

# AEP Generating Company

2023 Third Quarter Report

Financial Statements



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## GLOSSARY OF TERMS

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

<b>Term</b>	<b>Meaning</b>
AEGCo	AEP Generating Company, an AEP electric utility subsidiary.
AEP	American Electric Power Company, Inc., an investor-owned electric public utility holding company which includes American Electric Power Company, Inc. (Parent) and majority owned consolidated subsidiaries and consolidated affiliates.
AEP System	American Electric Power System, an electric system, owned and operated by AEP subsidiaries.
AFUDC	Allowance for Funds Used During Construction.
Excess ADIT	Excess accumulated deferred income taxes.
FASB	Financial Accounting Standards Board.
FERC	Federal Energy Regulatory Commission.
GAAP	Accounting Principles Generally Accepted in the United States of America.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IRS	Internal Revenue Service.
MW	Megawatt.
OPEB	Other Postretirement Benefits.
Parent	American Electric Power Company, Inc., the equity owner of AEP subsidiaries within the AEP consolidation.
Rockport Plant	A generation plant, jointly owned by AEGCo and I&M, consisting of two 1,310 MW coal-fired generating units near Rockport, Indiana.
Tax Reform	On December 22, 2017, President Trump signed into law legislation referred to as the “Tax Cuts and Jobs Act” (the TCJA). The TCJA includes significant changes to the Internal Revenue Code of 1986, including a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.
UMWA	United Mine Workers of America.
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.

**AEP GENERATING COMPANY**  
**CONDENSED STATEMENTS OF INCOME**  
For the Three and Nine Months Ended September 30, 2023 and 2022  
(in thousands)  
(Unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>REVENUES</b>				
Sales to AEP Affiliates	\$ 56,862	\$ 94,803	\$139,364	\$263,665
Other Revenues – Affiliated	2,955	4,158	10,525	9,486
Other Revenues – Nonaffiliated	54	116	164	236
<b>TOTAL REVENUES</b>	<b>59,871</b>	<b>99,077</b>	<b>150,053</b>	<b>273,387</b>
<b>EXPENSES</b>				
Fuel and Other Consumables Used for Electric Generation	28,963	38,063	53,199	99,310
Other Operation	6,259	1,529	17,066	7,249
Maintenance	3,651	5,300	15,629	13,191
Depreciation and Amortization	15,176	45,750	45,591	136,582
Taxes Other Than Income Taxes	(167)	1,534	3,662	4,864
<b>TOTAL EXPENSES</b>	<b>53,882</b>	<b>92,176</b>	<b>135,147</b>	<b>261,196</b>
<b>OPERATING INCOME</b>	<b>5,989</b>	<b>6,901</b>	<b>14,906</b>	<b>12,191</b>
<b>Other Income (Expense):</b>				
Interest Income	—	915	51	1,480
Allowance for Equity Funds Used During Construction	—	17	8	208
Non-Service Cost Components of Net Periodic Benefit Cost	734	1,167	2,202	3,499
Interest Expense	(2,352)	(1,852)	(6,421)	(4,374)
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	<b>4,371</b>	<b>7,148</b>	<b>10,746</b>	<b>13,004</b>
Income Tax Expense	2,251	1,337	2,461	3,083
<b>NET INCOME</b>	<b>\$ 2,120</b>	<b>\$ 5,811</b>	<b>\$ 8,285</b>	<b>\$ 9,921</b>

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

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

**AEP GENERATING COMPANY**  
**CONDENSED STATEMENTS OF CHANGES IN**  
**COMMON SHAREHOLDER'S EQUITY**  
**For the Nine Months Ended September 30, 2023 and 2022**  
**(in thousands)**  
**(Unaudited)**

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2021</b>	\$ 1,000	\$ 165,487	\$ 27,235	\$ 193,722
Net Income			3,911	3,911
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2022</b>	1,000	165,487	31,146	197,633
Capital Contribution from Parent		771		771
Net Income			199	199
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - JUNE 30, 2022</b>	1,000	166,258	31,345	198,603
Capital Contribution from Parent		386		386
Common Stock Dividends			(10,000)	(10,000)
Net Income			5,811	5,811
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - SEPTEMBER 30, 2022</b>	<u>\$ 1,000</u>	<u>\$ 166,644</u>	<u>\$ 27,156</u>	<u>\$ 194,800</u>
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - DECEMBER 31, 2022</b>	\$ 1,000	\$ 142,684	\$ 13,138	\$ 156,822
Return of Capital to Parent		(17,500)		(17,500)
Common Stock Dividends			(5,000)	(5,000)
Net Income			3,651	3,651
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - MARCH 31, 2023</b>	1,000	125,184	11,789	137,973
Return of Capital to Parent		(1,021)		(1,021)
Net Income			2,514	2,514
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - JUNE 30, 2023</b>	1,000	124,163	14,303	139,466
Capital Contribution from Parent		222		222
Net Income			2,120	2,120
<b>TOTAL COMMON SHAREHOLDER'S EQUITY - SEPTEMBER 30, 2023</b>	<u>\$ 1,000</u>	<u>\$ 124,385</u>	<u>\$ 16,423</u>	<u>\$ 141,808</u>

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

**AEP GENERATING COMPANY**  
**CONDENSED BALANCE SHEETS**  
**ASSETS**  
**September 30, 2023 and December 31, 2022**  
**(in thousands)**  
**(Unaudited)**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>CURRENT ASSETS</b>		
<hr/>		
Accounts Receivable:		
Affiliated Companies	\$ 21,197	\$ 37,300
Miscellaneous	868	—
Total Accounts Receivable	22,065	37,300
Fuel	78,598	46,523
Materials and Supplies	18,848	18,195
Prepayments and Other Current Assets	5,139	10,274
<b>TOTAL CURRENT ASSETS</b>	<b>124,650</b>	<b>112,292</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
<hr/>		
Electric Generation	1,341,524	1,334,839
Other Property, Plant and Equipment	40,983	38,725
Construction Work in Progress	22,716	9,215
<b>Total Property, Plant and Equipment</b>	1,405,223	1,382,779
Accumulated Depreciation and Amortization	1,053,507	1,005,478
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT – NET</b>	<b>351,716</b>	<b>377,301</b>
<b>OTHER NONCURRENT ASSETS</b>		
<hr/>		
Regulatory Assets	1,578	2,470
Operating Lease Assets	7,312	8,450
Deferred Charges and Other Noncurrent Assets	13,197	10,076
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b>22,087</b>	<b>20,996</b>
<b>TOTAL ASSETS</b>	<b>\$ 498,453</b>	<b>\$ 510,589</b>

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

**AEP GENERATING COMPANY**  
**CONDENSED BALANCE SHEETS**  
**LIABILITIES AND COMMON SHAREHOLDER'S EQUITY**  
**September 30, 2023 and December 31, 2022**  
**(Unaudited)**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>CURRENT LIABILITIES</b>		
(in thousands)		
Advances from Affiliates	\$ 24,227	\$ 3,695
Accounts Payable:		
General	3,560	2,428
Affiliated Companies	13,619	25,627
Long-term Debt Due Within One Year – Nonaffiliated	5,000	5,000
Accrued Taxes	10,996	7,081
Obligations Under Finance Leases	2,368	2,356
Obligations Under Operating Leases	4,289	4,199
Other Current Liabilities	2,428	3,500
<b>TOTAL CURRENT LIABILITIES</b>	<b>66,487</b>	<b>53,886</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term Debt – Nonaffiliated	149,429	149,332
Regulatory Liabilities and Deferred Investment Tax Credits	92,397	99,720
Asset Retirement Obligations	27,562	24,919
Obligations Under Operating Leases	1,656	3,965
Deferred Credits and Other Noncurrent Liabilities	19,114	21,945
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>290,158</b>	<b>299,881</b>
<b>TOTAL LIABILITIES</b>	<b>356,645</b>	<b>353,767</b>
Commitments and Contingencies (Note 4)		
<b>COMMON SHAREHOLDER'S EQUITY</b>		
Common Stock – Par Value – \$1,000 Per Share:		
Authorized – 1,000 Shares		
Outstanding – 1,000 Shares	1,000	1,000
Paid-in Capital	124,385	142,684
Retained Earnings	16,423	13,138
<b>TOTAL COMMON SHAREHOLDER'S EQUITY</b>	<b>141,808</b>	<b>156,822</b>
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>	<b>\$ 498,453</b>	<b>\$ 510,589</b>

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

**AEP GENERATING COMPANY**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**For the Nine Months Ended September 30, 2023 and 2022**  
**(in thousands)**  
**(Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net Income</b>	\$ 8,285	\$ 9,921
<b>Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:</b>		
Depreciation and Amortization	45,591	136,582
Deferred Income Taxes	(3,347)	(4,130)
Allowance for Equity Funds Used During Construction	(8)	(208)
Change in Other Noncurrent Assets	(552)	1,215
Change in Other Noncurrent Liabilities	(894)	(7,724)
<b>Changes in Certain Components of Working Capital:</b>		
Accounts Receivable	15,235	8,076
Fuel, Materials and Supplies	(32,728)	9,920
Accounts Payable	(10,921)	18,021
Accrued Taxes, Net	6,790	(2,429)
Other Current Assets	4,857	(3,476)
Other Current Liabilities	(5,591)	(3,414)
<b>Net Cash Flows from Operating Activities</b>	<u>26,717</u>	<u>162,354</u>
<b>INVESTING ACTIVITIES</b>		
Construction Expenditures	(22,248)	(7,459)
Change in Advances to Affiliates, Net	—	(108,653)
Other Investing Activities	—	863
<b>Net Cash Flows Used for Investing Activities</b>	<u>(22,248)</u>	<u>(115,249)</u>
<b>FINANCING ACTIVITIES</b>		
Capital Contribution from Parent	222	1,157
Return of Capital to Parent	(18,521)	—
Issuance of Long-term Debt – Nonaffiliated	—	44,824
Change in Advances from Affiliates, Net	20,532	—
Retirement of Long-term Debt – Nonaffiliated	—	(45,000)
Principal Payments for Finance Lease Obligations	(1,663)	(38,100)
Dividends Paid on Common Stock	(5,000)	(10,000)
Other Financing Activities	(39)	14
<b>Net Cash Flows Used for Financing Activities</b>	<u>(4,469)</u>	<u>(47,105)</u>
<b>Net Change in Cash and Cash Equivalents</b>	—	—
<b>Cash and Cash Equivalents at Beginning of Period</b>	—	—
<b>Cash and Cash Equivalents at End of Period</b>	<u>\$ —</u>	<u>\$ —</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Cash Paid for Interest, Net of Capitalized Amounts	\$ 6,149	\$ 3,419
Net Cash Paid for Income Taxes	1,377	10,723
Noncash Acquisitions Under Finance Leases	1,648	32
Construction Expenditures Included in Current Liabilities as of September 30,	9	77

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



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## **1. SIGNIFICANT ACCOUNTING MATTERS**

### ***General***

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

In the opinion of management, the unaudited condensed interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair statement of the net income, financial position and cash flows for the interim periods. Net income for the three and nine months ended September 30, 2023 is not necessarily indicative of results that may be expected for the year ending December 31, 2023. The condensed financial statements are unaudited and should be read in conjunction with the audited 2022 financial statements and notes thereto, which are included in AEGCo's 2022 Annual Report.

### ***Subsequent Events***

Management reviewed subsequent events through November 2, 2023, the date that the third quarter 2023 report was available to be issued.

## **2. NEW ACCOUNTING STANDARDS**

During the FASB's standard-setting process and upon issuance of final standards, management reviews the new accounting literature to determine its relevance, if any, to AEGCo's business. There are no new standards expected to have a material impact on AEGCo's financial statements.

### **3. RATE MATTERS**

#### ***Request to Update AEGCo Depreciation Rates***

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

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

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

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

For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements. The Commitments, Guarantees and Contingencies note within AEGCo's 2022 Annual Report should be read in conjunction with this report.

#### **GUARANTEES**

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

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

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

AEGCo enters into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, sale agreements, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. With respect to sale agreements, exposure generally does not exceed the sale price. As of September 30, 2023, there were no material liabilities recorded for any indemnifications.

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

AEGCo leases certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, AEGCo is committed to pay the difference between the actual fair value and the residual value guarantee. Historically, at the end of the lease term the fair value has been in excess of the amount guaranteed. As of September 30, 2023, the maximum potential loss for these lease agreements was \$25 thousand assuming the fair value of the equipment is zero at the end of the lease term.

## 5. BENEFIT PLANS

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

### *Components of Net Periodic Benefit Credit*

The following tables provide the components of AEGCo's net periodic benefit credit for the plans:

	<b>Pension Plans</b>		<b>OPEB</b>	
	<b>Three Months Ended September 30, 2023</b>	<b>2022</b>	<b>Three Months Ended September 30, 2023</b>	<b>2022</b>
	<b>(in thousands)</b>			
Service Cost	\$ 15	\$ 23	\$ 72	\$ 198
Interest Cost	31	22	503	401
Expected Return on Plan Assets	(82)	(59)	(805)	(691)
Amortization of Prior Service Credit	—	—	(15)	(17)
Amortization of Net Actuarial Loss	—	9	3	—
<b>Net Periodic Benefit Credit</b>	<b>\$ (36)</b>	<b>\$ (5)</b>	<b>\$ (242)</b>	<b>\$ (109)</b>

	<b>Pension Plans</b>		<b>OPEB</b>	
	<b>Nine Months Ended September 30, 2023</b>	<b>2022</b>	<b>Nine Months Ended September 30, 2023</b>	<b>2022</b>
	<b>(in thousands)</b>			
Service Cost	\$ 46	\$ 68	\$ 218	\$ 593
Interest Cost	93	68	1,508	1,205
Expected Return on Plan Assets	(245)	(178)	(2,415)	(2,073)
Amortization of Prior Service Credit	—	—	(46)	(52)
Amortization of Net Actuarial Loss	—	28	8	—
<b>Net Periodic Benefit Credit</b>	<b>\$ (106)</b>	<b>\$ (14)</b>	<b>\$ (727)</b>	<b>\$ (327)</b>

## 6. FAIR VALUE MEASUREMENTS

### *Fair Value Hierarchy and Valuation Techniques*

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

### *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 AEGCo’s Long-term Debt are summarized in the following table:

	<b>September 30, 2023</b>		<b>December 31, 2022</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Fair Value</b>
Long-term Debt	\$ 154,429	\$ 149,121	\$ 154,332	\$ 149,895

(in thousands)

## 7. INCOME TAXES

### *Effective Tax Rates (ETR)*

AEGCo's interim ETR reflects the estimated annual ETR for 2023 and 2022, adjusted for tax expense associated with certain discrete items.

AEGCo includes the amortization of Excess ADIT not subject to normalization requirements in the annual estimated ETR when regulatory proceedings instruct AEGCo to provide the benefits of Tax Reform to customers over multiple interim periods. Certain regulatory proceedings instruct AEGCo to provide the benefits of Tax Reform to customers in a single period (e.g. by applying the Excess ADIT not subject to normalization requirements against an existing regulatory asset balance) and in these circumstances, AEGCo recognizes the tax benefit discretely in the period recorded. The annual amount of Excess ADIT approved by AEGCo's regulatory commissions may not impact the ETR ratably during each interim period due to the variability of pretax book income between interim periods and the application of an annual estimated ETR.

The ETR for AEGCo are included in the following table:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
U.S. Federal Statutory Rate	21.0 %	21.0 %	21.0 %	21.0 %
Increase (decrease) due to:				
State Income Tax, net of Federal Benefit	3.3 %	15.5 %	5.5 %	10.2 %
Tax Reform Excess ADIT Reversal	24.8 %	(10.5)%	(7.2)%	(9.3)%
Production and Investment Tax Credits	— %	(10.9)%	— %	(9.8)%
Flow Through	1.4 %	0.7 %	2.6 %	0.5 %
AFUDC Equity	— %	(0.5)%	— %	(0.5)%
Discrete Tax Adjustments	0.2 %	5.7 %	0.1 %	12.0 %
Other	0.8 %	(2.3)%	0.9 %	(0.4)%
Effective Income Tax Rate	<u>51.5 %</u>	<u>18.7 %</u>	<u>22.9 %</u>	<u>23.7 %</u>

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

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

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

AEGCo and other AEP subsidiaries file income tax returns in various state and local jurisdictions. These taxing authorities routinely examine the tax returns, and AEGCo and other AEP subsidiaries are currently under examination in several state and local jurisdictions. Generally, the statutes of limitations have expired for tax years prior to 2017. In addition, management is monitoring and continues to evaluate the potential impact of federal legislation and corresponding state conformity.



## 8. FINANCING ACTIVITIES

### *Long-term Debt*

AEGCo did not have any long-term debt issuances or retirements during the first nine months of 2023.

### *Dividend Restrictions*

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

AEGCo has credit agreements that contain a covenant that limit its debt to capitalization ratio to 67.5%. As of September 30, 2023, AEGCo did not exceed its debt to capitalization limit. The method for calculating outstanding debt and capitalization is contractually-defined in the credit agreements.

### *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 its agreement filed with the FERC. The amounts of outstanding borrowings from the Utility Money Pool as of September 30, 2023 and December 31, 2022 are included in Advances from Affiliates on AEGCo's balance sheets. AEGCo's Utility Money Pool activity and corresponding authorized borrowing limit for the nine months ended September 30, 2023 are described in the following table:

<b>Maximum Borrowings from the Utility Money Pool</b>	<b>Maximum Loans to the Utility Money Pool</b>	<b>Average Borrowings from the Utility Money Pool</b>	<b>Average Loans to the Utility Money Pool</b>	<b>Borrowings from the Utility Money Pool as of September 30, 2023</b>	<b>Authorized Short-Term Borrowing Limit</b>
(in thousands)					
\$ 55,232	\$ 12,622	\$ 28,541	\$ 7,510	\$ 24,227	\$ 150,000

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

<b>Nine Months Ended September 30,</b>	<b>Maximum Interest Rate for Funds Borrowed from the Utility Money Pool</b>	<b>Minimum Interest Rate for Funds Borrowed from the Utility Money Pool</b>	<b>Maximum Interest Rate for Funds Loaned to the Utility Money Pool</b>	<b>Minimum Interest Rate for Funds Loaned to the Utility Money Pool</b>	<b>Average Interest Rate for Funds Borrowed from the Utility Money Pool</b>	<b>Average Interest Rate for Funds Loaned to the Utility Money Pool</b>
2023	5.81 %	4.66 %	5.18 %	4.97 %	5.62 %	5.10 %
2022	— %	— %	3.39 %	0.10 %	— %	1.58 %

## **9. REVENUE FROM CONTRACTS WITH CUSTOMERS**

### ***Disaggregated Revenues from Contracts with Customers***

AEGCo's statements of income represent revenues from contracts with customers by type of revenue. AEGCo did not have alternative revenues for the three months ended and nine months ended September 30, 2023 and 2022, respectively.

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

As of September 30, 2023, there are no fixed performance obligations related to AEGCo.

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

Contract assets are recognized when AEGCo has a right to consideration that is conditional upon the occurrence of an event other than the passage of time, such as future performance under a contract. AEGCo did not have material contract assets as of September 30, 2023 and December 31, 2022, respectively.

When AEGCo receives consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, they recognize a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. AEGCo did not have material contract liabilities as of September 30, 2023 and December 31, 2022, respectively.

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

Accounts receivable from contracts with customers are presented on AEGCo's balance sheets within the Accounts Receivable - Affiliated Companies line item. AEGCo's balances for receivables from contracts that are not recognized in accordance with the accounting guidance for "Revenue from Contracts with Customers" included in Accounts Receivable - Affiliated Companies were not material as of September 30, 2023 and December 31, 2022, respectively.