THIS FILING IS		
Item 1: [X] An Initial (Original) Submission	OR [ ]	Resubmission No. ____

Form 1 Approved
OMB No.1902-0021
(Expires 12/31/2019)

Form 1-F Approved
OMB No.1902-0029
(Expires 12/31/2019)

Form 3-Q Approved
OMB No.1902-0205
(Expires 12/31/2019)

FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

Exact Legal Name of Respondent (Company)	Year/Period of Report
Kingsport Power Company	End of 2018/Q4

Report of Independent Auditors

To the Board of Directors and Management of
Kingsport Power Company

We have audited the accompanying financial statements of Kingsport Power Company, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of income, of retained earnings and of cash flows for the years then ended, included on pages 110 through 123 of the accompanying Federal Energy Regulatory Commission Form No. 1.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases described in Note 1. Management is also responsible 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kingsport Power Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared by Kingsport Power Company on the basis of the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Federal Energy Regulatory Commission. Our opinion is not modified with respect to this matter.

Restriction of Use

This report is intended solely for the information and use of the Board of Directors and Management of Kingsport Power Company and the Federal Energy Regulatory Commission and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

Columbus, Ohio
April 11, 2019

FERC FORM NO. 1/3-Q:
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER

IDENTIFICATION

01 Exact Legal Name of Respondent Kingsport Power Company	02 Year/Period of Report End of 2018/Q4
03 Previous Name and Date of Change *(if name changed during year)* / /	
04 Address of Principal Office at End of Period *(Street, City, State, Zip Code)* 1 Riverside Plaza, Columbus, OH 43215-2373	
05 Name of Contact Person Kathy L Messer	06 Title of Contact Person Accountant
07 Address of Contact Person *(Street, City, State, Zip Code)* AEP Service Corp., 1 Riverside Plaza, Columbus, OH 43215-2373	

08 Telephone of Contact Person, *Including Area Code* (614) 716-1000	09 This Report Is (1) [X] An Original (2) [ ] A Resubmission	10 Date of Report *(Mo, Da, Yr)* / /

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

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

01 Name Jeffrey W. Hoersdig	03 Signature Jeffrey W. Hoersdig Jeffrey W. Hoersdig	04 Date Signed *(Mo, Da, Yr)* 04/11/2019
02 Title Assistant Controller		

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

LIST OF SCHEDULES (Electric Utility)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Stockholders' Reports Check appropriate box:

- [X] Two copies will be submitted
- [ ] No annual report to stockholders is prepared

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

GENERAL INFORMATION

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Jeffrey W. Hoersdig, Assistant Controller
American Electric Power Company, Inc.
1 Riverside Plaza
Columbus, OH 43215-2373

2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

Virginia
May 21, 1917

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

NONE

4. State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.

Electric - Tennessee

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) [ ] Yes...Enter the date when such independent accountant was initially engaged:
(2) [X] No

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or a combination of such organizations jointly held control over the repondent at the end of the year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiearies for whom trust was maintained, and purpose of the trust.

American Electric Power Company, Inc.
Ownership of 100% of Respondent's Common Stock.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	See Footnote		
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Schedule Page: 104   Line No.: 1   Column: a

Summary Compensation Table

The following table provides summary information concerning compensation earned by our Chief Executive Officer, our Chief Financial Officer and the three other most highly compensated executive officers, to whom we refer collectively as the named executive officers.

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
Nicholas K. Akins— Chairman of the Board and Chief Executive Officer	2018	1,415,423	—	7,564,313	2,900,000	207,401	114,891	12,202,028
Brian X. Tierney— Executive Vice President and Chief Financial Officer	2018	771,958	—	1,945,785	890,000	0	59,547	3,667,290
David M. Feinberg— Executive Vice President, General Counsel and Secretary	2018	650,492	—	1,362,082	655,000	25,724	48,106	2,741,404
Lisa M. Barton— Executive Vice President-Transmission	2018	571,189	—	1,167,470	575,000	40,845	55,264	2,409,768
Lana L. Hillebrand— Executive Vice President-Chief Administrative Officer	2018	597,289	—	972,924	600,000	47,656	57,530	2,275,399

(1) Amounts in the salary column are composed of executive salaries earned for the year shown, which include 261 days of pay for 2018. This is one day more than the standard 260 calendar work days and holidays in a year.

(2) The amounts reported in this column reflect the aggregate grant date fair value calculated in accordance with FASB ASC Topic 718 of the performance units and restricted stock units (RSUs) granted under our Long-Term Incentive Plan. See Note 15 to the Consolidated Financial Statements included in our Form 10-K for the year ended December 31, 2018 for a discussion of the relevant assumptions used in calculating these amounts. The value realized for the performance units, if any, will depend on the Company's performance during a three-year performance period. The potential payout can range from 0 percent to 200 percent of the target number of performance units, plus any dividend equivalents.

The value of the 2018 performance units will be based on two equally weighted measures: a Board approved cumulative operating earnings per share measure (Cumulative EPS) and a total shareholder return measure (Relative TSR). The grant date fair value of the 2018 performance units that are based on Cumulative EPS was computed in accordance with FASB ASC Topic 718 and was measured based on the closing price of AEP's common stock on the date of grant. The maximum amount payable for the 2018 performance units that are based on Cumulative EPS is equal to: $5,831,240 for Mr. Akins; $1,499,965 for Mr. Tierney; $1,049,996 for Mr. Feinberg; $900,006 for Ms. Barton and $750,016 for Ms. Hillebrand. The grant date fair value of the 2018 performance units that are based on Relative TSR is calculated using a Monte-Carlo model as of the date of grant, in accordance with FASB ASC Top 718. As the performance units that are based on Relative TSR are subject to market conditions as defined under FASB ASC Topic 718, they had no maximum grant date fair values that differed from the grant date fair values presented in the table.

The performance units granted in 2018 will settle in AEP shares. Because the 2018 performance units are to be settled in AEP shares and the Relative TSR measure is a market condition, the maximum value is factored into the calculation of the grant date fair value.

(3) The amounts shown in this column are annual incentive compensation paid for the year shown. At the outset of each year, the HR Committee sets annual incentive targets and performance criteria that are used after year-end to determine if and the extent to which executive officers may receive annual incentive award payments.

(4) The amounts shown in this column are attributable to the increase in the actuarial values of each of the named executive officer's combined benefits under AEP's qualified and non-qualified defined benefit plans determined using interest rate and mortality assumptions consistent with those used in the Company's financial statements. See

Note 8 to the Consolidated Financial Statements included in our Form 10-K for the year ended December 31, 2018 for a discussion of the relevant assumptions.

(5) Amounts shown in the All Other Compensation column for 2018 include: (a) Company contributions to the Company's Retirement Savings Plan, (b) Company contributions to the Company's Supplemental Retirement Savings Plan and (c) perquisites. The amounts are listed in the following table:

Type	Nicholas K. Akins	Brian X. Tierney	David M. Feinberg	Lisa M. Barton	Lana L. Hillebrand
Retirement Savings Plan Match	$ 12,141	$ 12,375	$ 12,375	$ 12,375	$ 12,375
Supplemental Retirement Savings Plan Match	$ 77,625	$ 47,172	$ 23,552	$ 29,217	$ 31,244
Perquisites	$ 25,125	$ 0	$ 12,179	$ 13,672	$ 13,911
Total	**$ 114,891**	**$ 59,547**	**$ 48,106**	**$ 55,264**	**$ 57,530**

Perquisites provided in 2018 included: financial counseling and tax preparation services, and, for Mr. Akins, director's accidental death insurance premium. Executive officers may also have the occasional personal use of event tickets when such tickets are not being used for business purposes, however, there is no associated incremental cost. From time to time executive officers may receive customary gifts from third parties that sponsor sporting events (subject to our policies on conflicts of interest).

Although Mr. Akins has entered into an Aircraft Time Sharing Agreement that allows him to use our corporate aircraft for personal use for a limited number of hours each year, Mr. Akins did not use our corporate aircraft for personal use during 2018. The Aircraft Time Sharing Agreement requires Mr. Akins to reimburse the Company for the cost of his personal use of corporate aircraft in accordance with limits set forth in Federal Aviation Administration regulations. The amount of such reimbursements are expected to exceed the aggregate incremental cost of such flights.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a), abbreviated titles of the directors who are officers of the respondent.
2. Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk.

Line No.	Name (and Title) of Director (a)	Principal Business Address (b)
1	Nicholas K. Akins, Chairman of the Board	Columbus, Ohio
2	and Chief Executive Officer	
3		
4	Lisa M. Barton, Vice President	Columbus, Ohio
5		
6	Brian X. Tierney, Chief Financial Officer	Columbus, Ohio
7	and Vice President	
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9	Mark C. McCullough	Columbus, Ohio
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11	Paul Chodak III, Vice President	Columbus, Ohio
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13	Charles R. Patton	Columbus, Ohio
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15	David M. Feinberg, Secretary	Columbus, Ohio
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17	Lana L. Hillebrand, Vice President	Columbus, Ohio
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19	Note: The Respondent does not have an Executive Committee	
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent have formula rates?

[X] Yes

[ ] No

1. Please list the Commission accepted formula rates including FERC Rate Schedule or Tariff Number and FERC proceeding (i.e. Docket No) accepting the rate(s) or changes in the accepted rate.

Line No.	FERC Rate Schedule or Tariff Number	FERC Proceeding
1	PJM Interconnection LLC - Attachment H-14	ER17-405
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Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent file with the Commission annual (or more frequent) filings containing the inputs to the formula rate(s)?

[X] Yes
[ ] No

2. If yes, provide a listing of such filings as contained on the Commission's eLibrary website

Line No.	Accession No.	Document Date \ Filed Date	Docket No.	Description	Formula Rate FERC Rate Schedule Number or Tariff Number
1	20171107-5255	11/07/2017	ER17-405	AEP PJM OATT Proj Transmission	PJM OATT Attachment H-14
2	20180406-5207	04/06/2018	ER17-405	AEP PJM OATT Annual Formula Rate	PJM OATT Attachment H-14
3	20180525-5247	05/25/2018	ER17-405	AEP PJM OATT Annual Formula Rate	PJM OATT Attachment H-14
4	20181031-5332	10/31/2018	ER17-405	AEP PJM OATT Annual Formula Rate	PJM OATT Attachment H-14
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

INFORMATION ON FORMULA RATES
Formula Rate Variances

1. If a respondent does not submit such filings then indicate in a footnote to the applicable Form 1 schedule where formula rate inputs differ from amounts reported in the Form 1.
2. The footnote should provide a narrative description explaining how the "rate" (or billing) was derived if different from the reported amount in the Form 1.
3. The footnote should explain amounts excluded from the ratebase or where labor or other allocation factors, operating expenses, or other items impacting formula rate inputs differ from amounts reported in Form 1 schedule amounts.
4. Where the Commission has provided guidance on formula rate inputs, the specific proceeding should be noted in the footnote.

Line No.	Page No(s).	Schedule	Column	Line No
1	Not Applicable			
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Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 104 or 105 of the Annual Report Form No. 1, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK
SEE PAGE 109 FOR REQUIRED INFORMATION.

1. None
2. None
3. None
4. None
5. None
6. None
7. None
8. Kingsport Power Company employees represented by IBEW 934 were provided with a 2.5% general wage increase effective April 1, 2018
9. None
10. None
11. (Reserved)
12. Not Used
13. Julie A. Sherwood elected as Vice President effective January 1, 2018
    Mark A. Pyle resigned as Vice President-Tax effective January 28, 2018
    Paul Chodak III elected as Vice President effective April 26, 2018
    Daniel J. Rogier elected as Vice President effective December 12, 2018
    Lonni L. Dieck resigned as Vice President and Treasurer effective December 31, 2018
14. Proprietary capital ratio exceeds 30%

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	221,115,792	201,549,020
3	Construction Work in Progress (107)	200-201	9,345,642	5,459,469
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		230,461,434	207,008,489
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	79,213,958	74,711,245
6	Net Utility Plant (Enter Total of line 4 less 5)		151,247,476	132,297,244
7	Nuclear Fuel in Process of Ref., Conv.,Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		151,247,476	132,297,244
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		78,622	78,622
19	(Less) Accum. Prov. for Depr. and Amort. (122)		0	0
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	0	0
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		3	3
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		0	0
29	Special Funds (Non Major Only) (129)		1,398,254	1,689,969
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets – Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		1,476,879	1,768,594
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		127,321	94,002
36	Special Deposits (132-134)		11,142	4,965
37	Working Fund (135)		0	0
38	Temporary Cash Investments (136)		0	0
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		4,982,147	2,984,644
41	Other Accounts Receivable (143)		7,692	5,321
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		1,000	152,959
43	Notes Receivable from Associated Companies (145)		0	927,115
44	Accounts Receivable from Assoc. Companies (146)		2,337,105	823,150
45	Fuel Stock (151)	227	0	0
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	324,519	283,960
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	0	0
55	Gas Stored Underground - Current (164.1)		0	0
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		2,305,894	2,208,107
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		0	0
60	Rents Receivable (172)		611,067	609,091
61	Accrued Utility Revenues (173)		268,701	374,120
62	Miscellaneous Current and Accrued Assets (174)		0	0
63	Derivative Instrument Assets (175)		0	18,472
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		10,974,588	8,179,988
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		0	0
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	19,541,930	16,767,695
73	Prelim. Survey and Investigation Charges (Electric) (183)		0	0
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		0	0
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	440,869	350,199
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		0	0
82	Accumulated Deferred Income Taxes (190)	234	4,937,577	5,615,990
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		24,920,376	22,733,884
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		188,619,319	164,979,710

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	end of 2018/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	4,100,000	4,100,000
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		0	0
7	Other Paid-In Capital (208-211)	253	27,800,000	22,800,000
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	19,696,288	16,617,384
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	0	0
16	Total Proprietary Capital (lines 2 through 15)		51,596,288	43,517,384
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	0	0
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	50,000,000	50,000,000
21	Other Long-Term Debt (224)	256-257	0	0
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		0	0
24	Total Long-Term Debt (lines 18 through 23)		50,000,000	50,000,000
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		315,453	380,541
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		440	980
29	Accumulated Provision for Pensions and Benefits (228.3)		1,302,165	1,247,017
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		966,156	186,677
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		0	0
35	Total Other Noncurrent Liabilities (lines 26 through 34)		2,584,214	1,815,215
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		4,171,460	2,468,517
39	Notes Payable to Associated Companies (233)		14,948,463	0
40	Accounts Payable to Associated Companies (234)		14,333,481	15,656,268
41	Customer Deposits (235)		4,426,689	4,447,155
42	Taxes Accrued (236)	262-263	477,690	1,019,888
43	Interest Accrued (237)		1,322,802	1,257,524
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		222,734	256,459
48	Miscellaneous Current and Accrued Liabilities (242)		1,368,850	1,301,867
49	Obligations Under Capital Leases-Current (243)		152,621	155,561
50	Derivative Instrument Liabilities (244)		6,544	0
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
52	Derivative Instrument Liabilities - Hedges (245)		0	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		41,431,334	26,563,239
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		0	0
57	Accumulated Deferred Investment Tax Credits (255)	266-267	8	38
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	771,222	606,697
60	Other Regulatory Liabilities (254)	278	16,078,830	17,248,342
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	0	0
63	Accum. Deferred Income Taxes-Other Property (282)		18,223,112	18,060,773
64	Accum. Deferred Income Taxes-Other (283)		7,934,311	7,168,022
65	Total Deferred Credits (lines 56 through 64)		43,007,483	43,083,872
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		188,619,319	164,979,710

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

STATEMENT OF INCOME

Quarterly
1. Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.
2. Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.
4. Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.
5. If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable
5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility columnin a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	166,299,395	162,329,794		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	139,836,980	132,695,155		
5	Maintenance Expenses (402)	320-323	4,868,422	3,621,993		
6	Depreciation Expense (403)	336-337	6,510,114	6,141,624		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337				
8	Amort. & Depl. of Utility Plant (404-405)	336-337	774,388	699,129		
9	Amort. of Utility Plant Acq. Adj. (406)	336-337				
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)					
13	(Less) Regulatory Credits (407.4)					
14	Taxes Other Than Income Taxes (408.1)	262-263	11,016,305	10,576,380		
15	Income Taxes - Federal (409.1)	262-263	303,642	-4,902,283		
16	- Other (409.1)	262-263	16,612	510,070		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	29,142,331	13,152,859		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	31,875,636	7,167,561		
19	Investment Tax Credit Adj. - Net (411.4)	266				
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)					
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)					
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		160,593,158	155,327,366		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		5,706,237	7,002,428		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	Line No.
						1
166,299,395	162,329,794					2
						3
139,836,980	132,695,155					4
4,868,422	3,621,993					5
6,510,114	6,141,624					6
						7
774,388	699,129					8
						9
						10
						11
						12
						13
11,016,305	10,576,380					14
303,642	-4,902,283					15
16,612	510,070					16
29,142,331	13,152,859					17
31,875,636	7,167,561					18
						19
						20
						21
						22
						23
						24
160,593,158	155,327,366					25
5,706,237	7,002,428					26

Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		5,706,237	7,002,428		
28	Other Income and Deductions					
29	Other Income					
30	Nonutilty Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)					
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)					
33	Revenues From Nonutility Operations (417)					
34	(Less) Expenses of Nonutility Operations (417.1)					
35	Nonoperating Rental Income (418)					
36	Equity in Earnings of Subsidiary Companies (418.1)	119				
37	Interest and Dividend Income (419)		25,628	7,382		
38	Allowance for Other Funds Used During Construction (419.1)		161,473	17,770		
39	Miscellaneous Nonoperating Income (421)		54,305	12,697		
40	Gain on Disposition of Property (421.1)					
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		241,406	37,849		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)					
44	Miscellaneous Amortization (425)					
45	Donations (426.1)		40,889	47,688		
46	Life Insurance (426.2)					
47	Penalties (426.3)		1,078	3,818		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		52,456	45,682		
49	Other Deductions (426.5)		716,240	536,536		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		810,663	633,724		
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	21,194	9,800		
53	Income Taxes-Federal (409.2)	262-263	-195,533	-187,154		
54	Income Taxes-Other (409.2)	262-263	-16,612	-3,647		
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	80,858	128,477		
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	32,405	80,858		
57	Investment Tax Credit Adj.-Net (411.5)		-30	-50		
58	(Less) Investment Tax Credits (420)					
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		-142,528	-133,432		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		-426,729	-462,443		
61	Interest Charges					
62	Interest on Long-Term Debt (427)					
63	Amort. of Debt Disc. and Expense (428)			12,309		
64	Amortization of Loss on Reaquired Debt (428.1)					
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)		2,059,435	1,759,379		
68	Other Interest Expense (431)		304,548	337,327		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		163,379	55,576		
70	Net Interest Charges (Total of lines 62 thru 69)		2,200,604	2,053,439		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		3,078,904	4,486,546		
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409.3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)		3,078,904	4,486,546		

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STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		16,617,384	12,130,838
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4				
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)			
10				
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)			
16	Balance Transferred from Income (Account 433 less Account 418.1)		3,078,904	4,486,546
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct. 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)			
30	Dividends Declared-Common Stock (Account 438)			
31				
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)			
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		19,696,288	16,617,384
	APPROPRIATED RETAINED EARNINGS (Account 215)			
39				
40				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)			
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		19,696,288	16,617,384
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)			
50	Equity in Earnings for Year (Credit) (Account 418.1)			
51	(Less) Dividends Received (Debit)			
52				
53	Balance-End of Year (Total lines 49 thru 52)			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 78(c) on page 117)	3,078,904	4,486,546
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	7,284,502	6,840,753
5	Amortization of		
6			
7			
8	Deferred Income Taxes (Net)	-2,684,852	6,032,917
9	Investment Tax Credit Adjustment (Net)	-30	-50
10	Net (Increase) Decrease in Receivables	1,014,517	-848,830
11	Net (Increase) Decrease in Inventory	-40,559	45,981
12	Net (Increase) Decrease in Allowances Inventory		
13	Net Increase (Decrease) in Payables and Accrued Expenses	-128,155	2,009,114
14	Net (Increase) Decrease in Other Regulatory Assets	-2,107,515	-3,849,184
15	Net Increase (Decrease) in Other Regulatory Liabilities	-1,798,521	-420,312
16	(Less) Allowance for Other Funds Used During Construction	161,473	17,770
17	(Less) Undistributed Earnings from Subsidiary Companies		
18	Other (provide details in footnote):	-346,033	-1,067,576
19	Accrued Utility Revenue, Net	105,419	-326,273
20			
21			
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	4,216,204	12,885,316
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-25,517,218	-15,505,639
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant		
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction	-161,473	-17,770
31	Other (provide details in footnote):		
32			
33	Acquired Assets	-119,536	-3,971
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-25,475,281	-15,491,840
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)	65,965	150,243
38			
39	Investments in and Advances to Assoc. and Subsidiary Companies		
40	Contributions and Advances from Assoc. and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies		
43			
44	Purchase of Investment Securities (a)		
45	Proceeds from Sales of Investment Securities (a)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48			
49	Net (Increase) Decrease in Receivables		
50	Net (Increase) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Contributions in Aid of Construction Proceeds	272,797	296,130
54	(Increase) Decrease in Other Special Deposits	-67	-2,210
55	Notes Receivable from Associated Companies	927,115	-927,115
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-24,209,471	-15,974,792
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)		30,000,000
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65			
66	Net Increase in Short-Term Debt (c)		
67	Proceeds on Capital Leaseback	78,123	34,490
68	Notes Payable to Associated Companies	14,948,463	
69	Capital Contributions from Parent	5,000,000	1,500,000
70	Cash Provided by Outside Sources (Total 61 thru 69)	20,026,586	31,534,490
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)		
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote):		
77	Notes Payable to Associated Companies		-28,437,983
78	Net Decrease in Short-Term Debt (c)		
79			
80	Dividends on Preferred Stock		
81	Dividends on Common Stock		
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	20,026,586	3,096,507
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	33,319	7,031
87			
88	Cash and Cash Equivalents at Beginning of Period	94,002	86,971
89			
90	Cash and Cash Equivalents at End of period	127,321	94,002

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	2018 Cash Flow Incr / (Decr)	2017 Cash Flow Incr / (Decr)
Utility Plant, Net	$ (1,013,698)	$ (949,332)
Margin Deposits	(6,111)	4,770
Mark-to-Market of Risk Management Contracts	25,016	(10,856)
Prepayments	(199,798)	(213,273)
Other Deferred Debits, Net	(49,257)	103,558
Accumulated Provisions - Misc	965,616	158,014
Current and Accrued Liabilities, Net	(165,877)	(156,106)
Other Deferred Credits, Net	98,076	(4,351)
Total	**$ (346,033)**	**$ (1,067,576)**

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	2018 Cash Flow Incr / (Decr)	2017 Cash Flow Incr / (Decr)
Transformer Sales - Associated Companies	$ 21,418	$ 45,965
Meter Sales - Associated Companies	44,547	104,278
Total	**$ 65,965**	**$ 150,243**

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

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SEE PAGE 123 FOR REQUIRED INFORMATION.

INDEX OF NOTES TO FINANCIAL STATEMENTS

GLOSSARY OF TERMS FOR NOTES

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 subsidiaries and affiliates.
AEP Credit	AEP Credit, Inc., a subsidiary 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 subsidiary of AEP Transmission Holdco, is an intermediate holding company that owns seven wholly-owned transmission companies.
AFUDC	Allowance for Funds Used During Construction.
ALJ	Administrative Law Judge.
APCo	Appalachian Power Company, an AEP electric utility subsidiary.
ARAM	Average Rate Assumption Method, an IRS approved method used to calculate the reversal of Excess ADIT for ratemaking purposes.
ARO	Asset Retirement Obligation.
ASU	Accounting Standards Update.
EIS	Energy Insurance Services, Inc., a nonaffiliated captive insurance company.
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.
GAAP	Accounting Principles Generally Accepted in the United States of America.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IRS	Internal Revenue Service.

GLOSSARY OF TERMS FOR NOTES (continued)

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

Term	Meaning
KGPCo	Kingsport Power Company an AEP electric utility subsidiary
KPCo	Kentucky Power Company, an AEP electric utility subsidiary.
kV	Kilovolt
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 nontrading derivatives, including those derivatives designated as cash flow and fair value hedges.
ROE	Return on Equity.
RTO	Regional Transmission Organization, responsible for moving electricity over large interstate areas.
SEC	U.S. Securities and Exchange Commission.
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.
WPCo	Wheeling Power Company, an AEP electric utility subsidiary.

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 48,000 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. For non-power goods and services, the FERC requires a nonregulated affiliate to bill an affiliated public utility company at no more than market while a public utility must bill the higher of cost or market to a nonregulated affiliate. 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 state regulatory commissions are permitted to review and audit the books and records of any company within a public utility holding company system.

Basis of Accounting

KGPCo's accounting is subject to the requirements of the TPUC and the FERC. The financial statements have been prepared in accordance with the Uniform System of Accounts prescribed by the FERC. The principal differences from GAAP include:

- The requirement to report deferred tax assets and liabilities separately rather than as a single amount.
- The classification of accrued taxes as a single amount rather than as assets and liabilities.
- The classification of accrued non-ARO asset removal costs as accumulated depreciation rather than regulatory liabilities.
- The classification of capital lease payments as operating activities instead of financing activities.
- The classification of tax assets related to the accounting guidance for "Uncertainty in Income Taxes" as a reduction to current liabilities rather than a tax benefit.
- The classification of noncurrent tax liabilities related to the accounting guidance for "Uncertainty in Income Taxes" as a current liability rather than a noncurrent liability.
- The classification of regulatory assets and liabilities related to the accounting guidance for "Accounting for Income Taxes" as separate assets and liabilities rather than as a single amount.
- The presentation of capital leased assets and their associated accumulated amortization as a single amount instead of as separate amounts.
- The classification of factored accounts receivable expense as a nonoperating expense instead of as an operating expense.
- The classification of certain nonoperating revenues as miscellaneous nonoperating income instead of as operating revenue.
- The classification of certain nonoperating expenses as miscellaneous nonoperating expense instead of as operating expense.
- The separate classification of income tax expense for operating and nonoperating activities instead of as a single income tax expense.
- The classification of accumulated deferred investment tax credits in deferred credits rather than in regulatory liabilities and deferred investment tax credits.
- The classification of certain other assets and liabilities as current instead of noncurrent.
- The classification of certain other assets and liabilities as noncurrent instead of current.
- The classification of rents receivable as rents receivable instead of customer accounts receivable.
- The classification of Non-Service Cost Components of Net Periodic Benefit Cost as Operating Expense instead of Other Income (Expense).

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) 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 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 doubtful accounts, long-lived asset impairment, unbilled electricity revenue, the effects of regulation, long-lived asset recovery, storm costs, 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 on the statements of cash flows include Cash, Working Fund and Temporary Cash Investments on the balance sheets with original maturities of three months or less.

Supplementary Information

	2018	2017
For the Years Ended December 31,	**(in thousands)**	
Cash was Paid (Received) for:		
Interest (Net of Capitalized Amounts)	$ 2,098	$ 1,769
Income Taxes (Net of Refunds)	825	(4,639)
Noncash Acquisitions Under Capital Leases	91	95
As of December 31,		
Construction Expenditures Included in Current and Accrued Liabilities	2,280	2,100

Inventory

Materials and supplies inventories are carried at average cost.

Accounts Receivable

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 Receivables – AEP Credit" section of Note 11 for additional information.

Allowance for Uncollectible Accounts

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 for all amounts outstanding 180 days or greater at 100%, unless specifically identified. Accounts receivable items open less than 180 days may be reserved using specific identification for bad debt reserves.

Concentrations of Credit Risk and Significant Customers

Two of KGPCo's industrial customers who manufacture paper and chemical products account for the following percentages of total operating revenues for the years ended December 31 and accounts receivable as of December 31:

Percentage of Operating Revenues	**2018**	**2017**
Customer Who Manufactures Paper Products	13%	14%
Customer Who Manufactures Chemical Products	11%	11%

Percentage of Accounts Receivable	**2018**	**2017**
Customer Who Manufactures Paper Products	11%	12%
Customer Who Manufactures Chemical Products	10%	8%

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

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

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.

Valuation of Nonderivative Financial Instruments

The book values of Cash, Special Deposits, Working Fund, Notes Receivable from Associated Companies, Notes Payable to Associated Companies, accounts receivable and accounts payable approximate fair value because of the short-term maturity of these instruments.

Fair Value Measurements of Assets and Liabilities

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

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

Assets in the benefits trusts are classified using the following methods. Equities are classified as Level 1 holdings if they are actively traded on exchanges. Items classified as Level 1 are investments in money market funds, fixed income and equity mutual funds and 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, infrastructure and alternative credit investments. These investments do not have a readily determinable fair value or they contain redemption restrictions which may include the right to suspend redemptions under certain circumstances. Redemption restrictions may also prevent certain investments from being redeemed at the reporting date for the underlying value.

Revenue Recognition

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 writes off that regulatory asset as a charge against income.

Electricity Supply and Delivery Activities

KGPCo recognizes retail revenues upon delivery of the energy to the customer and includes billed revenue as well as an accrual of electricity delivered but unbilled at year-end. 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 and Investment Tax Credits

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. KGPCo revalued deferred tax assets and liabilities at the new federal corporate income tax rate of 21% in December 2017. See Note 9 for additional information related to Tax Reform.

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

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

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 Penalties on the statements of income. KGPCo's uncertain tax positions are immaterial to the financial statements.

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 AEP sponsored qualified pension plan. Substantially all of KGPCo's employees are covered by the qualified plan. KGPCo also participates in OPEB plans sponsored by AEP 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 these plans as multiple-employer plans. See Note 6 - Benefit Plans for additional information including significant accounting policies associated with the plans.

Investments Held in Trust for Future Liabilities

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

Benefit Plans

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

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

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

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

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

OPEB Plans Assets	Target
Equity	49%
Fixed Income	49%
Cash and Cash Equivalents	2%

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

For equity investments, the concentration limits are as follows:

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

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

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

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

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

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

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

Subsequent Events

Management has evaluated the impact of events occurring after December 31, 2018 through March 28, 2019, the date that KGPCo's 2018 annual report was available to be issued, and has updated such evaluation for disclosure purposes through April 11, 2019. These financial statements include all necessary adjustments and disclosures resulting from these evaluations.

2. NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

Management adopted ASU 2014-09 effective January 1, 2018. The adoption of ASU 2014-09 did not have a material impact on results of operations, financial position or cash flows. In that regard, the application of the new standard did not cause any significant differences in any individual financial statement line items had those line items been presented in accordance with the guidance that was in effect prior to the adoption of the new standard. Further, given the lack of material impact to the financial statements, the adoption of the new standard did not give rise to any material changes in KGPCo's previously established accounting policies for revenue. See Note 14 - Revenue from Contracts with Customers for additional disclosures required by the new standard

ASU 2016-02 "Accounting for Leases" (ASU 2016-02)

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

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

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

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

Management concluded that the result of adoption would not materially change the volume of contracts that qualify as leases going forward. The adoption of the new standard did not materially impact results of operations or cash flows, but did have a material impact on the balance sheet. The impact to the balance sheet has been estimated for the first quarter of 2019 as $2.4 million.

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

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

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

ASU 2017-07 "Compensation - Retirement Benefits" (ASU 2017-07)

In March 2017, the FASB issued ASU 2017-07 requiring that an employer report the service cost component of pension and postretirement benefits in the same line item or items as other compensation costs. The other components of net benefit cost are required to be presented on the statements of income separately from the service cost component and outside of a subtotal of income from operations. In addition, only the service cost component is eligible for capitalization as applicable following labor. Management adopted ASU 2017-07 effective January 1, 2018.

ASU 2017-12 "Derivatives and Hedging" (ASU 2017-12)

In August 2017, the FASB issued ASU 2017-12 amending the recognition and presentation requirements for hedge accounting activities. The objectives of the new standard are to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and to reduce the complexity of applying hedge accounting. Among other things, ASU 2017-12: (a) expands the types of transactions eligible for hedge accounting, (b) eliminates the separate measurement and presentation of hedge ineffectiveness, (c) simplifies the requirements for assessments of hedge effectiveness, (d) provides companies more time to finalize hedge documentation and (e) enhances presentation and disclosure requirements.

Management early adopted ASU 2017-12 in the second quarter of 2018, effective January 1, 2018. The adoption of ASU 2017-12 did not have an impact on results of operations, financial position or cash flows. The adoption of the new standard did not give rise to any material changes to KGPCo's previously established accounting policies for derivatives and hedging.

ASU 2018-02 "Reclassification of Certain Tax Effects from AOCI" (ASU 2018-02)

In February 2018, the FASB issued ASU 2018-02 allowing a reclassification from AOCI to Retained Earnings for stranded tax effects resulting from Tax Reform. The accounting guidance for "Income Taxes" requires deferred tax assets and liabilities to be adjusted for the effect of a change in tax law or rates with the effect included in income from continuing operations in the reporting period that includes the enactment date of the tax change. This guidance is applicable for the tax effects of items in AOCI that were originally recognized in Other Comprehensive Income. As a result, and absent the new guidance in this ASU, the tax effects of items within AOCI would not reflect the newly enacted corporate tax rate.

Management adopted ASU 2018-02 effective January 1, 2018, electing to reclassify the effects of the change in the federal corporate tax rate due to Tax Reform from AOCI to Retained Earnings. The portion of the one-time reclassification to Retained Earnings was recorded to FERC Account 439, Adjustments to Retained Earnings. A request was made in November 2018 for use of Account 439 and in January 2019 the FERC approved the request. The adoption of the ASU and the use of Account 439 had an insignificant effect on the Company's rates charged to customers. Additionally, a portion of the reclassification was recorded to Other Regulatory Liabilities to adjust the tax effects of certain interest rate hedges that were previously deferred as a part of the accounting for Tax Reform. There were no other effects from Tax Reform that impacted AOCI. Management applied the new guidance at the beginning of the period of adoption. The adoption of the new standard did not have a material impact on the statement of financial position and did not impact results of operations or cash flows.

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

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

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

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

See Note 6 - Benefit Plans for updates to the disclosures required by the new standard.

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

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

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

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.

Impact of Tax Reform

Rate and regulatory matters are impacted by federal income tax implications. In December 2017, Tax Reform was enacted, which will impact outstanding rate and regulatory matters. For details on the impact of Tax Reform, see Note 9 - Income Taxes.

Tennessee Tax Reform

In January 2019, the TPUC approved a Stipulation resolving all outstanding issues related to Tax Reform. The approved Stipulation will: (a) refund approximately $1 million over 12 months, through a rider effective February 1, 2019, of excess federal income tax collected from January 1, 2018 through December 31, 2018, (b) refund an estimated $1 million annually, through a rider effective February 1, 2019, of excess federal income taxes collected each year until new base rates are implemented, (c) refund an estimated $9.2 million of Excess ADIT associated with certain depreciable property using ARAM, (d) utilize $351 thousand of Excess ADIT associated with certain depreciable property to offset regulatory asset balances related to uncollected fuel and purchase power costs and (e) utilize an estimated $3.2 million of Excess ADIT that is not subject to rate normalization to offset regulatory asset balances related to storm damage and uncollected fuel and purchase power costs.

PJM Transmission Rates

In 2016, AEP's transmission owning subsidiaries within PJM, including KGPCo and various state commissions, filed a settlement agreement at the FERC to resolve outstanding issues related to cost responsibility for charges to transmission customers for certain transmission facilities that operate at or above 500 kV. Also in 2016, certain parties filed comments at the FERC contesting the settlement agreement. In May 2018, the FERC approved the contested settlement agreement. PJM implemented a transmission enhancement charge adjustment through the PJM OATT, which will be billable through 2025. Management expects that any refunds received would generally be returned to retail customers through existing state rider mechanisms and has recorded $3.1 million to Customer Accounts Receivable, with offsets to Other Regulatory Liabilities as of December 31, 2018.

FERC Transmission Complaint - AEP's PJM Participants

In 2016, seven parties filed a complaint at the FERC that alleged the base return on common equity used by AEP's transmission owning subsidiaries within PJM, including KGPCo, in calculating formula transmission rates under the PJM OATT is excessive and should be reduced from 10.99% to 8.32%, effective upon the date of the complaint. In 2017, a FERC order set the matter for hearing and settlement procedures. In March 2018, AEP's transmission owning subsidiaries within PJM and six of the complainants filed a settlement agreement with the FERC (the seventh complainant abstained). If approved by the FERC the settlement agreement: (a) establishes a base ROE for AEP's transmission owning subsidiaries within PJM of 9.85% (10.35% inclusive of the RTO incentive adder of 0.5%), effective January 1, 2018, (b) requires AEP's transmission owning subsidiaries within PJM to provide a one-time refund of $50 million, attributable from the date of the complaint through December 31, 2017, which was credited to customer bills in the second quarter of 2018 and (c) increases the cap on the equity portion of the capital structure to 55% from 50%. As part of the settlement agreement, AEP's transmission owning subsidiaries within PJM also filed updated transmission formula rates incorporating the reduction in the corporate federal income tax rate due to Tax Reform, effective January 1, 2018 and providing for the amortization of the portion of the Excess ADIT that is not subject to the normalization method of accounting, ratably over a ten-year period through credits to the federal income tax expense component of the revenue requirement. In April 2018, an ALJ accepted the interim settlement rates, which included the $50 million one-time refund that occurred in the second quarter of 2018. These interim rates are subject to refund or surcharge, with interest.

In April 2018, certain intervenors filed comments at the FERC recommending a base ROE of 8.48% and a one-time refund of $184 million. The FERC trial staff filed comments recommending a base ROE of 8.41% and one-time refund of $175 million. Another intervenor recommended the refund be calculated in accordance with the base ROE that will ultimately be approved by the FERC. In May 2018, management filed reply comments providing further support for the 9.85% base ROE agreed to in the settlement agreement. In February 2019, the FERC issued an order that requested additional information in order to evaluate the settlement. That order did not rule on the merits of the settlement.

If the FERC orders revenue reductions in excess of the terms of the settlement agreement, it could reduce future net income and cash flows and impact financial condition.

Modifications to AEP's PJM Transmission Rates

In 2016, AEP's transmission owning subsidiaries within PJM, including KGPCo, filed an application at the FERC to modify the PJM OATT formula transmission rate calculation, including an adjustment to recover a tax-related regulatory asset and a shift from historical to projected expenses. The modified PJM OATT formula rates are based on projected calendar year financial activity and projected plant balances. In 2017, AEP's transmission owning subsidiaries within PJM filed an uncontested settlement agreement with the FERC resolving all outstanding issues. In April 2018, the FERC approved the uncontested settlement agreement and rates were implemented effective January 1, 2018.

4. EFFECTS OF REGULATION

Regulatory assets and liabilities are comprised of the following items:

	December 31, 2018	December 31, 2017	Remaining Recovery Period
	(in thousands)		
Regulatory Assets:			
Regulatory assets pending final regulatory approval:			
Regulatory Assets Currently Not Earning a Return			
Storm-Related Costs	$ —	$ 1,505	
Total Regulatory Assets Pending Final Regulatory Approval	—	1,505	
Regulatory assets approved for recovery:			
Regulatory Assets Currently Not Earning a Return			
Pension and OPEB Funded Status	5,514	4,937	12 years
Targeted Reliability Plan and Major Storm Rider Costs	5,107	—	2 years
Fuel and Purchased Power Adjustment Rider	2,711	4,029	2 years
Postemployment Benefits	345	539	4 years
Peak Demand Reduction/Energy Efficiency	305	420	3 years
Rate Case Expenses	270	371	3 years
Medicare Subsidy	183	214	6 years
Other Regulatory Assets Approved for Recovery	75	4	various
Total Regulatory Assets Currently Not Earning a Return	14,510	10,514	
Income Tax Related Regulatory Assets (a)			
Income Taxes Subject to Flow Through	5,031	4,749	20 years
Total Income Tax Related Regulatory Assets	5,031	4,749	
Total Regulatory Assets Approved for Recovery	19,541	15,263	
Total FERC 182.3 Regulatory Assets	$ 19,541	$ 16,768	

	December 31, 2018	December 31, 2017	Remaining Refund Period
	(in thousands)		
Regulatory Liabilities:			
Regulatory liabilities pending final regulatory determination:			
Income Tax Related Regulatory Liabilities (a)			
Excess ADIT Associated with Certain Depreciable Property	$ —	$ 12,208	
Excess ADIT that is Not Subject to Rate Normalization Requirements	—	4,850	
Total Regulatory Liabilities Pending Final Regulatory Determination	—	17,058	
Regulatory liabilities approved for payment:			
Regulatory Liabilities Currently Not Paying a Return			
PJM Transmission Enhancement Refund	3,074	—	7 years
Targeted Reliability Plan and Major Storm Rider Costs	—	172	
Other Regulatory Liabilities Approved for Payment	—	18	
Total Regulatory Liabilities Currently Not Paying a Return	3,074	190	
Income Tax Related Regulatory Liabilities (a)			
Excess ADIT Associated with Certain Depreciable Property	11,722	—	(b)
Excess ADIT that is Not Subject to Rate Normalization Requirements	1,283	—	10 years
Total Income Tax Related Regulatory Liabilities	13,005	—	
Total Regulatory Liabilities Approved for Payment	16,079	190	
Total FERC Account 254 Regulatory Liabilities	$ 16,079	$ 17,248	

(a) This balance primarily represents regulatory liabilities for Excess ADIT as a result of the reduction in the corporate federal income tax rate from 35% to 21% related to the enactment of Tax Reform. The regulatory liability balance predominately pays a return due to the inclusion of Excess ADIT in rate base. See “Federal Tax Reform” section of Note 9 for additional information.

(b) Refunded using ARAM.

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, 2018.

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, 2018, 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 disclosure of lease residual value guarantees.

CONTINGENCIES

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 cyber security incidents. Insurance coverage includes all risks of physical loss or damage to assets, subject to insurance policy conditions and exclusions. Covered property generally includes 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 KGPCo’s retentions. Coverage is generally provided by a combination of the protected cell of EIS and/or various industry mutual and/or commercial insurance carriers.

Some potential losses or liabilities may not be insurable or the amount of insurance carried may not be sufficient to meet potential losses and liabilities, including, but not limited to, liabilities relating to a cyber security incident. Future losses or liabilities, if they occur, which are not completely insured, unless recovered from customers, could reduce future net income and cash flows and impact financial condition.

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

KGPCo's transmission and distribution facilities have used asbestos, polychlorinated biphenyls and other hazardous and nonhazardous 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 have enacted similar laws. Superfund does not recognize compliance as a defense, but imposes strict liability on parties who fall within its broad statutory categories. At present, management's estimates do not anticipate material cleanup costs.

6. BENEFIT PLANS

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

KGPCo participates in an AEP sponsored qualified pension plan which covers substantially all of KGPCo's employees. KGPCo also participates in OPEB plans sponsored by AEP 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:

	Pension Plan		OPEB	
	December 31,			
Assumption	**2018**	**2017**	**2018**	**2017**
Discount Rate	4.30%	3.65%	4.30%	3.60%
Interest Crediting Rate	4.00%	4.00%	NA	NA
Rate of Compensation Increase	4.65% (a)	4.70% (a)	NA	NA

(a) Rates are for base pay only. In addition, an amount is added to reflect target incentive compensation for exempt employees and overtime and incentive pay for nonexempt employees.
NA Not applicable.

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

For 2018, the rate of compensation increase assumed varies with the age of the employee, ranging from 3.5% per year to 12% per year, with an average increase of 4.65%.

Actuarial Assumptions for Net Periodic Benefit Costs

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

	Pension Plan		OPEB	
	Years Ended December 31,			
Assumptions	**2018**	**2017**	**2018**	**2017**
Discount Rate	3.65%	4.05%	3.60%	4.10%
Interest Crediting Rate	4.00%	4.00%	NA	NA
Expected Return on Plan Assets	6.00%	6.00%	6.00%	6.75%
Rate of Compensation Increase	4.65% (a)	4.70% (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:

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

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, 2018, the assets were invested in compliance with all investment limits. See "Investments Held in Trust for Future Liabilities" section of Note 1 for limit details.

Benefit Plan Obligations, Plan Assets and Funded Status

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

	Pension Plan		OPEB	
	2018	**2017**	**2018**	**2017**
Change in Benefit Obligation	(in thousands)			
Benefit Obligation as of January 1,	$ 16,842	$ 16,436	$ 4,500	$ 4,931
Service Cost	259	268	39	35
Interest Cost	608	651	156	209
Actuarial (Gain) Loss	(990)	453	(420)	(361)
Benefit Payments	(1,097)	(966)	(459)	(457)
Participant Contributions	—	—	130	142
Medicare Subsidy	—	—	1	1
Benefit Obligation as of December 31,	$ 15,622	$ 16,842	$ 3,947	$ 4,500
Change in Fair Value of Plan Assets				
Fair Value of Plan Assets as of January 1,	$ 15,990	$ 14,809	$ 6,190	$ 5,491
Actual Gain (Loss) on Plan Assets	(307)	1,856	(516)	1,014
Company Contributions	—	291	—	—
Participant Contributions	—	—	130	142
Benefit Payments	(1,097)	(966)	(459)	(457)
Fair Value of Plan Assets as of December 31,	$ 14,586	$ 15,990	$ 5,345	$ 6,190
Funded (Underfunded) Status as of December 31,	$ (1,036)	$ (852)	$ 1,398	$ 1,690

Amounts Recognized on the Balance Sheets

	Pension Plan		OPEB	
	December 31,			
	2018	2017	2018	2017
	(in thousands)			
Deferred Charges and Other Noncurrent Assets – Prepaid Benefit Costs	$ —	$ —	$ 1,398	$ 1,690
Employee Benefits and Pension Obligations – Accrued Long-term Benefit Liability	(1,036)	(852)	—	—
Funded (Underfunded) Status	$ (1,036)	$ (852)	$ 1,398	$ 1,690

Amounts Included in Regulatory Assets

	Pension Plan		OPEB	
	December 31,			
	2018	2017	2018	2017
Components	(in thousands)			
Net Actuarial Loss	$ 5,499	$ 5,556	$ 1,107	$ 690
Prior Service Credit	—	—	(1,092)	(1,309)
Recorded as				
Regulatory Assets	$ 5,499	$ 5,556	$ 15	$ (619)

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

	Pension Plan		OPEB	
	2018	2017	2018	2017
Components	(in thousands)			
Actuarial (Gain) Loss During the Year	$ 215	$ (529)	$ 449	$ (1,004)
Amortization of Actuarial Loss	(272)	(263)	(32)	(135)
Amortization of Prior Service Credit (Cost)	—	(3)	217	218
Change for the Year Ended December 31,	$ (57)	$ (795)	$ 634	$ (921)

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,			
2018	2017	2018	2017
0.3%	0.3%	0.3%	0.4%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accumulated Benefit Obligation

As of December 31, 2018 and 2017, the accumulated benefit obligation for the qualified pension plan was $15.1 million and $16.3 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

	Underfunded Pension Plan	
	December 31,	
	2018	2017
	(in thousands)	
Projected Benefit Obligation	$ 15,622	$ 16,842
Fair Value of Plan Assets	14,587	15,990
Underfunded Projected Benefit Obligation	$ (1,035)	$ (852)

Accumulated Benefit Obligation

	Underfunded Pension Plan	
	December 31,	
	2018	2017
	(in thousands)	
Accumulated Benefit Obligation	$ 15,115	$ 16,315
Fair Value of Plan Assets	14,587	15,990
Underfunded Accumulated Benefit Obligation	$ (528)	$ (325)

Estimated Future Benefit Payments and Contributions

KGPCo expects contributions for the pension plan of $383 thousand during 2019. The estimated contributions to the pension trust are at least the minimum amount required by the Employee Retirement Income Security Act and additional discretionary contributions may be made to maintain the funded status of the plan.

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

	Estimated Payments	
	Pension Plan	OPEB
	(in thousands)	
2019	$ 1,051	$ 394
2020	1,042	422
2021	1,047	421
2022	1,081	423
2023	1,218	419
Years 2024 to 2028, in Total	5,652	2,235

Components of Net Periodic Benefit Cost

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

	Pension Plan		OPEB	
	Years Ended December 31,			
	2018	2017	2018	2017
	(in thousands)			
Service Cost	$ 259	$ 268	$ 39	$ 35
Interest Cost	608	651	156	209
Expected Return on Plan Assets	(898)	(873)	(355)	(371)
Amortization of Prior Service Cost (Credit)	—	3	(217)	(218)
Amortization of Net Actuarial Loss	272	263	32	135
Net Periodic Benefit Cost (Credit)	241	312	(345)	(210)
Capitalized Portion	(151)	(174)	(23)	117
Net Periodic Benefit Cost (Credit) Recognized in Expense	$ 90	$ 138	$ (368)	$ (93)

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 totaled $197 thousand in 2018 and $193 thousand in 2017.

7. DERIVATIVES AND HEDGING

KGPCo adopted ASU 2017-12 in the second quarter of 2018, effective January 1, 2018. See Note 2 - New Accounting Pronouncements for additional information.

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, 2018 and 2017 were 56 thousand gallons and 52 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. For the December 31, 2018 and 2017 balance sheets, KGPCo had no netting of cash collateral received from third parties against short-term and long-term risk management assets and netted $20 thousand and $0, respectively, of cash collateral paid to third parties against short-term and long-term risk management liabilities.

The following tables represent the gross fair value impact of KGPCo's derivative activity on the balance sheets:

Fair Value of Derivative Instruments

December 31, 2018

Balance Sheet Location	Risk Management Contracts Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Derivative Instrument Assets	$ —	$ —	$ —
Long-term Portion of Derivative Instrument Assets	—	—	—
Derivative Instrument Liabilities	27	(20)	7
Long-term Portion of Derivative Instrument Assets	—	—	—

Fair Value of Derivative Instruments

December 31, 2017

Balance Sheet Location	Risk Management Contracts Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
		(in thousands)	
Derivative Instrument Assets	$ 18	$ —	$ 18
Long-term Portion of Derivative Instrument Assets	—	—	—
Derivative Instrument Liabilities	—	—	—
Long-term Portion of Derivative Instrument Liabilities	—	—	—

(a) Derivative instruments within this category are reported 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 which are offset in the statement of financial position.

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, 2018	2017
	(in thousands)	
Operation Expenses	$ 9	$ 4
Maintenance Expenses	15	4
Regulatory Assets (a)	(27)	—
Regulatory Liabilities (a)	(18)	5
Total Gain (Loss) on Risk Management Contracts	$ (21)	$ 13

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment.

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 expense line item on the statements of income as that of the associated risk. However, unrealized and some realized gains and losses for both trading and non-trading derivative instruments are recorded as regulatory assets (for losses) or regulatory liabilities (for gains), in accordance with the accounting guidance for "Regulated Operations."

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:

	December 31,			
	2018		2017	
	Book Value	Fair Value	Book Value	Fair Value
	(in thousands)			
Long-term Debt	$ 50,000	$ 48,896	$ 50,000	$ 51,662

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 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
December 31, 2018

Derivative Instrument Liabilities	Level 1	Level 2	Level 3	Other	Total
	(in thousands)				
Risk Management Commodity Contracts (a)	$ —	$ 27	$ —	$ (20)	$ 7

Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2017

Derivative Instrument Assets	Level 1	Level 2	Level 3	Other	Total
	(in thousands)				
Risk Management Commodity Contracts (a)	$ —	$ 18	$ —	$ —	$ 18

(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.”

As of December 31, 2018, KGPCo had no assets measured at fair value on a recurring basis. As of December 31, 2017, KGPCo had no liabilities measured at fair value on a recurring basis.

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2018 and 2017.

9. INCOME TAXES

Federal Tax Reform and Legislation

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

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

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

Federal Legislation

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

Excess and Deficient Accumulated Deferred Income Taxes as Result of Tax Reform

Accounting guidance for "Income Taxes" requires deferred tax assets and liabilities to be measured at the enacted income tax rate expected to apply when the related temporary differences will be realized or settled. As a result, KGPCo's deferred tax assets and liabilities were re-measured in December 2017 using the newly enacted tax rate of 21% resulting in excess or deficient accumulated deferred income taxes ("ADIT").

With respect to KGPCo's regulated operations, the change to net deferred income taxes was primarily offset by a corresponding change in net income tax related regulatory assets and liabilities to reflect amounts expected to be provided to customers. Where the deferred income tax amount was not previously contemplated in regulated rates or pertained to unregulated operations, the re-measurement was recorded as an adjustment to income tax expense.

The FERC accounts affected by the re-measurement of ADIT include:

182.3 Other Regulatory Assets
190 Accumulated Deferred Income Taxes
254 Other Regulatory Liabilities
281 Accumulated Deferred Income Taxes – Accelerated Amortization
282 Accumulated Deferred Income Taxes – Other Property
283 Accumulated Deferred Income Taxes – Other
410.1 Provision for Deferred Income Taxes, Utility Operating Income
410.2 Provision for Deferred Income Taxes, Utility Non-Operating Income
411.1 Provision for Deferred Income Taxes – Credit, Utility Operating Income
411.2 Provision for Deferred Income Taxes – Credit, Utility Non-Operating Income

Tax Reform included certain rate normalization requirements that stipulate how the portion of total excess or deficient ADIT that is related to certain depreciable property must be returned to customers. Specifically, regulated public utilities subject to these rate normalization requirements must recognize the impact of re-measured deferred taxes applicable to prior depreciation using an average rate assumption method. As a result, once the amortization of Excess ADIT is reflected in rates, customers will receive the benefits over the remaining weighted average useful life of the applicable property. The remaining balance of excess or deficient ADIT will be returned to customers via the mechanisms and time periods as agreed to and/or ordered by the TPUC. See "Tennessee Tax Reform" section of Note 3 for additional information.

As of December 31, 2018, KGPCo had $10.7 million of Excess ADIT as well as an incremental liability of $2.3 million to reflect the Excess ADIT on a pretax basis which is presented in Other Regulatory Liabilities on the balance sheet. $8.9 million of the Excess ADIT relates to temporary differences associated with depreciable property.

During 2018, KGPCo recognized $2.5 million of amortization of Excess ADIT within Provision for Deferred Income Taxes – Credit, Utility Operating Income on the statements of income.

Income Tax Expense (Benefit)

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

	Years Ended December 31, 2018	2017
	(in millions)	
Charged (Credited) to Operating Expenses, Net:		
Current	$ 320	$ (4,392)
Deferred	(2,733)	5,985
Total	(2,413)	1,593
Charged (Credited) to Non-operating Income, Net:		
Current	(212)	(191)
Deferred	48	48
Total	(164)	(143)
Total Income Taxes	$ (2,577)	$ 1,450

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

	Years Ended December 31, 2018	2017
	(in thousands)	
Net Income	$ 3,079	$ 4,487
Income Tax Expense (Benefit)	(2,577)	1,450
Pretax Income	$ 502	$ 5,937
Income Taxes on Pretax Income at Statutory Rate (21% and 35% in 2018 and 2017, Respectively)	$ 105	$ 2,078
Increase (Decrease) in Income Taxes Resulting from the Following Items:		
Depreciation	171	351
Removal Costs	(170)	(238)
AFUDC	(68)	—
State and Local Income Taxes, Net	98	(757)
Tax Reform	—	32
Tax Reform Excess ADIT Reversal	(2,452)	—
Other	(261)	(16)
Income Tax Expense (Benefit)	$ (2,577)	$ 1,450
Effective Income Tax Rate	(513.3)%	24.4%

Net Deferred Tax Liability

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

	December 31, 2018	December 31, 2017
	(in thousands)	
Deferred Tax Assets	$ 4,937	$ 5,616
Deferred Tax Liabilities	(26,157)	(25,229)
Net Deferred Tax Liabilities	$ (21,220)	$ (19,613)
Property Related Temporary Differences	$ (16,541)	$ (18,172)
Amounts Due to/(from) Customers for Future Federal Income Taxes	(488)	3,524
Deferred State Income Taxes (a)	(3,512)	(4,470)
Accrued Pensions	400	406
Regulatory Assets	(1,241)	(2,130)
State Net Operating Loss, Net of Federal Benefit	1,221	1,320
All Other, Net	(1,059)	(91)
Net Deferred Tax Liabilities	$ (21,220)	$ (19,613)

(a) In 2018, KGPCo recorded a $1.1 million correction related to the accounting for the impact of Tax Reform in 2017. The correction resulted in a decrease in Other Regulatory Assets and Accumulated Deferred Income Taxes – Other of $12 thousand and $1.1 million, respectively, with an offsetting increase in Other Regulatory Liabilities of $1.1 million as of December 31, 2018. Management concluded the misstatement was not material to the 2017 financial statements or the financials statements of any of the interim periods in 2018.

AEP System Tax Allocation Agreement

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

Federal and State Income Tax Audit Status

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

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

Net Income Tax Operating Loss Carryforward

KGPCo has Tennessee state net income tax operating loss carryforwards of $23.8 million and $25.7 million in 2018 and 2017, respectively. As a result, KGPCo recognized deferred state income tax benefits of $1.5 million and $1.7 million in 2018 and 2017, respectively. Management anticipates future taxable income will be sufficient to realize the state net income tax operating loss tax benefits before the state carryforward expires for Tennessee between 2025 and 2033.

State Tax Legislation

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

10. LEASES

Leases of property, plant and equipment are for remaining periods up to 9 years and require payments of related property taxes, maintenance and operating costs. The majority of the leases have purchase or renewal options and will be renewed or replaced by other leases.

Lease rentals for both operating and capital leases are generally charged to Operation Expenses and Maintenance Expenses in accordance with rate-making treatment for regulated operations. The components of rental costs are as follows:

Lease Rental Costs	Years Ended December 31, 2018	2017
	(in thousands)	
Net Lease Expense on Operating Leases	$ 595	$ 554
Amortization of Capital Leases	159	149
Interest on Capital Leases	20	24
Total Lease Rental Costs	$ 774	$ 727

The following table shows the property, plant and equipment under capital leases and related obligations recorded on KGPCo's balance sheets.

	December 31, 2018	2017
	(in thousands)	
Electric Property, Plant and Equipment Under Capital Leases		
Total Electric Property, Plant and Equipment – Other	$ 964	$ 950
Accumulated Amortization	496	414
Net Electric Property, Plant and Equipment Under Capital Leases	$ 468	$ 536
Obligations Under Capital Leases		
Noncurrent Liability	$ 315	$ 380
Liability Due Within One Year	153	156
Total Obligations Under Capital Leases	$ 468	$ 536

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

Future Minimum Lease Payments	**Capital Leases**	**Noncancelable Operating Leases**
	(in thousands)	
2019	$ 170	$ 555
2020	135	528
2021	66	500
2022	40	471
2023	28	282
Later Years	80	327
Total Future Minimum Lease Payments	519	$ 2,663
Less Estimated Interest Element	51	
Estimated Present Value of Future Minimum Lease Payments	$ 468	

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 either the unamortized balance or the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, 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 unamortized balance. As of December 31, 2018, the maximum potential loss for these lease agreements was approximately $186 thousand assuming the fair value of the equipment is zero at the end of the lease term.

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, 2018	Interest Rate Ranges as of December 31, 2018	Interest Rate Ranges as of December 31, 2017	Outstanding as of December 31, 2018	Outstanding as of December 31, 2017
					(in thousands)	
Notes Payable - Affiliated	2020-2027	3.81%	3.19%-4.52%	3.19%-4.52%	$ 50,000	$ 50,000
Total Long-term Debt Outstanding					$ 50,000	$ 50,000

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 restriction that prohibits the payment of dividends out of capital accounts without regulatory approval; payment of dividends is allowed out of retained earnings only.

The most restrictive dividend limitation for KGPCo is through the Federal Power Act restriction. As of December 31, 2018, 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 $31.9 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 System Utility Money Pool operates in accordance with the terms and conditions of the AEP System Utility Money Pool agreement filed with the FERC. The amount of outstanding borrowings from the Utility Money Pool as of December 31, 2018, are included in Notes Payable to Associated Companies on KGPCo's balance sheet. The amount outstanding loans to the Utility Money Pool as of December 31, 2017, are included in Notes Receivable from Associated Companies on KGPCo's balance sheet. 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 (Borrowings from) the Utility Money Pool as of December 31,	Authorized Short-Term Borrowing Limit
			(in thousands)			
2018	$ 19,462	$ 18,089	$ 8,342	$ 5,647	$ (14,948)	$ 30,000
2017	28,556	8,486	11,019	3,109	927	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 Rates for Funds Borrowed from the Utility Money Pool	Minimum Interest Rates for Funds Borrowed from the Utility Money Pool	Maximum Interest Rates for Funds Loaned to the Utility Money Pool	Minimum Interest Rates for Funds Loaned to the Utility Money Pool	Average Interest Rates for Funds Borrowed from the Utility Money Pool	Average Interest Rates for Funds Loaned to the Utility Money Pool
2018	2.97%	1.81%	2.91%	1.83%	2.28%	2.06%
2017	1.83%	0.92%	1.85%	0.94%	1.28%	1.24%

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

	Years Ended December 31, 2018	Years Ended December 31, 2017
	(in thousands)	
Interest on Debt to Associated Companies	$ 152	$ 120
Interest and Dividend Income	25	6

Securitized Accounts Receivables – AEP Credit

Under a sale of receivables arrangement, KGPCo sells, without recourse, certain of its customer accounts receivable and accrued utility 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 Deductions on KGPCo's statements of income. KGPCo manages and services its accounts receivable sold.

AEP Credit's receivables securitization agreement provides a commitment of $750 million from bank conduits to purchase receivables and includes a $125 million and a $625 million facility which expire in July 2020 and 2021, respectively.

KGPCo's factored accounts receivable revenues were $13.6 million and $12.4 million as of December 31, 2018 and 2017, respectively. KGPCo's factored accrued utility revenues were $1.6 million and $2.8 million as of December 31, 2018 and 2017, respectively.

The fees paid by KGPCo to AEP Credit for customer accounts receivable sold were $692 thousand and $531 thousand for the years ended December 31, 2018 and 2017, respectively.

KGPCo's proceeds on the sale of receivables to AEP Credit were $162 million and $154 million as of December 31, 2018 and 2017, respectively.

12. RELATED PARTY TRANSACTIONS

For other related party transactions, also see “AEP System Tax Allocation Agreement” section of Note 9 in addition to “Corporate Borrowing Program – AEP System” and “Securitized Accounts Receivables – AEP Credit” sections of Note 11.

Affiliated Revenues and Purchases

KGPCo provides transmission services directly to APCo which are approved by the FERC. KGPCo’s revenues of $343 thousand and $99 thousand for these services for the years ended December 31, 2018 and 2017, 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 $113 million and $105.2 million for the years ended December 31, 2018 and 2017, respectively, were recorded in Operation Expenses 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 years ended December 31, 2018 and 2017, KGPCo had a regulatory asset of $2.7 million and $4.0 million, respectively. 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 Operating Revenues on its statements of income as a result of the TA for the years ended December 31, 2018 and 2017 were $3 million and $3.6 million, respectively. KGPCo’s charges recorded in Operation Expenses on its statements of income as a result of the TA for the years ended December 31, 2018 and 2017 were $19.9 million and $25.3 million, respectively.

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, 2018	Years Ended December 31, 2017
	(in thousands)	
Sales	$ 66	$ 150
Purchases	480	359

The amounts above are recorded in Utility Plant on the balance sheets.

Global Borrowing Notes

As of December 31, 2018 and 2017, AEP has three intercompany notes in place with KGPCo. The debt is reflected in Advances from Associated Companies 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 Interest Accrued on KGPCo's balance sheets.

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.

AEPSC

AEPSC provides certain managerial and professional services to AEP's subsidiaries. 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. AEPSC and its billings are subject to regulation by the FERC. KGPCo's total billings from AEPSC for the years ended December 31, 2018 and 2017 were $6.6 and $6.6 million, respectively.

13. 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:

	Years Ended December 31,	
Functional Class of Property	**2018**	**2017**
Transmission	1.5%	1.3%
Distribution	3.4%	3.6%
Other	11.0%	11.3%

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. Actual removal costs incurred are charged to accumulated depreciation.

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.

14. 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:

	Year Ended December 31, 2018 (in thousands)
Retail Revenues:	
Residential Revenues	$ 62,718
Commercial Revenues	37,373
Industrial Revenues	56,796
Other Retail Revenues	3,893
Total Retail Revenues	160,780
Wholesale Revenues:	
Transmission Revenues (a)	3,593
Total Wholesale Revenues	3,593
Other Revenues from Contracts with Customers (a)	1,905
Total Revenues from Contracts with Customers	166,278
Other Revenues:	
Alternative Revenues	21
Total Other Revenues	21
Total Revenues	$ 166,299

(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 their 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 encompass a time frame greater than a year, where the performance obligation within PJM is partially fixed for a period of one year or less. Payments from the RTO 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 load serving entity 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 - Affiliated in the disaggregated revenues table above.

Fixed Performance Obligations

As of December 31, 2018, the fixed performance obligations related to KGPCo were immaterial.

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 any material contract assets as of December 31, 2018.

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, they recognize a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. KGPCo did not have any material contract liabilities as of December 31, 2018.

Accounts Receivable from Contracts with Customers

Accounts receivable from contracts with customers are presented on KGPCo's balance sheets within the Customer Accounts Receivable 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 Customer Accounts Receivable were not material as of December 31, 2018. 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 from Associated Companies on KGPCo's balance sheets were $1.5 million and $333 thousand, respectively, as of December 31, 2018 and January 1, 2018.

Contract Costs

Contract costs to obtain or fulfill a contract are accounted for under the guidance for "Other Assets and Deferred Costs" and presented as a single asset and neither bifurcated nor reclassified between current assets and deferred debits 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 Operation Expenses on KGPCo's statements of income. KGPCo did not have material contract costs as of December 31, 2018.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

1. Report in columns (b),(c),(d) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.
2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.
3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.
4. Report data on a year-to-date basis.

Line No.	Item (a)	Unrealized Gains and Losses on Available-for-Sale Securities (b)	Minimum Pension Liability adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year				
2	Preceding Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				
3	Preceding Quarter/Year to Date Changes in Fair Value				
4	Total (lines 2 and 3)				
5	Balance of Account 219 at End of Preceding Quarter/Year				
6	Balance of Account 219 at Beginning of Current Year				
7	Current Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				
8	Current Quarter/Year to Date Changes in Fair Value				
9	Total (lines 7 and 8)				
10	Balance of Account 219 at End of Current Quarter/Year				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

Line No.	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges [Specify] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 117, Line 78) (i)	Total Comprehensive Income (j)
1					
2					
3					
4				4,486,546	4,486,546
5					
6					
7					
8					
9				3,468,452	3,468,452
10					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION. AMORTIZATION AND DEPLETION

Report in Column (c) the amount for electric function, in column (d) the amount for gas function, in column (e), (f), and (g) report other (specify) and in column (h) common function.

Line No.	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	204,754,158	204,754,158
4	Property Under Capital Leases	468,074	468,074
5	Plant Purchased or Sold		
6	Completed Construction not Classified	15,706,079	15,706,079
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	220,928,311	220,928,311
9	Leased to Others		
10	Held for Future Use	187,481	187,481
11	Construction Work in Progress	9,345,642	9,345,642
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	230,461,434	230,461,434
14	Accum Prov for Depr, Amort, & Depl	79,213,958	79,213,958
15	Net Utility Plant (13 less 14)	151,247,476	151,247,476
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	77,087,706	77,087,706
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant	2,126,252	2,126,252
22	Total In Service (18 thru 21)	79,213,958	79,213,958
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)		
27	Held for Future Use		
28	Depreciation		
29	Amortization		
30	Total Held for Future Use (28 & 29)		
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj		
33	Total Accum Prov (equals 14) (22,26,30,31,32)	79,213,958	79,213,958

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION. AMORTIZATION AND DEPLETION

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
					3
					4
					5
					6
					7
					8
					9
					10
					11
					12
					13
					14
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					18
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					22
					23
					24
					25
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					29
					30
					31
					32
					33

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106)

1. Report below the original cost of electric plant in service according to the prescribed accounts.
2. In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold; Account 103, Experimental Electric Plant Unclassified; and Account 106, Completed Construction Not Classified-Electric.
3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) additions and reductions in column (e) adjustments.
5. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
6. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
1	1. INTANGIBLE PLANT		
2	(301) Organization		
3	(302) Franchises and Consents	611	170
4	(303) Miscellaneous Intangible Plant	3,431,777	1,085,283
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	3,432,388	1,085,453
6	2. PRODUCTION PLANT		
7	A. Steam Production Plant		
8	(310) Land and Land Rights		
9	(311) Structures and Improvements		
10	(312) Boiler Plant Equipment		
11	(313) Engines and Engine-Driven Generators		
12	(314) Turbogenerator Units		
13	(315) Accessory Electric Equipment		
14	(316) Misc. Power Plant Equipment		
15	(317) Asset Retirement Costs for Steam Production		
16	TOTAL Steam Production Plant (Enter Total of lines 8 thru 15)		
17	B. Nuclear Production Plant		
18	(320) Land and Land Rights		
19	(321) Structures and Improvements		
20	(322) Reactor Plant Equipment		
21	(323) Turbogenerator Units		
22	(324) Accessory Electric Equipment		
23	(325) Misc. Power Plant Equipment		
24	(326) Asset Retirement Costs for Nuclear Production		
25	TOTAL Nuclear Production Plant (Enter Total of lines 18 thru 24)		
26	C. Hydraulic Production Plant		
27	(330) Land and Land Rights		
28	(331) Structures and Improvements		
29	(332) Reservoirs, Dams, and Waterways		
30	(333) Water Wheels, Turbines, and Generators		
31	(334) Accessory Electric Equipment		
32	(335) Misc. Power PLant Equipment		
33	(336) Roads, Railroads, and Bridges		
34	(337) Asset Retirement Costs for Hydraulic Production		
35	TOTAL Hydraulic Production Plant (Enter Total of lines 27 thru 34)		
36	D. Other Production Plant		
37	(340) Land and Land Rights		
38	(341) Structures and Improvements		
39	(342) Fuel Holders, Products, and Accessories		
40	(343) Prime Movers		
41	(344) Generators		
42	(345) Accessory Electric Equipment		
43	(346) Misc. Power Plant Equipment		
44	(347) Asset Retirement Costs for Other Production		
45	TOTAL Other Prod. Plant (Enter Total of lines 37 thru 44)		
46	TOTAL Prod. Plant (Enter Total of lines 16, 25, 35, and 45)		

Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.
7. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.
8. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.
9. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchase, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					1
					2
			781		3
339,634			4,177,426		4
339,634			4,178,207		5
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Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
47	3. TRANSMISSION PLANT		
48	(350) Land and Land Rights	790,770	
49	(352) Structures and Improvements	837,412	216,445
50	(353) Station Equipment	29,023,798	1,388,748
51	(354) Towers and Fixtures	765,475	
52	(355) Poles and Fixtures	3,567,424	68,435
53	(356) Overhead Conductors and Devices	2,365,077	550
54	(357) Underground Conduit		
55	(358) Underground Conductors and Devices		
56	(359) Roads and Trails		
57	(359.1) Asset Retirement Costs for Transmission Plant		
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	37,349,956	1,674,178
59	4. DISTRIBUTION PLANT		
60	(360) Land and Land Rights	2,668,018	101,828
61	(361) Structures and Improvements	767,986	5,044,855
62	(362) Station Equipment	26,157,021	4,000,386
63	(363) Storage Battery Equipment		
64	(364) Poles, Towers, and Fixtures	25,406,623	1,702,160
65	(365) Overhead Conductors and Devices	30,700,978	4,280,402
66	(366) Underground Conduit	5,143,568	622,098
67	(367) Underground Conductors and Devices	8,767,559	578,108
68	(368) Line Transformers	26,878,081	1,125,324
69	(369) Services	12,041,337	469,996
70	(370) Meters	6,842,447	126,539
71	(371) Installations on Customer Premises	2,614,897	110,985
72	(372) Leased Property on Customer Premises		
73	(373) Street Lighting and Signal Systems	8,507,297	314,792
74	(374) Asset Retirement Costs for Distribution Plant		
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)	156,495,812	18,477,473
76	5. REGIONAL TRANSMISSION AND MARKET OPERATION PLANT		
77	(380) Land and Land Rights		
78	(381) Structures and Improvements		
79	(382) Computer Hardware		
80	(383) Computer Software		
81	(384) Communication Equipment		
82	(385) Miscellaneous Regional Transmission and Market Operation Plant		
83	(386) Asset Retirement Costs for Regional Transmission and Market Oper		
84	TOTAL Transmission and Market Operation Plant (Total lines 77 thru 83)		
85	6. GENERAL PLANT		
86	(389) Land and Land Rights	4,403	
87	(390) Structures and Improvements	730,776	30,152
88	(391) Office Furniture and Equipment	148,654	
89	(392) Transportation Equipment		
90	(393) Stores Equipment	26,341	
91	(394) Tools, Shop and Garage Equipment	1,290,165	175,590
92	(395) Laboratory Equipment	60,619	
93	(396) Power Operated Equipment		
94	(397) Communication Equipment	1,150,560	29,184
95	(398) Miscellaneous Equipment	135,762	
96	SUBTOTAL (Enter Total of lines 86 thru 95)	3,547,280	234,926
97	(399) Other Tangible Property		
98	(399.1) Asset Retirement Costs for General Plant		
99	TOTAL General Plant (Enter Total of lines 96, 97 and 98)	3,547,280	234,926
100	TOTAL (Accounts 101 and 106)	200,825,436	21,472,030
101	(102) Electric Plant Purchased (See Instr. 8)		
102	(Less) (102) Electric Plant Sold (See Instr. 8)		
103	(103) Experimental Plant Unclassified		
104	TOTAL Electric Plant in Service (Enter Total of lines 100 thru 103)	200,825,436	21,472,030

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					47
			790,770		48
			1,053,857		49
87,662			30,324,884		50
			765,475		51
9,012			3,626,847		52
			2,365,627		53
					54
					55
					56
					57
96,674			38,927,460		58
					59
			2,769,846		60
			5,812,841		61
34,589			30,122,818		62
					63
143,082			26,965,701		64
323,139			34,658,241		65
16,777			5,748,889		66
60,243		-15,690	9,269,734		67
412,971		15,690	27,606,124		68
96,008			12,415,325		69
71,748			6,897,238		70
65,748			2,660,134		71
					72
156,625			8,665,464		73
					74
1,380,930			173,592,355		75
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			4,403		86
18,223			742,705		87
			148,654		88
					89
			26,341		90
			1,465,755		91
1,768			58,851		92
					93
			1,179,744		94
			135,762		95
19,991			3,762,215		96
					97
					98
19,991			3,762,215		99
1,837,229			220,460,237		100
					101
					102
					103
1,837,229			220,460,237		104

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ELECTRIC PLANT HELD FOR FUTURE USE (Account 105)

1. Report separately each property held for future use at end of the year having an original cost of $250,000 or more. Group other items of property held for future use.
2. For property having an original cost of $250,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location Of Property (a)	Date Originally Included in This Account (b)	Date Expected to be used in Utility Service (c)	Balance at End of Year (d)
1	Land and Rights:			
2				
3				
4				
5				
6	Items under $250,000			187,481
7				
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12				
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16				
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21	Other Property:			
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47	Total			187,481

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107)
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstrating (see Account 107 of the Uniform System of Accounts)
3. Minor projects (5% of the Balance End of the Year for Account 107 or $1,000,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	Purchase of Kingsport SC	3,411,658
2	Kingsport Power T-Work	1,631,650
3	Ed-Ci-Kgpco-D Ast Imp	866,938
4	Other Minor Projects under 5% of Total Balance	3,435,396
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43	TOTAL	9,345,642

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, Line 11, column (c), and that reported for electric plant in service, pages 204-207, column 9d), excluding retirements of non-depreciable property.
3. The provisions of Account 108 in the Uniform System of accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

Section A. Balances and Changes During Year

Line No.	Item (a)	Total (c+d+e) (b)	Electric Plant in Service (c)	Electric Plant Held for Future Use (d)	Electric Plant Leased to Others (e)
1	Balance Beginning of Year	73,000,195	73,000,195		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	6,510,114	6,510,114		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Exp. of Elec. Plt. Leas. to Others				
6	Transportation Expenses-Clearing				
7	Other Clearing Accounts				
8	Other Accounts (Specify, details in footnote):				
9					
10	TOTAL Deprec. Prov for Year (Enter Total of lines 3 thru 9)	6,510,114	6,510,114		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	1,479,372	1,479,372		
13	Cost of Removal	1,200,679	1,200,679		
14	Salvage (Credit)	257,448	257,448		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	2,422,603	2,422,603		
16	Other Debit or Cr. Items (Describe, details in footnote):				
17					
18	Book Cost or Asset Retirement Costs Retired				
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	77,087,706	77,087,706		
	Section B. Balances at End of Year According to Functional Classification				
20	Steam Production				
21	Nuclear Production				
22	Hydraulic Production-Conventional				
23	Hydraulic Production-Pumped Storage				
24	Other Production				
25	Transmission	12,523,547	12,523,547		
26	Distribution	63,395,057	63,395,057		
27	Regional Transmission and Market Operation				
28	General	1,169,102	1,169,102		
29	TOTAL (Enter Total of lines 20 thru 28)	77,087,706	77,087,706		

Schedule Page: 219 Line No.: 13 Column: c

Includes $246,774 of removal cost in retirement work in progress (RWIP).

Schedule Page: 219 Line No.: 14 Column: c

Includes ($146,285) of salvage in retirement work in progress (RWIP).

Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

MATERIALS AND SUPPLIES

1. For Account 154, report the amount of plant materials and operating supplies under the primary functional classifications as indicated in column (a); estimates of amounts by function are acceptable. In column (d), designate the department or departments which use the class of material.
2. Give an explanation of important inventory adjustments during the year (in a footnote) showing general classes of material and supplies and the various accounts (operating expenses, clearing accounts, plant, etc.) affected debited or credited. Show separately debit or credits to stores expense clearing, if applicable.

Line No.	Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Department or Departments which Use Material (d)
1	Fuel Stock (Account 151)			
2	Fuel Stock Expenses Undistributed (Account 152)			
3	Residuals and Extracted Products (Account 153)			
4	Plant Materials and Operating Supplies (Account 154)			
5	Assigned to - Construction (Estimated)	260,642	307,300	Electric
6	Assigned to - Operations and Maintenance			
7	Production Plant (Estimated)			
8	Transmission Plant (Estimated)	130	496	Electric
9	Distribution Plant (Estimated)	21,665	16,449	Electric
10	Regional Transmission and Market Operation Plant (Estimated)			
11	Assigned to - Other (provide details in footnote)	1,523	274	Electric
12	TOTAL Account 154 (Enter Total of lines 5 thru 11)	283,960	324,519	
13	Merchandise (Account 155)			
14	Other Materials and Supplies (Account 156)			
15	Nuclear Materials Held for Sale (Account 157) (Not applic to Gas Util)			
16	Stores Expense Undistributed (Account 163)			
17				
18				
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	283,960	324,519	

Schedule Page: 227   Line No.: 11   Column: c

Assigned to - Other includes customer account, administrative and general expenses.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS Written off During the Quarter/Year Account Charged (d)	CREDITS Written off During the Period Amount (e)	Balance at end of Current Quarter/Year (f)
1	SFAS 109 Deferred FIT	278,232	7,378,648	190/282.3	7,257,665	399,215
2						
3	SFAS 109 Deferred SIT	4,470,441	917,165	Various	755,339	4,632,267
4						
5	SFAS No.112-Post Employment Benefits	539,372		228, 129	193,919	345,453
6						
7	SFAS 158 Employers' Accounting for Defined	4,936,636	6,259,511	228, 129	5,681,681	5,514,466
8	Benefit Pension and Other Postretirement Plans					
9						
10	Deferred Storm Expense	1,505,354		190/555	1,505,354	
11	TN Case No. 13-00121					
12						
13	SFAS 106 Medicare Subsidy	213,721		926	30,532	183,189
14	Amort 1/2013 - 12/2024					
15						
16	RTO Demand Response Costs	419,750		908	114,477	305,273
17	TN Case No. 12-00012					
18						
19	Rate Case Expenses	371,143		928	101,221	269,922
20						
21	Under Recovery of PJM True-up	4,038	47,575	456	4,038	47,575
22	Amortization period - 1/2018 to 12/2018					
23						
24	TN Under-Recovery FPPA Rider	4,029,008	5,152,200	555	6,470,458	2,710,750
25	TN Case No. 16-00001					
26						
27	Targeted Reliability Plan and		5,418,528	593	311,320	5,107,208
28	Major Storms per docket No 17-00032					
29						
30	Unrealized Loss on Forward Commitments		26,612			26,612
31						
32	Netting of Trading Activities related to		1,135	Various	1,135	
33	Unrealized Gains/Losses on Forward Commitments					
34	Between Regulated Assets/Liabilities					
35						
36						
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38						
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43						
44	TOTAL	16,767,695	25,201,374		22,427,139	19,541,930

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

MISCELLANEOUS DEFFERED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a)
3. Minor item (1% of the Balance at End of Year for Account 186 or amounts less than $100,000, whichever is less) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End of Year (f)
1	Agency Fees	303,733	3,320,290	various	3,321,248	302,775
2						
3	Unamortized Credit Line Fees	39,331	25,500	various	14,873	49,958
4						
5	Deferred Expenses	6,275	5,099	various	9,084	2,290
6						
7	Deferred Lease Assets		41,413			41,413
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47	Misc. Work in Progress	860				44,433
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)					
49	TOTAL	350,199				440,869

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Description and Location (a)	Balance of Begining of Year (b)	Balance at End of Year (c)
1	Electric		
2	Federal NOL - Deferred Tax Asset	12,023	
3	Contributions in Aid of Construction	411,012	339,153
4	Vacation Pay Accruals	87,484	57,844
5	Post Retirement, Incentive Plans & Post Empl. Benefits	151,130	83,357
6	Accrued Pension Expense	-1,268,008	-715,022
7	Other	-97,058	302,211
8	TOTAL Electric (Enter Total of lines 2 thru 7)	-703,417	67,543
9	Gas		
10			
11			
12			
13			
14			
15	Other		
16	TOTAL Gas (Enter Total of lines 10 thru 15		
17	Other (Specify)	6,319,407	4,870,034
18	TOTAL (Acct 190) (Total of lines 8, 16 and 17)	5,615,990	4,937,577

Notes

Reconciliation of details applicable to Account 190, Line 18, Columns (b) & (c):

Balance at Beginning of Year	$ 5,615,990
(Less) Amounts Debited to Acct. 410.1	(5,258,856)
Plus Amounts Credited to Acct. 411.1	5,905,062
(Less) Amounts Debited to Acct. 410.2	(80,755)
Plus Amounts Credited to Acct. 411.2	32,302
(Less) Amounts Debited to Various Accts	(6,454,603)
Plus Amounts Credited to Various Accts	5,178,437

Balance at End of Year	$ 4,937,577
	=========

<Page 234 Line 17 Column B & C>	Beginning of Year	End of Year
Non-Utility- Acct 190.2	$ 48,453	$ 0
ADSIT Acct 1901002	1,670,544	1,545,790
SFAS 109- Acct 190.3	1,018,200	1,019,700
SFAS 109- Acct 190.4	3,582,210	2,304,544
SFAS 133	0	0
	---------	---------
	6,319,407	4,870,034
	=========	=========

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

CAPITAL STOCKS (Account 201 and 204)

1. Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

Line No.	Class and Series of Stock and Name of Stock Series (a)	Number of shares Authorized by Charter (b)	Par or Stated Value per share (c)	Call Price at End of Year (d)
1	ACCOUNT 201 - Common	500,000		
2				
3	ACCOUNT 204 - Preferred			
4				
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Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

CAPITAL STOCKS (Account 201 and 204) (Continued)

3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.
4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative.
5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year.
Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge.

OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				Line No.
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
410,000	4,100,000					1
						2
						3
						4
						5
						6
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						8
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						42

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

OTHER PAID-IN CAPITAL (Accounts 208-211, inc.)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as total of all accounts for reconciliation with balance sheet, Page 112. Add more columns for any account if deemed necessary. Explain changes made in any account during the year and give the accounting entries effecting such change.

(a) Donations Received from Stockholders (Account 208)-State amount and give brief explanation of the origin and purpose of each donation.

(b) Reduction in Par or Stated value of Capital Stock (Account 209): State amount and give brief explanation of the capital change which gave rise to amounts reported under this caption including identification with the class and series of stock to which related.

(c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210): Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.

(d) Miscellaneous Paid-in Capital (Account 211)-Classify amounts included in this account according to captions which, together with brief explanations, disclose the general nature of the transactions which gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1	ACCOUNT 208 - Donations Received From Stockholders	
2	Contributions By Parent Company prior to 2018	22,800,000
3	Contributions By Parent Company during 2018	5,000,000
4		
5		
6	SUBTOTAL	27,800,000
7		
8		
9	Account 209 - Reduction In Par Or Stated Value Of Capital Stock	
10		
11	SUBTOTAL	
12		
13		
14	ACCOUNT 210 - Gain On Resale/Cancellation Of Reacquired Capital Stock	
15		
16		
17	SUBTOTAL	
18		
19		
20	ACCOUNT 211 - Miscellaneous Paid-in-Capital	
21		
22	SUBTOTAL	
23		
24		
25		
26		
27		
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39		
40	TOTAL	27,800,000

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	ACCOUNT 221 - Bonds		
2	NONE		
3			
4	ACCOUNT 222 - Reacquired Bonds		
5	NONE		
6			
7	ACCOUNT 223 - Advances From Associated Companies		
8	Note Payable to parent - AEP Company, Inc	20,000,000	
9	Interest Rate: 4.52%		
10			
11	Note Payable to parent - AEP Company, Inc	20,000,000	
12	Interest Rate: 3.42%		
13			
14	Note Payable to parent - AEP Company, Inc	10,000,000	
15	Interest Rate: 3.19%		
16			
17	ACCOUNT 224 - Other Long-Term Debt		
18	NONE		
19			
20			
21			
22			
23			
24			
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32			
33	TOTAL	50,000,000	

Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD Date From (f)	AMORTIZATION PERIOD Date To (g)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
						1
						2
						3
						4
						5
						6
						7
10/01/2010	10/01/2020			20,000,000	904,000	8
						9
						10
01/17/2017	02/01/2027			20,000,000	684,000	11
						12
						13
09/29/2017	09/29/2027			10,000,000	319,000	14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
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						32
				50,000,000	1,907,000	33

Schedule Page: 256 Line No.: 7 Column: a

The difference between the total on this schedule and account 430 is due to interest on short-term advances from the Corporate Borrowing Program.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be field, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group member, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.
3. A substitute page, designed to meet a particular need of a company, may be used as Long as the data is consistent and meets the requirements of the above instructions. For electronic reporting purposes complete Line 27 and provide the substitute Page in the context of a footnote.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 117)	3,078,904
2		
3		
4	Taxable Income Not Reported on Books	
5		
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10		
11		
12		
13		
14	Income Recorded on Books Not Included in Return	
15		
16		
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20		
21		
22		
23		
24		
25		
26		
27	Federal Tax Net Income	-2,164,834
28	Show Computation of Tax:	
29		
30		
31		
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43		
44		

Schedule Page: 261 Line No.: 28 Column: b

	In (000's)
Net Income for the year per Page 117	3,079
Federal Income Taxes	(2,701)
State Income Taxes	124
Pretax Book Income	502
Increase (Decrease) in Taxable Income resulting from:	
Allowance for Funds Used During Construction and Other Differences Between Items Capitalized for Books and Expensed for Tax	(46)
Tax Accruals and Deferrals	(482)
Excess Tax Vs Book Depreciation	1,918
Book/Tax Unit of Property Adj	(2,094)
Book Provision Uncollectible Accounts	(152)
Pension Expenses (Net)	158
Removal Costs	(1,004)
SFAS 106 - Post Retirement Benefit Expense Accrued/Funded (Net)	(199)
Charitable Contribution Carryforward	(231)
Vacation Pay (Net)	37
Provision for Revenue Refunds	1,132
Deferred Storm Damage	0
Accrued Companywide Incentive Plan	286
Book Accruals and Deferrals	(5,689)
Accelerated Amortization	(38)
Other (Net)	545
Tax Reform Stipulation	3,190
Federal Taxable Income before State Income Taxes	(2,165)
Less: State Income Taxes	0
Federal Tax Net Income - Estimated Current Year Taxable Income	(2,165)

Computation of Tax *		
Federal Income Tax on Current Year Taxable Income (Separate Return Basis) at the Statutory Rate of 21%		(455)
Adjustment due to System Consolidation	(a)	(1)
NOL Reclass To/From Deferred Tax Asset		(587)
R&D Credit		(1)
Tax Credit Carryforward		2
Estimated Tax Currently Payable		(1,042)
Adjustments of Prior Year's Accruals (Net)		1,297
Estimated Current Federal Income Taxes (Net)		255

(a) The Company joins in the filing of a consolidated Federal income tax return with its affiliated companies in the AEP system. The allocation of the AEP System's consolidated Federal income tax to the System companies allocates the benefit of current tax losses to the System companies giving rise to them in determining their current tax expense. The tax loss of the System parent company, American Electric Power Company, Inc., is allocated to its subsidiaries with taxable income. With the exception of the loss of the parent company, the method of allocation approximates a separate return result for each company in the consolidating group.

INSTRUCTION 2.
* The tax computation above represents an estimate of the Company's allocated portion of the System consolidated Federal income tax. The computation of actual 2018 System Federal income taxes will not be available until the consolidated Federal income tax return is completed and filed by October 2019. The actual allocation of the System consolidated Federal income tax to the members of the consolidated group will not be available until after the consolidated Federal income tax return is filed.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust-ments (f)
1	FEDERAL TAXES					
2	Income Taxes	-769,200		145,086	824,632	-63
3	FIN 48	-7,211		-36,976		44,187
4	FICA - 2018	31,586		385,339	369,381	
5	Unemployment - 2018	893		2,747	2,447	
6						
7						
8						
9	STATE OF TENNESSEE					
10	Sales & Use					
11	2017	28,380		-22,484	5,896	
12	2018			105,122	86,970	
13						
14	Real & Personal Property tax					
15	2017	1,393,000		-72,836	1,320,164	
16	2018			1,464,000		
17	Leased-Real Property					
18	2017	36,701			36,701	
19	2018			65,125	28,425	
20						
21	State Franchise					
22	Year Ended 12-31-16					
23	Year Ended 12-31-17	-124,731		98,694		
24	Year Ended 12-31-18			305,000	305,000	
25						
26	State Unemployment - 2018	161		347	402	
27						
28	St Gross Receipts Privilege					
29	2017		2,076,322	2,076,322		
30	2018		17,657	2,174,973	4,332,289	
31	2019				24,404	
32						
33	TN License/Registration			20	20	
34	City of Kingsport Franchise:					
35	2017	430,220			430,220	
36	2018			4,134,508	3,749,756	
37	TN Inspection Fee - 2018			674,354	674,354	
38						
39						
40	State Excise					
41	TOTAL	1,019,888	2,093,979	11,501,041	12,192,761	44,124

Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
						1
-1,448,809		340,618			-195,532	2
		-36,976				3
47,544		178,252			207,087	4
1,193		1,294			1,453	5
						6
						7
						8
						9
						10
		282			-22,766	11
18,152		1,499			103,623	12
						13
						14
		-78,145			5,309	15
1,464,000		1,447,490			16,510	16
						17
						18
36,700					65,125	19
						20
						21
						22
-26,037		98,694				23
		305,000				24
						25
106		62			285	26
						27
						28
		2,076,322				29
	2,174,973	2,174,973				30
	24,404					31
						32
		20				33
						34
						35
384,752		4,134,508				36
		674,354				37
						38
						39
						40
477,690	2,199,377	11,336,559			164,482	41

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust- ments (f)
1	TN Excise 2014 & prior					
2	TN Excise 2015					
3	TN Excise 2016	-493,096		493,096		
4	TN Excise 2017	493,096		-493,096		
5	TN Excise 2018					
6						
7	STATE OF WEST VIRGINIA					
8	WV Excise 2017					
9						
10	STATE OF VIRGINIA					
11	VA License/Registration			1,700	1,700	
12						
13						
14						
15						
16	State Income Tax - FIN 48	89				
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	TOTAL	1,019,888	2,093,979	11,501,041	12,192,761	44,124

Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
						1
						2
					493,096	3
					-493,096	4
		16,612			-16,612	5
						6
						7
						8
						9
						10
		1,700				11
						12
						13
						14
						15
89						16
						17
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477,690	2,199,377	11,336,559			164,482	41

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Kingsport Power Company	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) / /	2018/Q4

FOOTNOTE DATA

Schedule Page: 262 Line No.: 2 Column: f

2017 Fuel Tax Credit.

Schedule Page: 262 Line No.: 3 Column: f

This adjustment is for FIN 48 deferred taxes in the payable account that had an offset to accounts 410.1 and 411.1 in the amount of $44,187.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustments to the account balance shown in column (g).Include in column (i) the average period over which the tax credits are amortized.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year Account No. (c)	Deferred for Year Amount (d)	Allocations to Current Year's Income Account No. (e)	Allocations to Current Year's Income Amount (f)	Adjustments (g)
1	Electric Utility						
2	3%						
3	4%						
4	7%						
5	10%	38			411.5	30	
6							
7							
8	TOTAL	38				30	
9	Other (List separately and show 3%, 4%, 7%, 10% and TOTAL)						
10							
11							
12							
13							
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16							
17							
18							
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (continued)

Balance at End of Year (h)	Average Period of Allocation to Income (i)	ADJUSTMENT EXPLANATION	Line No.
			1
			2
			3
			4
8			5
			6
			7
8			8
			9
			10
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

OTHER DEFFERED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (5% of the Balance End of Year for Account 253 or amounts less than $100,000, whichever is greater) may be grouped by classes.

Line No.	Description and Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS Contra Account (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Year (f)
1	NERC Penalties	590	232, 566	957	1,047	680
2						
3	T.V. Pole Attachments	81,937	454	187,451	211,023	105,509
4						
5	MACSS Unidentified EDI Cash	86	186	86	257	257
6						
7	CIAC	91,882	107,108	91,882	114,144	114,144
8						
9	Customer Advance Receipts	432,089	142	432,089	548,315	548,315
10						
11	Deferred Revenue	113	143	113		
12						
13	Transource WV Recovery		565	3,919	6,236	2,317
14						
15						
16						
17						
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45						
46						
47	TOTAL	606,697		716,497	881,022	771,222

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes rating to property not subject to accelerated amortization
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR: Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR: Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	29,612,981	17,639,853	19,725,003
3	Gas			
4				
5	TOTAL (Enter Total of lines 2 thru 4)	29,612,981	17,639,853	19,725,003
6	SFAS 109	-11,552,363		
7	NON UTILITY	155		
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru	18,060,773	17,639,853	19,725,003
10	Classification of TOTAL			
11	Federal Income Tax	18,060,773	17,639,853	19,725,003
12	State Income Tax			
13	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		Balance at End of Year	Line No.
		Account Credited	Amount	Account Debited	Amount		
(e)	(f)	(g)	(h)	(i)	(j)	(k)	
							1
						27,527,831	2
							3
							4
						27,527,831	5
		Various	16,723,270	Various	18,970,759	-9,304,874	6
103	103					155	7
							8
103	103		16,723,270		18,970,759	18,223,112	9
							10
103	103		16,723,270		18,970,759	18,223,112	11
							12
							13

NOTES (Continued)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3	SFAS 106-Medicare Subs-Reg A	74,802		36,333
4	Defd RTO Exps & Carrying Charg	148,997		83,639
5	Capitalized Software Cost - Bk	607,087	111,711	246,848
6	Accrued SFAS 112 - Reg Asset	1,598,932	1,081,962	1,611,545
7	SFAS 158 - Pensions & OPEB	1,727,823	254,840	824,625
8	Defd Storm Damage & NOL C/F	-832,914	4,750,923	3,442,581
9	TOTAL Electric (Total of lines 3 thru 8)	3,324,727	6,199,436	6,245,571
10	Gas			
11				
12				
13				
14				
15				
16				
17	TOTAL Gas (Total of lines 11 thru 16)			
18	Other	3,843,295		
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	7,168,022	6,199,436	6,245,571
20	Classification of TOTAL			
21	Federal Income Tax	2,697,581	6,199,436	6,245,571
22	State Income Tax	4,470,441		
23	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3. Provide in the space below explanations for Page 276 and 277. Include amounts relating to insignificant items listed under Other.
4. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
		Debits		Credits			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)	Balance at End of Year (k)	Line No.
							1
							2
						38,469	3
						65,358	4
						471,950	5
						1,069,349	6
						1,158,038	7
						475,428	8
						3,278,592	9
							10
							11
							12
							13
							14
							15
							16
							17
		Various	7,455,034	Various	8,267,458	4,655,719	18
			7,455,034		8,267,458	7,934,311	19
							20
			6,699,695		7,350,293	3,302,044	21
			755,339		917,165	4,632,267	22
							23

NOTES (Continued)

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

OTHER REGULATORY LIABILITIES (Account 254)

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 254 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes.
3. For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Begining of Current Quarter/Year (b)	DEBITS Account Credited (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Current Quarter/Year (f)
1	SFAS 109 Deferred FIT	17,058,152	various	25,397,016	21,343,747	13,004,883
2						
3	Unrealized Gain on Fwd Commitments	18,472	175	35,723	17,251	
4						
5	PJM Trans Enhancement Reg Liability		565	1,614,243	4,688,190	3,073,947
6						
7	Targeted Reliability Plan	171,718	593	171,718		
8	and Major Storms					
9	per Docket No. 17-00032					
10						
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41	TOTAL	17,248,342		27,218,700	26,049,188	16,078,830

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ELECTRIC OPERATING REVENUES (Account 400)

1. The following instructions generally apply to the annual version of these pages. Do not report quarterly data in columns (c), (e), (f), and (g). Unbilled revenues and MWH related to unbilled revenues need not be reported separately as required in the annual version of these pages.
2. Report below operating revenues for each prescribed account, and manufactured gas revenues in total.
3. Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The -average number of customers means the average of twelve figures at the close of each month.
4. If increases or decreases from previous period (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.
5. Disclose amounts of $250,000 or greater in a footnote for accounts 451, 456, and 457.2.

Line No.	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales	63,172,745	58,503,624
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	37,643,139	37,423,196
5	Large (or Ind.) (See Instr. 4)	57,207,628	56,357,987
6	(444) Public Street and Highway Lighting	1,625,902	1,615,113
7	(445) Other Sales to Public Authorities	2,295,605	2,205,447
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers	161,945,019	156,105,367
11	(447) Sales for Resale		
12	TOTAL Sales of Electricity	161,945,019	156,105,367
13	(Less) (449.1) Provision for Rate Refunds	1,453,358	115,546
14	TOTAL Revenues Net of Prov. for Refunds	160,491,661	155,989,821
15	Other Operating Revenues		
16	(450) Forfeited Discounts	288,250	239,655
17	(451) Miscellaneous Service Revenues	45,129	66,117
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property	1,369,674	1,423,120
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues	153,964	316,548
22	(456.1) Revenues from Transmission of Electricity of Others	3,950,717	4,294,533
23	(457.1) Regional Control Service Revenues		
24	(457.2) Miscellaneous Revenues		
25			
26	TOTAL Other Operating Revenues	5,807,734	6,339,973
27	TOTAL Electric Operating Revenues	166,299,395	162,329,794

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ELECTRIC OPERATING REVENUES (Account 400)

6. Commercial and industrial Sales, Account 442, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 1000 Kw of demand. (See Account 442 of the Uniform System of Accounts. Explain basis of classification in a footnote.)
7. See pages 108-109, Important Changes During Period, for important new territory added and important rate increase or decreases.
8. For Lines 2,4,5,and 6, see Page 304 for amounts relating to unbilled revenue by accounts.
9. Include unmetered sales. Provide details of such Sales in a footnote.

MEGAWATT HOURS SOLD		AVG.NO. CUSTOMERS PER MONTH		Line No.
Year to Date Quarterly/Annual (d)	Amount Previous year (no Quarterly) (e)	Current Year (no Quarterly) (f)	Previous Year (no Quarterly) (g)	
				1
696,433	637,449	41,895	41,710	2
				3
389,901	386,625	5,837	5,830	4
932,311	913,610	164	163	5
8,534	8,526	106	107	6
25,919	24,870	30	30	7
				8
				9
2,053,098	1,971,080	48,032	47,840	10
				11
2,053,098	1,971,080	48,032	47,840	12
				13
2,053,098	1,971,080	48,032	47,840	14

Line 12, column (b) includes $ 340,852 of unbilled revenues.

Line 12, column (d) includes 15,714 MWH relating to unbilled revenues

Schedule Page: 300 Line No.: 10 Column: b

Detail of Unmetered Sales included in Total Sales to Ultimate Customers:

Account	Revenues	MWH Sold	Average No. of Customers
440 Residential	299,030	1,493	2,424
442 Commercial	502,177	2,790	1,168
442 Industrial	36,719	223	48
445 Other Public Sales	1,772	10	7
	839,698	4,516	3,647

Unmetered Sales are from outdoor lighting (OL) as detailed on page 304

Schedule Page: 300 Line No.: 10 Column: c

Detail of Unmetered Sales included in Total Sales to Ultimate Customers:

Account	Revenues	MWH Sold	Average No. of Customers
440 Residential	296,328	1,480	2,428
442 Commercial	494,303	2,736	1,181
442 Industrial	36,649	223	48
445 Other Public Sales	1,777	10	7
	829,057	4,449	3,664

Unmetered Sales are from outdoor lighting (OL) as detailed on page 304

Schedule Page: 300 Line No.: 21 Column: c

Associated Business Development

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	440 - RESIDENTIAL SALES					
2	Residential Service Employee	1,586	135,981	81	19,580	0.0857
3	Residential Service	701,793	63,517,083	41,809	16,786	0.0905
4	Residential Service TOD	226	19,869	5	45,200	0.0879
5	Outdoor Lighting	1,493	299,030			0.2003
6	Subtotal Billed	705,098	63,971,963	41,895	16,830	0.0907
7	Unbilled Revenue	-8,665	-799,218			0.0922
8	TOTAL 440 RESIDENTIAL	696,433	63,172,745	41,895	16,623	0.0907
9						
10	442 - COMMERCIAL SALES					
11	Church Service	10,718	1,180,775	181	59,215	0.1102
12	Electrical Heating General	24,366	2,505,935	549	44,383	0.1028
13	Industrial Power Service	34,073	2,128,403	1	34,073,000	0.0625
14	Large General Service	192,399	17,488,236	190	1,012,626	0.0909
15	Medium General Service	105,404	11,345,784	1,248	84,458	0.1076
16	General Service TOD	334	31,479	5	66,800	0.0942
17	Small General Service	23,952	2,861,011	3,663	6,539	0.1194
18	Outdoor Lighting	2,790	502,177			0.1800
19	Subtotal Billed	394,036	38,043,800	5,837	67,507	0.0965
20	Unbilled Revenue	-4,135	-400,661			0.0969
21	TOTAL 442 COMMERCIAL	389,901	37,643,139	5,837	66,798	0.0965
22						
23	442 - INDUSTRIAL SERVICE					
24	Electric Heating General	295	34,266	14	21,071	0.1162
25	Industrial Power Service	846,872	49,772,305	5	169,374,400	0.0588
26	Large General Service	50,560	5,185,328	36	1,404,444	0.1026
27	Medium General Service	5,002	552,636	58	86,241	0.1105
28	Small General Service	416	47,022	51	8,157	0.1130
29	Outdoor Lighting	223	36,719			0.1647
30	Subtotal Billed	903,368	55,628,276	164	5,508,341	0.0616
31	Unbilled Revenue	28,943	1,579,352			0.0546
32	TOTAL 442 INDUSTRIAL	932,311	57,207,628	164	5,684,823	0.0614
33						
34	444 - PUBLIC STREET & HIGHWAY					
35	Small General Service	241	41,393	102	2,363	0.1718
36	Street Lighting	8,297	1,584,940	4	2,074,250	0.1910
37	Subtotal Billed	8,538	1,626,333	106	80,547	0.1905
38	Unbilled Revenue	-4	-431			0.1078
39	TOTAL 444 PUBLIC STREET &	8,534	1,625,902	106	80,509	0.1905
40						
41	TOTAL Billed	2,037,384	161,604,167	48,032	42,417	0.0793
42	Total Unbilled Rev.(See Instr. 6)	15,714	340,852	0	0	0.0217
43	TOTAL	2,053,098	161,945,019	48,032	42,744	0.0789

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	445 - PUBLIC AUTHORITIES					
2	Public School	26,334	2,332,023	30	877,800	0.0886
3	Outdoor Lighting	10	1,772			0.1772
4	Subtotal Billed	26,344	2,333,795	30	878,133	0.0886
5	Unbilled Revenue	-425	-38,190			0.0899
6	TOTAL 445 PUBLIC AUTHORITIES	25,919	2,295,605	30	863,967	0.0886
7						
8						
9	Fuel Clause See Footnote					
10						
11						
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41	TOTAL Billed	2,037,384	161,604,167	48,032	42,417	0.0793
42	Total Unbilled Rev.(See Instr. 6)	15,714	340,852	0	0	0.0217
43	TOTAL	2,053,098	161,945,019	48,032	42,744	0.0789

Schedule Page: 304.1 Line No.: 9 Column: a

As a result of Tennessee Regulatory Authority (TRA) Order in Base Rate Case Docket No. 16-00001, previously existing Fuel Clause and Purchased Power adjustment riders terminated on August 31, 2016 and effective September 1, 2016 the combined Fuel and Purchased Power Adjustment Rider (FPPAR) was implemented. Billed FPPAR revenues for 2017 are in the table below:

Residential	
Outdoor Lighting	45,729.52
Residential Service	54,150,955.71
Residential Service Employee	122,344.21
Residential Service TOD	16,074.40
Total	54,335,103.84
Commercial	
Church Service	761,757.90
Electrical Heating General	1,692,566.74
General Service TOD	21,901.30
Industrial Power Service	1,865,163.57
Large General Service	11,589,829.63
Medium General Service	7,242,855.98
Outdoor Lighting	88,762.39
Small General Service	1,497,777.81
Total	24,760,615.32
Industrial	
Electrical Heating General	20,432.93
Industrial Power Service	46,175,220.03
Large General Service	3,246,820.44
Medium General Service	342,091.91
Outdoor Lighting	7,152.27
Small General Service	25,963.44
Total	49,817,681.02
Public Authority	
Outdoor Lighting	325.32
Public Schools	2,041,291.51
Total	2,041,616.83
Street and Highway Lighting	
Small General Service	15,018.88
Total Fuel and Purchased Power Adjustment Rider	130,970,035.89

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. POWER PRODUCTION EXPENSES		
2	A. Steam Power Generation		
3	Operation		
4	(500) Operation Supervision and Engineering		
5	(501) Fuel		
6	(502) Steam Expenses		
7	(503) Steam from Other Sources		
8	(Less) (504) Steam Transferred-Cr.		
9	(505) Electric Expenses		
10	(506) Miscellaneous Steam Power Expenses		
11	(507) Rents		
12	(509) Allowances		
13	TOTAL Operation (Enter Total of Lines 4 thru 12)		
14	Maintenance		
15	(510) Maintenance Supervision and Engineering		
16	(511) Maintenance of Structures		
17	(512) Maintenance of Boiler Plant		
18	(513) Maintenance of Electric Plant		
19	(514) Maintenance of Miscellaneous Steam Plant		
20	TOTAL Maintenance (Enter Total of Lines 15 thru 19)		
21	TOTAL Power Production Expenses-Steam Power (Entr Tot lines 13 & 20)		
22	B. Nuclear Power Generation		
23	Operation		
24	(517) Operation Supervision and Engineering		
25	(518) Fuel		
26	(519) Coolants and Water		
27	(520) Steam Expenses		
28	(521) Steam from Other Sources		
29	(Less) (522) Steam Transferred-Cr.		
30	(523) Electric Expenses		
31	(524) Miscellaneous Nuclear Power Expenses		
32	(525) Rents		
33	TOTAL Operation (Enter Total of lines 24 thru 32)		
34	Maintenance		
35	(528) Maintenance Supervision and Engineering		
36	(529) Maintenance of Structures		
37	(530) Maintenance of Reactor Plant Equipment		
38	(531) Maintenance of Electric Plant		
39	(532) Maintenance of Miscellaneous Nuclear Plant		
40	TOTAL Maintenance (Enter Total of lines 35 thru 39)		
41	TOTAL Power Production Expenses-Nuc. Power (Entr tot lines 33 & 40)		
42	C. Hydraulic Power Generation		
43	Operation		
44	(535) Operation Supervision and Engineering		
45	(536) Water for Power		
46	(537) Hydraulic Expenses		
47	(538) Electric Expenses		
48	(539) Miscellaneous Hydraulic Power Generation Expenses		
49	(540) Rents		
50	TOTAL Operation (Enter Total of Lines 44 thru 49)		
51	C. Hydraulic Power Generation (Continued)		
52	Maintenance		
53	(541) Mainentance Supervision and Engineering		
54	(542) Maintenance of Structures		
55	(543) Maintenance of Reservoirs, Dams, and Waterways		
56	(544) Maintenance of Electric Plant		
57	(545) Maintenance of Miscellaneous Hydraulic Plant		
58	TOTAL Maintenance (Enter Total of lines 53 thru 57)		
59	TOTAL Power Production Expenses-Hydraulic Power (tot of lines 50 & 58)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
60	D. Other Power Generation		
61	Operation		
62	(546) Operation Supervision and Engineering		
63	(547) Fuel		
64	(548) Generation Expenses		
65	(549) Miscellaneous Other Power Generation Expenses		
66	(550) Rents		
67	TOTAL Operation (Enter Total of lines 62 thru 66)		
68	Maintenance		
69	(551) Maintenance Supervision and Engineering		
70	(552) Maintenance of Structures		
71	(553) Maintenance of Generating and Electric Plant		
72	(554) Maintenance of Miscellaneous Other Power Generation Plant		
73	TOTAL Maintenance (Enter Total of lines 69 thru 72)		
74	TOTAL Power Production Expenses-Other Power (Enter Tot of 67 & 73)		
75	E. Other Power Supply Expenses		
76	(555) Purchased Power	133,874,744	125,836,727
77	(556) System Control and Load Dispatching		
78	(557) Other Expenses		
79	TOTAL Other Power Supply Exp (Enter Total of lines 76 thru 78)	133,874,744	125,836,727
80	TOTAL Power Production Expenses (Total of lines 21, 41, 59, 74 & 79)	133,874,744	125,836,727
81	2. TRANSMISSION EXPENSES		
82	Operation		
83	(560) Operation Supervision and Engineering	188,760	160,612
84			
85	(561.1) Load Dispatch-Reliability		105
86	(561.2) Load Dispatch-Monitor and Operate Transmission System	8,223	8,328
87	(561.3) Load Dispatch-Transmission Service and Scheduling		
88	(561.4) Scheduling, System Control and Dispatch Services		
89	(561.5) Reliability, Planning and Standards Development	4,552	4,398
90	(561.6) Transmission Service Studies		
91	(561.7) Generation Interconnection Studies		
92	(561.8) Reliability, Planning and Standards Development Services		
93	(562) Station Expenses	150,490	97,952
94	(563) Overhead Lines Expenses	27,215	46,548
95	(564) Underground Lines Expenses		
96	(565) Transmission of Electricity by Others		
97	(566) Miscellaneous Transmission Expenses	232,876	167,014
98	(567) Rents		
99	TOTAL Operation (Enter Total of lines 83 thru 98)	612,116	484,957
100	Maintenance		
101	(568) Maintenance Supervision and Engineering	1,224	888
102	(569) Maintenance of Structures	1,982	6,896
103	(569.1) Maintenance of Computer Hardware	408	325
104	(569.2) Maintenance of Computer Software	7,493	6,414
105	(569.3) Maintenance of Communication Equipment	356	44
106	(569.4) Maintenance of Miscellaneous Regional Transmission Plant		
107	(570) Maintenance of Station Equipment	121,730	77,336
108	(571) Maintenance of Overhead Lines	35,417	173,441
109	(572) Maintenance of Underground Lines	293	12
110	(573) Maintenance of Miscellaneous Transmission Plant	74,377	44,081
111	TOTAL Maintenance (Total of lines 101 thru 110)	243,280	309,437
112	TOTAL Transmission Expenses (Total of lines 99 and 111)	855,396	794,394

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
113	3. REGIONAL MARKET EXPENSES		
114	Operation		
115	(575.1) Operation Supervision		
116	(575.2) Day-Ahead and Real-Time Market Facilitation		
117	(575.3) Transmission Rights Market Facilitation		
118	(575.4) Capacity Market Facilitation		
119	(575.5) Ancillary Services Market Facilitation		
120	(575.6) Market Monitoring and Compliance		
121	(575.7) Market Facilitation, Monitoring and Compliance Services		
122	(575.8) Rents		
123	Total Operation (Lines 115 thru 122)		
124	Maintenance		
125	(576.1) Maintenance of Structures and Improvements		
126	(576.2) Maintenance of Computer Hardware		
127	(576.3) Maintenance of Computer Software		
128	(576.4) Maintenance of Communication Equipment		
129	(576.5) Maintenance of Miscellaneous Market Operation Plant		
130	Total Maintenance (Lines 125 thru 129)		
131	TOTAL Regional Transmission and Market Op Expns (Total 123 and 130)		
132	4. DISTRIBUTION EXPENSES		
133	Operation		
134	(580) Operation Supervision and Engineering	194,405	291,801
135	(581) Load Dispatching		
136	(582) Station Expenses	60,121	58,205
137	(583) Overhead Line Expenses	86,694	16,524
138	(584) Underground Line Expenses	78,467	71,336
139	(585) Street Lighting and Signal System Expenses	55,235	73,860
140	(586) Meter Expenses	83,345	98,025
141	(587) Customer Installations Expenses	57,106	73,696
142	(588) Miscellaneous Expenses	943,172	942,400
143	(589) Rents	475,036	612,005
144	TOTAL Operation (Enter Total of lines 134 thru 143)	2,033,581	2,237,852
145	Maintenance		
146	(590) Maintenance Supervision and Engineering	9,805	14,361
147	(591) Maintenance of Structures	24,768	3,437
148	(592) Maintenance of Station Equipment	78,117	89,337
149	(593) Maintenance of Overhead Lines	3,721,466	2,290,651
150	(594) Maintenance of Underground Lines	46,802	55,570
151	(595) Maintenance of Line Transformers	168,157	267,688
152	(596) Maintenance of Street Lighting and Signal Systems	12,670	49,187
153	(597) Maintenance of Meters	2,908	4,764
154	(598) Maintenance of Miscellaneous Distribution Plant	196,973	218,291
155	TOTAL Maintenance (Total of lines 146 thru 154)	4,261,666	2,993,286
156	TOTAL Distribution Expenses (Total of lines 144 and 155)	6,295,247	5,231,138
157	5. CUSTOMER ACCOUNTS EXPENSES		
158	Operation		
159	(901) Supervision	74,968	81,578
160	(902) Meter Reading Expenses	139,880	121,188
161	(903) Customer Records and Collection Expenses	1,233,559	1,196,809
162	(904) Uncollectible Accounts	-148,037	156,682
163	(905) Miscellaneous Customer Accounts Expenses	7,630	8,167
164	TOTAL Customer Accounts Expenses (Total of lines 159 thru 163)	1,308,000	1,564,424

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
165	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
166	Operation		
167	(907) Supervision	12,716	11,262
168	(908) Customer Assistance Expenses	448,210	349,996
169	(909) Informational and Instructional Expenses	8	
170	(910) Miscellaneous Customer Service and Informational Expenses	5,001	10,543
171	TOTAL Customer Service and Information Expenses (Total 167 thru 170)	465,935	371,801
172	7. SALES EXPENSES		
173	Operation		
174	(911) Supervision	1	104
175	(912) Demonstrating and Selling Expenses	13,931	13,472
176	(913) Advertising Expenses		
177	(916) Miscellaneous Sales Expenses		
178	TOTAL Sales Expenses (Enter Total of lines 174 thru 177)	13,932	13,576
179	8. ADMINISTRATIVE AND GENERAL EXPENSES		
180	Operation		
181	(920) Administrative and General Salaries	963,982	900,885
182	(921) Office Supplies and Expenses	67,402	42,595
183	(Less) (922) Administrative Expenses Transferred-Credit	473,936	402,027
184	(923) Outside Services Employed	344,194	326,030
185	(924) Property Insurance	45,747	31,905
186	(925) Injuries and Damages	178,430	193,680
187	(926) Employee Pensions and Benefits	-121,355	266,020
188	(927) Franchise Requirements		
189	(928) Regulatory Commission Expenses	134,170	280,732
190	(929) (Less) Duplicate Charges-Cr.		
191	(930.1) General Advertising Expenses	5,027	4,815
192	(930.2) Miscellaneous General Expenses	55,433	212,180
193	(931) Rents	329,578	329,003
194	TOTAL Operation (Enter Total of lines 181 thru 193)	1,528,672	2,185,818
195	Maintenance		
196	(935) Maintenance of General Plant	363,476	319,270
197	TOTAL Administrative & General Expenses (Total of lines 194 and 196)	1,892,148	2,505,088
198	TOTAL Elec Op and Maint Expns (Total 80,112,131,156,164,171,178,197)	144,705,402	136,317,148

Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

PURCHASED POWER (Account 555)
(Including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier’s service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service expect that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service expect that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Actual Demand (MW) Average Monthly CP Demand (f)
1	Appalachian Power	RQ		337	337	336
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
	Total					

Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

PURCHASED POWER(Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monnthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	
2,108,476			51,184,822	61,766,143	20,923,779	133,874,744	1
							2
							3
							4
							5
							6
							7
							8
							9
							10
							11
							12
							13
							14
2,108,476			51,184,822	61,766,143	20,923,779	133,874,744	

Schedule Page: 326 Line No.: 1 Column: a

An associated company.

Schedule Page: 326 Line No.: 1 Column: l

Other Charges Include:

Transmission Services and Related Charges	$19,956,835
Over/Under for FPPA Rider	966,944
Total	$20,923,779

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Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i.e., wheeling, provided for other electric utilities, cooperatives, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers for the quarter.
2. Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c).
3. Report in column (a) the company or public authority that paid for the transmission service. Report in column (b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to. Provide the full name of each company or public authority. Do not abbreviate or truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c)
4. In column (d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO - Firm Network Service for Others, FNS - Firm Network Transmission Service for Self, LFP - "Long-Term Firm Point to Point Transmission Service, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point to Point Transmission Reservation, NF - non-firm transmission service, OS - Other Transmission Service and AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.

Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classifi-cation (d)
1	PJM Network Integ Trans Rev Whsle	Various	Various	FNO
2	PJM Network Integ Trans Serv	Various	Various	FNO
3	PJM Trans Enhancement Rev	Various	Various	FNO
4	PJM Trans Enhancement Rev - Affil	Various	Various	FNS
5	PJM Trans Enhancement Rev Whlsle	Various	Various	FNO
6	PJM Network Integ Rev - Affil	Various	Various	FNS
7	PJM Trans Owner Admin Revenue	Various	Various	OLF
8	PJM Trans Owner Serv Rev Whlsle	Various	Various	OLF
9	PJM Trans Owner Serv - Affil	Various	Various	OLF
10				
11				
12				
13				
14				
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17				
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32				
33				
34				
	TOTAL			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)
(Including transactions reffered to as 'wheeling')

5. In column (e), identify the FERC Rate Schedule or Tariff Number, On separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (d), is provided.
6. Report receipt and delivery locations for all single contract path, "point to point" transmission service. In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract. In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.
7. Report in column (h) the number of megawatts of billing demand that is specified in the firm transmission service contract. Demand reported in column (h) must be in megawatts. Footnote any demand not stated on a megawatts basis and explain.
8. Report in column (i) and (j) the total megawatthours received and delivered.

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Subsatation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY MegaWatt Hours Received (i)	TRANSFER OF ENERGY MegaWatt Hours Delivered (j)	Line No.
PJM OATT	Various	Various				1
PJM OATT	Various	Various				2
PJM OATT	Various	Various				3
PJM OATT	Various	Various				4
PJM OATT	Various	Various				5
PJM OATT	Various	Various				6
PJM OATT	Various	Various				7
PJM OATT	Various	Various				8
PJM OATT	Various	Various				9
						10
						11
						12
						13
						14
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)
(Including transactions reffered to as 'wheeling')

9. In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge shown on bills rendered to the entity Listed in column (a). If no monetary settlement was made, enter zero (11011) in column (n). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
10. The total amounts in columns (i) and (j) must be reported as Transmission Received and Transmission Delivered for annual report purposes only on Page 401, Lines 16 and 17, respectively.
11. Footnote entries and provide explanations following all required data.

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges ($) (k)	Energy Charges ($) (l)	(Other Charges) ($) (m)	Total Revenues ($) (k+l+m) (n)	Line No.
153,496			153,496	1
419,311			419,311	2
86,567			86,567	3
80,757			80,757	4
4,308			4,308	5
3,162,000			3,162,000	6
	6,391		6,391	7
	1,956		1,956	8
	35,931		35,931	9
				10
				11
				12
				13
				14
				15
				16
				17
				18
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				24
				25
				26
				27
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				29
				30
				31
				32
				33
				34
3,906,439	**44,278**	**0**	**3,950,717**	

Schedule Page: 328 Line No.: 1 Column: e

Effective October 1, 2004, the administration of the transmission tariff was turned over to PJM. PJM does not provide any detail except for the total revenue by the major classes listed. OATT (Open Access Transmission Tariff) 3rd revised Volume No. 6

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (ELECTRIC)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	37,025
2	Nuclear Power Research Expenses	
3	Other Experimental and General Research Expenses	258
4	Pub & Dist Info to Stkhldrs...expn servicing outstanding Securities	
5	Oth Expn >=5,000 show purpose, recipient, amount. Group if < $5,000	
6	AEP Service Corporation Billings	2,343
7	Intercompany Billings	-10,847
8	Associated Business Development Materials Sold	1,758
9	Associated Business Development Expenses	20,591
10	Corporate & Fiscal Expenses	1,254
11	Miscellaneous	3,051
12		
13		
14		
15		
16		
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19		
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46	TOTAL	55,433

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kingsport Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2018/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Account 403, 404, 405)
(Except amortization of aquisition adjustments)

1. Report in section A for the year the amounts for : (b) Depreciation Expense (Account 403; (c) Depreciation Expense for Asset Retirement Costs (Account 403.1; (d) Amortization of Limited-Term Electric Plant (Account 404); and (e) Amortization of Other Electric Plant (Account 405).
2. Report in Section 8 the rates used to compute amortization charges for electric plant (Accounts 404 and 405). State the basis used to compute charges and whether any changes have been made in the basis or rates used from the preceding report year.
3. Report all available information called for in Section C every fifth year beginning with report year 1971, reporting annually only changes to columns (c) through (g) from the complete report of the preceding year.
Unless composite depreciation accounting for total depreciable plant is followed, list numerically in column (a) each plant subaccount, account or functional classification, as appropriate, to which a rate is applied. Identify at the bottom of Section C the type of plant included in any sub-account used.
In column (b) report all depreciable plant balances to which rates are applied showing subtotals by functional Classifications and showing composite total. Indicate at the bottom of section C the manner in which column balances are obtained. If average balances, state the method of averaging used.
For columns (c), (d), and (e) report available information for each plant subaccount, account or functional classification Listed in column (a). If plant mortality studies are prepared to assist in estimating average service Lives, show in column (f) the type mortality curve selected as most appropriate for the account and in column (g), if available, the weighted average remaining life of surviving plant. If composite depreciation accounting is used, report available information called for in columns (b) through (g) on this basis.
4. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of section C the amounts and nature of the provisions and the plant items to which related.

A. Summary of Depreciation and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Depreciation Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization of Limited Term Electric Plant (Account 404) (d)	Amortization of Other Electric Plant (Acc 405) (e)	Total (f)
1	Intangible Plant			696,711		696,711
2	Steam Production Plant					
3	Nuclear Production Plant					
4	Hydraulic Production Plant-Conventional					
5	Hydraulic Production Plant-Pumped Storage					
6	Other Production Plant					
7	Transmission Plant	551,272				551,272
8	Distribution Plant	5,860,774				5,860,774
9	Regional Transmission and Market Operation					
10	General Plant	98,068		77,677		175,745
11	Common Plant-Electric					
12	TOTAL	6,510,114		774,388		7,284,502

B. Basis for Amortization Charges

Section A Line 1 Column D represents amortization of capitalized software development costs over a 5 year life and costs associated with the Oracle strategic partnership which are over a 10 year life.
Section A, Line 10, Column D represents amortization of leasehold improvements over the lives of the related assets.

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DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	TRANSMISSION						
13	352	1,054					
14	353	30,169					
15	353.16	139					
16	354	765					
17	355	3,627					
18	356	2,366					
19	TOTAL TRANSMISSION	38,120					
20							
21	DISTRIBUTION						
22	361	778					
23	362	26,343					
24	364	26,915					
25	365	34,243					
26	366	5,716					
27	367	9,249					
28	368	27,581					
29	369	12,358					
30	370	6,889					
31	371	2,660					
32	373	8,675					
33	TOTAL DISTRIBUTION	161,407					
34							
35	GENERAL PLANT						
36	390	197					
37	391	149					
38	393	26					
39	394	1,411					
40	395	59					
41	397	1,180					
42	398	136					
43	TOTAL GENERAL PLANT	3,158					
44							
45	DEPRECIABLE SUM	202,685					
46							
47							
48							
49							
50							

Schedule Page: 336   Line No.: 45   Column: b

The depreciable plant base is November 30, 2018 total company depreciable plant.

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Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

REGULATORY COMMISSION EXPENSES

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years, if being amortized) relating to format cases before a regulatory body, or cases in which such a body was a party.
2. Report in columns (b) and (c), only the current year's expenses that are not deferred and the current year's amortization of amounts deferred in previous years.

Line No.	Description (Furnish name of regulatory commission or body the docket or case number and a description of the case) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expense for Current Year (b) + (c) (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	Rate Case Support		31,766	31,766	
2					
3	Kingsport Rate Case		101,221	101,221	371,143
4	Amortization 09/2016 - 08/2021				
5	per TN Docket 16-00001				
6					
7	Minor Items < $25,000		1,183	1,183	
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
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36					
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38					
39					
40					
41					
42					
43					
44					
45					
46	TOTAL		134,170	134,170	371,143

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REGULATORY COMMISSION EXPENSES (Continued)

3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
4. List in column (f), (g), and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.
5. Minor items (less than $25,000) may be grouped.

EXPENSES INCURRED DURING YEAR				AMORTIZED DURING YEAR			
CURRENTLY CHARGED TO							
Department (f)	Account No. (g)	Amount (h)	Deferred to Account 182.3 (i)	Contra Account (j)	Amount (k)	Deferred in Account 182.3 End of Year (l)	Line No.
	928	31,766					1
							2
				928	101,221	269,922	3
							4
							5
							6
	928	1,183					7
							8
							9
							10
							11
							12
							13
							14
							15
							16
							17
							18
							19
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							40
							41
							42
							43
							44
							45
		32,949			101,221	269,922	46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES

1. Describe and show below costs incurred and accounts charged during the year for technological research, development, and demonstration (R, D & D) project initiated, continued or concluded during the year. Report also support given to others during the year for jointly-sponsored projects.(Identify recipient regardless of affiliation.) For any R, D & D work carried with others, show separately the respondent's cost for the year and cost chargeable to others (See definition of research, development, and demonstration in Uniform System of Accounts).
2. Indicate in column (a) the applicable classification, as shown below:

Classifications:

A. Electric R, D & D Performed Internally:
- (1) Generation
  - a. hydroelectric
    - i. Recreation fish and wildlife
    - ii Other hydroelectric
  - b. Fossil-fuel steam
  - c. Internal combustion or gas turbine
  - d. Nuclear
  - e. Unconventional generation
  - f. Siting and heat rejection
- (2) Transmission
  - a. Overhead
  - b. Underground
- (3) Distribution
- (4) Regional Transmission and Market Operation
- (5) Environment (other than equipment)
- (6) Other (Classify and include items in excess of $50,000.)
- (7) Total Cost Incurred

B. Electric, R, D & D Performed Externally:
- (1) Research Support to the electrical Research Council or the Electric Power Research Institute

Line No.	Classification (a)	Description (b)
1	PERFORMED INTERNALLY	
2		
3	A(2) Transmission	1 item under $50,000
4		
5	A(3) Distribution	2 items under $50,000
6		
7	A(6) Other	3 items under $50,000
8		
9	A(6)f AMI Test Bed Development	1 item under $50,000
10		
11	A(6)g DTC Walnut Maintenance	1 item under $50,000
12		
13	A(7) TOTAL COST INCURRED INTERNALLY	
14		
15	PERFORMED EXTERNALLY	
16	B: Electric R, D & D Externally	6 items under $50,000
17		
18	B(1) Research Support to Elec. Research	8 items under $50,000
19	Council or Elec. Power Research Inst.	
20		
21	B(4) Steam Power	1 item under $50,000
22		
23	B(5) TOTAL COST INCURRED EXTERNALLY	
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		

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RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES (Continued)

(2) Research Support to Edison Electric Institute
(3) Research Support to Nuclear Power Groups
(4) Research Support to Others (Classify)
(5) Total Cost Incurred

3. Include in column (c) all R, D & D items performed internally and in column (d) those items performed outside the company costing $50,000 or more, briefly describing the specific area of R, D & D (such as safety, corrosion control, pollution, automation, measurement, insulation, type of appliance, etc.). Group items under $50,000 by classifications and indicate the number of items grouped. Under Other, (A (6) and B (4)) classify items by type of R, D & D activity.
4. Show in column (e) the account number charged with expenses during the year or the account to which amounts were capitalized during the year, listing Account 107, Construction Work in Progress, first. Show in column (f) the amounts related to the account charged in column (e)
5. Show in column (g) the total unamortized accumulating of costs of projects. This total must equal the balance in Account 188, Research, Development, and Demonstration Expenditures, Outstanding at the end of the year.
6. If costs have not been segregated for R, D &D activities or projects, submit estimates for columns (c), (d), and (f) with such amounts identified by "Est."
7. Report separately research and related testing facilities operated by the respondent.

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR		Unamortized Accumulation (g)	Line No.
		Account (e)	Amount (f)		
					1
					2
161		566	161		3
					4
447		588	447		5
					6
527		566,588	527		7
					8
246		588	246		9
					10
256		566,588	256		11
					12
1,637			1,637		13
					14
					15
	2,365	566,588	2,365		16
					17
	8,139	566,588	8,139		18
					19
					20
	78	566,588	78		21
					22
	10,582		10,582		23
					24
					25
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					38

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production			
4	Transmission	1,366		
5	Regional Market			
6	Distribution	538,791		
7	Customer Accounts	340,195		
8	Customer Service and Informational	92,555		
9	Sales			
10	Administrative and General	-94,926		
11	TOTAL Operation (Enter Total of lines 3 thru 10)	877,981		
12	Maintenance			
13	Production			
14	Transmission	664		
15	Regional Market			
16	Distribution	1,325,168		
17	Administrative and General	793		
18	TOTAL Maintenance (Total of lines 13 thru 17)	1,326,625		
19	Total Operation and Maintenance			
20	Production (Enter Total of lines 3 and 13)			
21	Transmission (Enter Total of lines 4 and 14)	2,030		
22	Regional Market (Enter Total of Lines 5 and 15)			
23	Distribution (Enter Total of lines 6 and 16)	1,863,959		
24	Customer Accounts (Transcribe from line 7)	340,195		
25	Customer Service and Informational (Transcribe from line 8)	92,555		
26	Sales (Transcribe from line 9)			
27	Administrative and General (Enter Total of lines 10 and 17)	-94,133		
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	2,204,606	196,189	2,400,795
29	Gas			
30	Operation			
31	Production-Manufactured Gas			
32	Production-Nat. Gas (Including Expl. and Dev.)			
33	Other Gas Supply			
34	Storage, LNG Terminaling and Processing			
35	Transmission			
36	Distribution			
37	Customer Accounts			
38	Customer Service and Informational			
39	Sales			
40	Administrative and General			
41	TOTAL Operation (Enter Total of lines 31 thru 40)			
42	Maintenance			
43	Production-Manufactured Gas			
44	Production-Natural Gas (Including Exploration and Development)			
45	Other Gas Supply			
46	Storage, LNG Terminaling and Processing			
47	Transmission			

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DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
48	Distribution			
49	Administrative and General			
50	TOTAL Maint. (Enter Total of lines 43 thru 49)			
51	Total Operation and Maintenance			
52	Production-Manufactured Gas (Enter Total of lines 31 and 43)			
53	Production-Natural Gas (Including Expl. and Dev.) (Total lines 32,			
54	Other Gas Supply (Enter Total of lines 33 and 45)			
55	Storage, LNG Terminaling and Processing (Total of lines 31 thru			
56	Transmission (Lines 35 and 47)			
57	Distribution (Lines 36 and 48)			
58	Customer Accounts (Line 37)			
59	Customer Service and Informational (Line 38)			
60	Sales (Line 39)			
61	Administrative and General (Lines 40 and 49)			
62	TOTAL Operation and Maint. (Total of lines 52 thru 61)			
63	Other Utility Departments			
64	Operation and Maintenance			
65	TOTAL All Utility Dept. (Total of lines 28, 62, and 64)	2,204,606	196,189	2,400,795
66	Utility Plant			
67	Construction (By Utility Departments)			
68	Electric Plant	2,206,658	196,373	2,403,031
69	Gas Plant			
70	Other (provide details in footnote):			
71	TOTAL Construction (Total of lines 68 thru 70)	2,206,658	196,373	2,403,031
72	Plant Removal (By Utility Departments)			
73	Electric Plant	388,204	34,547	422,751
74	Gas Plant			
75	Other (provide details in footnote):			
76	TOTAL Plant Removal (Total of lines 73 thru 75)	388,204	34,547	422,751
77	Other Accounts (Specify, provide details in footnote):			
78	163 - Stores Expense Undistributed	238,776	-238,776	
79	184 - Clearing Accounts	188,334	-188,334	
80	185 - ODD Temporary Facilities	14,062		14,062
81	186 - Misc Deferred Debits	92,335		92,335
82	188 - Research & Development	-105		-105
83	426 - Political Activities	1,172		1,172
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94				
95	TOTAL Other Accounts	534,574	-427,110	107,464
96	TOTAL SALARIES AND WAGES	5,334,042	-1	5,334,041

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ELECTRIC ENERGY ACCOUNT

Report below the information called for concerning the disposition of electric energy generated, purchased, exchanged and wheeled during the year.

Line No.	Item (a)	MegaWatt Hours (b)	Line No.	Item (a)	MegaWatt Hours (b)
1	SOURCES OF ENERGY		21	DISPOSITION OF ENERGY	
2	Generation (Excluding Station Use):		22	Sales to Ultimate Consumers (Including Interdepartmental Sales)	2,053,098
3	Steam				
4	Nuclear		23	Requirements Sales for Resale (See instruction 4, page 311.)	
5	Hydro-Conventional				
6	Hydro-Pumped Storage		24	Non-Requirements Sales for Resale (See instruction 4, page 311.)	
7	Other				
8	Less Energy for Pumping		25	Energy Furnished Without Charge	
9	Net Generation (Enter Total of lines 3 through 8)		26	Energy Used by the Company (Electric Dept Only, Excluding Station Use)	
10	Purchases	2,108,476	27	Total Energy Losses	55,378
11	Power Exchanges:		28	TOTAL (Enter Total of Lines 22 Through 27) (MUST EQUAL LINE 20)	2,108,476
12	Received				
13	Delivered				
14	Net Exchanges (Line 12 minus line 13)				
15	Transmission For Other (Wheeling)				
16	Received				
17	Delivered				
18	Net Transmission for Other (Line 16 minus line 17)				
19	Transmission By Others Losses				
20	TOTAL (Enter Total of lines 9, 10, 14, 18 and 19)	2,108,476			

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MONTHLY PEAKS AND OUTPUT

1. Report the monthly peak load and energy output. If the respondent has two or more power which are not physically integrated, furnish the required information for each non- integrated system.
2. Report in column (b) by month the system's output in Megawatt hours for each month.
3. Report in column (c) by month the non-requirements sales for resale. Include in the monthly amounts any energy losses associated with the sales.
4. Report in column (d) by month the system's monthly maximum megawatt load (60 minute integration) associated with the system.
5. Report in column (e) and (f) the specified information for each monthly peak load reported in column (d).

NAME OF SYSTEM:

Line No.	Month (a)	Total Monthly Energy (b)	Monthly Non-Requirments Sales for Resale & Associated Losses (c)	MONTHLY PEAK Megawatts (See Instr. 4) (d)	MONTHLY PEAK Day of Month (e)	MONTHLY PEAK Hour (f)
29	January	231,310		484	18	800
30	February	163,597		351	9	800
31	March	179,383		334	15	800
32	April	157,747		298	10	800
33	May	157,140		287	25	1800
34	June	171,481		321	18	1700
35	July	184,989		333	3	1700
36	August	180,109		320	16	1700
37	September	169,444		319	4	1700
38	October	155,108		282	5	1700
39	November	171,239		349	29	800
40	December	186,929		367	11	800
41	TOTAL	2,108,476				

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TRANSMISSION LINE STATISTICS

1. Report information concerning transmission lines, cost of lines, and expenses for year. List each transmission line having nominal voltage of 132 kilovolts or greater. Report transmission lines below these voltages in group totals only for each voltage.
2. Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts. Do not report substation costs and expenses on this page.
3. Report data by individual lines for all voltages if so required by a State commission.
4. Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property.
5. Indicate whether the type of supporting structure reported in column (e) is: (1) single pole wood or steel; (2) H-frame wood, or steel poles; (3) tower; or (4) underground construction If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines. Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line.
6. Report in columns (f) and (g) the total pole miles of each transmission line. Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated; conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line. Report pole miles of line on leased or partly owned structures in column (g). In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated.

Line No.	DESIGNATION From (a)	DESIGNATION To (b)	VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase) Operating (c)	VOLTAGE Designed (d)	Type of Supporting Structure (e)	LENGTH (Pole miles) (In the case of underground lines report circuit miles) On Structure of Line Designated (f)	LENGTH On Structures of Another Line (g)	Number Of Circuits (h)
1	STATE OF TENNESSEE							
2	Holston Ordance Tap #2, TN		138.00	138.00	1	0.07		1
3	Short Hills Tap, TN		138.00	138.00	1	0.04		1
4	Broadford, VA	Nagel, TN	138.00	138.00	1	11.76	0.01	1
5					1	0.11		
6	North Bristol, VA	West Kingsport, TN	138.00	138.00	1	1.92	2.92	1
7	Holston, TN	Reedy Creek, TN	138.00	138.00	1		7.40	1
8	Clinch River, VA	Moreland Drive, TN	138.00	138.00	1	7.83		1
9	Nagel, TN	Reedy Creek, TN	138.00	138.00	1		5.61	1
10	Nagel, TN	West Kingsport, TN	138.00	138.00	1		3.25	1
11	Industry Drive, TN	West Kingsport, TN	138.00	138.00	1	0.37		1
12								
13								
14	Lines < 132 KV					30.81	0.08	
15								
16	Line cost and expense are	not available by individual						
17	transmission line	Total shown in Column j-p						
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36					TOTAL	52.91	19.27	9

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TRANSMISSION LINE STATISTICS (Continued)

7. Do not report the same transmission line structure twice. Report Lower voltage Lines and higher voltage lines as one line. Designate in a footnote if you do not include Lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)
8. Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.
9. Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.
10. Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.

Size of Conductor and Material (i)	COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way)			EXPENSES, EXCEPT DEPRECIATION AND TAXES				Line No.
	Land (j)	Construction and Other Costs (k)	Total Cost (l)	Operation Expenses (m)	Maintenance Expenses (n)	Rents (o)	Total Expenses (p)	
								1
4/0 ACSR								2
556KCM ACSR								3
556KCM ACSR								4
								5
556KCM ACSR								6
556KCM ACSR								7
556KCM ACSR								8
556KCM ACSR								9
556KCM ACSR								10
795KCM ACSR								11
								12
								13
								14
								15
	714,128	6,757,949	7,472,077	27,215	35,710		62,925	16
								17
								18
								19
								20
								21
								22
								23
								24
								25
								26
								27
								28
								29
								30
								31
								32
								33
								34
								35
	714,128	6,757,949	7,472,077	27,215	35,710		62,925	36

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	 Secondary (d)	 Tertiary (e)
1	BLUE RIDGE GLASS - TN	D	34.50	7.20	
2	BLUE RIDGE GLASS - TN	D	34.50	12.00	
3	BORDEN MILLS - TN	D	34.50	12.00	
4	CUMBERLAND - TN	D	34.50	12.00	
5	CUMBERLAND - TN	D	34.50		
6	EDENS RIDGE - TN	D	138.00	13.09	
7	FORT ROBINSON - TN	T	138.00	69.00	34.50
8	HIGHLAND (KGP) - TN	D	34.50	12.00	
9	HOLSTON(KGP) - TN	T	138.00	13.09	
10	HOLSTON(KGP) - TN	T	138.00	34.50	
11	HOLSTON(KGP) - TN	T	138.00	35.00	
12	HOLSTON(KGP) - TN	T	138.00	69.00	34.50
13	HOLSTON(KGP) - TN	T	138.00		
14	HOLSTON(KGP) - TN	T	34.50		
15	HOLSTON(KGP) - TN	T	138.00	13.09	
16	INDIAN SPRINGS - TN	D	138.00	13.09	
17	KYLE HILL - TN	D	34.50	12.00	
18	LOVEDALE - TN	D	34.50	12.00	
19	OREBANK - TN	D	138.00	13.09	
20	REEDY CREEK - TN	T	69.00	12.00	
21	REEDY CREEK - TN	T	138.00	69.00	34.50
22	REEDY CREEK - TN	T	138.00		
23	ROTHERWOOD - TN	D	34.50	12.00	
24	SHORT HILLS - TN	D	138.00	13.09	
25	SULLIVAN GARDENS - TN	D	138.00	13.09	
26	SULLIVAN GARDENS - TN	D	138.00		
27	WASTE WATER - TN	D	34.50	4.00	
28	WELLMONT - TN	D	34.50	13.09	
29	WEST KINGSPORT - TN	T	138.00	34.50	
30	WEST KINGSPORT - TN	T	138.00	70.50	36.40
31	WEST KINGSPORT - TN	T	138.00		
32	WEST KINGSPORT - TN	T	34.50		
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SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
5	1					1
22	1					2
20	1					3
22	1					4
			STATCAP	1	14	5
22	1					6
84	1					7
25	2					8
22	1					9
30	1					10
45	1					11
75	1					12
			STATCAP	1	50	13
			STATCAP	1	14	14
11		1				15
22	1					16
13	1					17
19	2					18
20	1					19
22	1					20
60	1					21
			STATCAP	1	58	22
19	2					23
42	2					24
20	1					25
			STATCAP	1	29	26
6	2					27
12	1					28
25	1					29
130	1					30
			STATCAP	1	53	31
			STATCAP	1	14	32
						33
						34
						35
						36
						37
						38
						39
						40

Name of Respondent Kingsport Power Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2018/Q4

TRANSACTIONS WITH ASSOCIATED (AFFILIATED) COMPANIES

1. Report below the information called for concerning all non-power goods or services received from or provided to associated (affiliated) companies.
2. The reporting threshold for reporting purposes is $250,000. The threshold applies to the annual amount billed to the respondent or billed to an associated/affiliated company for non-power goods and services. The good or service must be specific in nature. Respondents should not attempt to include or aggregate amounts in a nonspecific category such as "general".
3. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote.

Line No.	Description of the Non-Power Good or Service (a)	Name of Associated/Affiliated Company (b)	Account Charged or Credited (c)	Amount Charged or Credited (d)
1	**Non-power Goods or Services Provided by Affiliated**			
2				
3	Construction Services	APCo	107,108	661,176
4	Construction Services	AEPSC	107,108	2,776,179
5	Corporate Accounting	AEPSC	920, 923	445,444
6	Customer Accounts Expenses	AEPSC	901-905	858,373
7	Distribution Expenses - Maintenance	APCo	592-598	564,051
8	Distribution Expenses - Operation	AEPSC	580, 582-4, 586-9	380,506
9	Factored Customer A/R Expenses	AEP Credit	426.5	448,825
10	Information Technology	AEPSC	920, 923	282,350
11	Materials and Supplies	APCo	Various	2,534,615
12	Transmission Expenses - Operation	AEPSC	Various	503,953
13				
14				
15				
16				
17				
18				
19				
20	**Non-power Goods or Services Provided for Affiliate**			
21	Construction Services	APCo	107,108	1,607,988
22	Distribution Expenses - Maintenance	APCo	590, 593-598	786,641
23	Distribution Expenses - Operation	APCo	580, 583-4, 586-8	341,044
24	Materials and Supplies	APCo	154	843,704
25				
26				
27				
28				
29				
30				
31				
32				
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34				
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42				

Schedule Page: 429 Line No.: 5 Column: b

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

Schedule Page: 429 Line No.: 11 Column: c

107, 154, 163, 184, 562, 566, 586, 588, 592-595, 598, 935

Schedule Page: 429 Line No.: 12 Column: c

560, 561.1, 561.2, 561.5, 561.6, 562, 563, 566, 920, 923