June 30, 2025 and 2024 were \$513 thousand and \$657 thousand, respectively.

KGPCo's proceeds on the sale of receivables to AEP Credit for the three months ended June 30, 2025 and 2024 were \$45.5 million and \$49.4 million, respectively, and for the six months ended June 30, 2025 and 2024 were \$101.1 million and \$104.9 million, respectively.

## 10. REVENUE FROM CONTRACTS WITH CUSTOMERS

### *Disaggregated Revenues from Contracts with Customers*

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
<b>Retail Revenues:</b>				
Residential Revenues	\$ 16,157	\$ 17,154	\$ 42,692	\$ 42,833
Commercial Revenues	11,583	11,831	23,945	24,489
Industrial Revenues	16,990	18,505	32,975	36,749
Other Retail Revenues	1,038	1,093	2,411	2,439
<b>Total Retail Revenues</b>	<u>45,768</u>	<u>48,583</u>	<u>102,023</u>	<u>106,510</u>
<b>Wholesale Revenues:</b>				
Transmission Revenues (a)	2,771	1,755	4,541	3,724
<b>Total Wholesale Revenues</b>	<u>2,771</u>	<u>1,755</u>	<u>4,541</u>	<u>3,724</u>
Other Revenues from Contracts with Customers (a)	918	547	1,589	1,027
<b>Total Revenues from Contracts with Customers</b>	<u>49,457</u>	<u>50,885</u>	<u>108,153</u>	<u>111,261</u>
<b>Other Revenues:</b>				
Alternative Revenues (a)	252	(40)	249	(51)
<b>Total Other Revenues</b>	<u>252</u>	<u>(40)</u>	<u>249</u>	<u>(51)</u>
<b>Total Revenues</b>	<u>\$ 49,709</u>	<u>\$ 50,845</u>	<u>\$ 108,402</u>	<u>\$ 111,210</u>

(a) Amounts include affiliated and nonaffiliated revenues.

### *Fixed Performance Obligations*

KGPCo's fixed performance obligations are satisfied over time. KGPCo and other AEP subsidiaries elected to apply the exemption to not disclose the value of unsatisfied performance obligations for contracts with an original expected term of one year or less. Due to the annual establishment of revenue requirements, transmission revenues are excluded from the fixed performance obligations satisfied over time. As of June 30, 2025, KGPCo had no remaining fixed performance obligations satisfied over time.

### *Contract Assets and Liabilities*

Contract assets are recognized when KGPCo has a right to consideration that is conditional upon the occurrence of an event other than the passage of time, such as future performance under a contract. KGPCo did not have material contract assets as of June 30, 2025 and December 31, 2024.

When KGPCo receives consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, it recognizes a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. KGPCo did not have material contract liabilities as of June 30, 2025 and December 31, 2024.

### *Accounts Receivable from Contracts with Customers*

Accounts receivable from contracts with customers are presented on KGPCo's balance sheets within the Accounts Receivable - Customers line item. KGPCo's balances for receivables from contracts that are not recognized in accordance with the accounting guidance for "Revenue from Contracts with Customers" included in Accounts Receivable - Customers were not material as of June 30, 2025 and December 31, 2024. See "Securitized Accounts Receivable - AEP Credit" section of Note 9 for additional information related to AEP Credit's securitized accounts receivable.

The amount of affiliated accounts receivable from contracts with customers included in Accounts Receivable - Affiliated Companies on KGPCo's balance sheets were \$803 thousand and \$711 thousand as of June 30, 2025 and December 31, 2024, respectively.