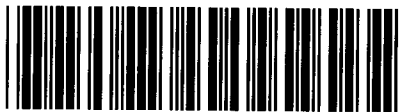




Control Number: 35588



Item Number: 244

Addendum StartPage: 0

THIS FILING IS

Item 1: ☒ An Initial (Original) Submission OR ☐ Resubmission No. ____

Form 1 Approved
OMB No.1902-0021
(Expires 11/30/2016)
Form 1-F Approved
OMB No.1902-0029
(Expires 11/30/2016)
Form 3-Q Approved
OMB No.1902-0205
(Expires 11/30/2016)



RECEIVED
2015 AUG 27 PM 2:52
PUBLIC UTILITY COMMISSION
FILING CLERK

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)

Southwestern Electric Power Company

Year/Period of Report

End of 2015/Q2

244

INSTRUCTIONS FOR FILING FERC FORM NOS. 1 and 3-Q

GENERAL INFORMATION

I. Purpose

FERC Form No. 1 (FERC Form 1) is an annual regulatory requirement for Major electric utilities, licensees and others (18 C.F.R. § 141.1). FERC Form No. 3-Q (FERC Form 3-Q) is a quarterly regulatory requirement which supplements the annual financial reporting requirement (18 C.F.R. § 141.400). These reports are designed to collect financial and operational information from electric utilities, licensees and others subject to the jurisdiction of the Federal Energy Regulatory Commission. These reports are also considered to be non-confidential public use forms.

II. Who Must Submit

Each Major electric utility, licensee, or other, as classified in the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject To the Provisions of The Federal Power Act (18 C.F.R. Part 101), must submit FERC Form 1 (18 C.F.R. § 141.1), and FERC Form 3-Q (18 C.F.R. § 141.400).

Note: Major means having, in each of the three previous calendar years, sales or transmission service that exceeds one of the following:

- (1) one million megawatt hours of total annual sales,
- (2) 100 megawatt hours of annual sales for resale,
- (3) 500 megawatt hours of annual power exchanges delivered, or
- (4) 500 megawatt hours of annual wheeling for others (deliveries plus losses).

III. What and Where to Submit

(a) Submit FERC Forms 1 and 3-Q electronically through the forms submission software. Retain one copy of each report for your files. Any electronic submission must be created by using the forms submission software provided free by the Commission at its web site: <http://www.ferc.gov/docs-filing/eforms/form-1/elec-subm-soft.asp>. The software is used to submit the electronic filing to the Commission via the Internet.

(b) The Corporate Officer Certification must be submitted electronically as part of the FERC Forms 1 and 3-Q filings.

(c) Submit immediately upon publication, by either eFiling or mail, two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders. Unless eFiling the Annual Report to Stockholders, mail the stockholders report to the Secretary of the Commission at:

Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

(d) For the CPA Certification Statement, submit within 30 days after filing the FERC Form 1, a letter or report (not applicable to filers classified as Class C or Class D prior to January 1, 1984). The CPA Certification Statement can be either eFiled or mailed to the Secretary of the Commission at the address above.

The CPA Certification Statement should:

- a) Attest to the conformity, in all material aspects, of the below listed (schedules and pages) with the Commission's applicable Uniform System of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and
- b) Be signed by independent certified public accountants or an independent licensed public accountant certified or licensed by a regulatory authority of a State or other political subdivision of the U. S. (See 18 C.F.R. §§ 41.10-41.12 for specific qualifications.)

<u>Reference Schedules</u>	<u>Pages</u>
Comparative Balance Sheet	110-113
Statement of Income	114-117
Statement of Retained Earnings	118-119
Statement of Cash Flows	120-121
Notes to Financial Statements	122-123

- e) The following format must be used for the CPA Certification Statement unless unusual circumstances or conditions, explained in the letter or report, demand that it be varied. Insert parenthetical phrases only when exceptions are reported.

"In connection with our regular examination of the financial statements of _____ for the year ended on which we have reported separately under date of _____, we have also reviewed schedules

_____ of FERC Form No. 1 for the year filed with the Federal Energy Regulatory Commission, for conformity in all material respects with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Our review for this purpose included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Based on our review, in our opinion the accompanying schedules identified in the preceding paragraph (except as noted below) conform in all material respects with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases."

The letter or report must state which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist.

- (f) Filers are encouraged to file their Annual Report to Stockholders, and the CPA Certification Statement using eFiling. To further that effort, new selections, "Annual Report to Stockholders," and "CPA Certification Statement" have been added to the dropdown "pick list" from which companies must choose when eFiling. Further instructions are found on the Commission's website at <http://www.ferc.gov/help/how-to.asp>.

- (g) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form 1 and 3-Q free of charge from <http://www.ferc.gov/docs-filing/eforms/form-1/form-1.pdf> and <http://www.ferc.gov/docs-filing/eforms.asp#3Q-gas>.

IV. When to Submit:

FERC Forms 1 and 3-Q must be filed by the following schedule:

- a) FERC Form 1 for each year ending December 31 must be filed by April 18th of the following year (18 CFR § 141.1), and
- b) FERC Form 3-Q for each calendar quarter must be filed within 60 days after the reporting quarter (18 C.F.R. § 141.400).

V. Where to Send Comments on Public Reporting Burden.

The public reporting burden for the FERC Form 1 collection of information is estimated to average 1,144 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data-needed, and completing and reviewing the collection of information. The public reporting burden for the FERC Form 3-Q collection of information is estimated to average 150 hours per response.

Send comments regarding these burden estimates or any aspect of these collections of information, including suggestions for reducing burden, to the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426 (Attention: Information Clearance Officer); and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission). No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. § 3512 (a)).

GENERAL INSTRUCTIONS

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR Part 101) (USofA). Interpret all accounting words and phrases in accordance with the USofA.
- II. Enter in whole numbers (dollars or MWH) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important. The truncating of cents is allowed except on the four basic financial statements where rounding is required.) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's year to date amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2 and 3.
- V. Enter the month, day, and year for all dates. Use customary abbreviations. **The "Date of Report" included in the header of each page is to be completed only for resubmissions** (see VII. below).
- VI. Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses.
- VII. For any resubmissions, submit the electronic filing using the form submission software only. Please explain the reason for the resubmission in a footnote to the data field.
- VIII. Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized.
- IX. Wherever (schedule) pages refer to figures from a previous period/year, the figures reported must be based upon those shown by the report of the previous period/year, or an appropriate explanation given as to why the different figures were used.

Definitions for statistical classifications used for completing schedules for transmission system reporting are as follows:

FNS - Firm Network Transmission Service for Self. "Firm" means service that can not be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff. "Self" means the respondent.

FNO - Firm Network Service for Others. "Firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff.

LFP - for Long-Term Firm Point-to-Point Transmission Reservations. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Point-to-Point Transmission Reservations" are described in Order No. 888 and the Open Access Transmission Tariff. For all transactions identified as LFP, provide in a footnote the

termination date of the contract defined as the earliest date either buyer or seller can unilaterally cancel the contract.

OLF - Other Long-Term Firm Transmission Service. Report service provided under contracts which do not conform to the terms of the Open Access Transmission Tariff. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. For all transactions identified as OLF, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally get out of the contract.

SFP - Short-Term Firm Point-to-Point Transmission Reservations. Use this classification for all firm point-to-point transmission reservations, where the duration of each period of reservation is less than one-year.

NF - Non-Firm Transmission Service, where firm means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions.

OS - Other Transmission Service. Use this classification only for those services which can not be placed in the above-mentioned classifications, such as all other service regardless of the length of the contract and service FERC Form. Describe the type of service in a footnote for each entry.

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.

DEFINITIONS

I. Commission Authorization (Comm. Auth.) -- The authorization of the Federal Energy Regulatory Commission, or any other Commission. Name the commission whose authorization was obtained and give date of the authorization.

II. Respondent -- The person, corporation, licensee, agency, authority, or other Legal entity or instrumentality in whose behalf the report is made.

EXCERPTS FROM THE LAW

Federal Power Act, 16 U.S.C. § 791a-825r

Sec. 3. The words defined in this section shall have the following meanings for purposes of this Act, to with:

(3) 'Corporation' means any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, or a receiver or receivers, trustee or trustees of any of the foregoing. It shall not include 'municipalities, as hereinafter defined;

(4) 'Person' means an individual or a corporation;

(5) 'Licensee, means any person, State, or municipality Licensed under the provisions of section 4 of this Act, and any assignee or successor in interest thereof;

(7) 'municipality means a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the Laws thereof to carry and the business of developing, transmitting, unitizing, or distributing power;

(11) "project' means. a complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or fore bay reservoirs directly connected therewith, the primary line or lines transmitting power there from to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights-of-way, ditches, dams, reservoirs, Lands, or interest in Lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit;

"Sec. 4. The Commission is hereby authorized and empowered

(a) To make investigations and to collect and record data concerning the utilization of the water 'resources of any region to be developed, the water-power industry and its relation to other industries and to interstate or foreign commerce, and concerning the location, capacity, development -costs, and relation to markets of power sites; ... to the extent the Commission may deem necessary or useful for the purposes of this Act."

"Sec. 304. (a) Every Licensee and every public utility shall file with the Commission such annual and other periodic or special* reports as the Commission may be rules and regulations or other prescribe as necessary or appropriate to assist the Commission in the -proper administration of this Act. The Commission may prescribe the manner and FERC Form in which such reports salt be made, and require from such persons specific answers to all questions upon which the Commission may need information. The Commission may require that such reports shall include, among other things, full information as to assets and Liabilities, capitalization, net investment, and reduction thereof, gross receipts, interest due and paid, depreciation, and other reserves, cost of project and other facilities, cost of maintenance and operation of the project and other facilities, cost of renewals and replacement of the project works and other facilities, depreciation, generation, transmission, distribution, delivery, use, and sale of electric energy. The Commission may require any such person to make adequate provision for currently determining such costs and other facts. Such reports shall be made under oath unless the Commission otherwise specifies*.10

"Sec. 309. The Commission shall have power to perform any and all acts, and to prescribe, issue, make, and rescind such orders, rules and regulations as it may find necessary or appropriate to carry out the provisions of this Act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this Act; and may prescribe the FERC Form or FERC Forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be filed..."

General Penalties

The Commission may assess up to \$1 million per day per violation of its rules and regulations. *See* FPA § 316(a) (2005), 16 U.S.C. § 825o(a).

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

IDENTIFICATION		
01 Exact Legal Name of Respondent Southwestern Electric Power Company	02 Year/Period of Report End of <u>2015/Q2</u>	
03 Previous Name and Date of Change <i>(if name changed during year)</i> <div style="text-align: right;">/ /</div>		
04 Address of Principal Office at End of Period <i>(Street, City, State, Zip Code)</i> 1 Riverside Plaza, Columbus, Ohio 43215-2373		
05 Name of Contact Person Jason M. Johnson	06 Title of Contact Person Accountant	
07 Address of Contact Person <i>(Street, City, State, Zip Code)</i> AEP Service Corporation, 1 Riverside Plaza, Columbus, Ohio 43215-2373		
08 Telephone of Contact Person, Including Area Code (614) 716-1000	09 This Report Is (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	10 Date of Report <i>(Mo, Da, Yr)</i> <div style="text-align: right;">/ /</div>
QUARTERLY 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 F. Scott Travis	03 Signature <div style="text-align: center;">F. Scott Travis</div>	04 Date Signed <i>(Mo, Da, Yr)</i> 08/20/2015
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 Southwestern Electric Power Company		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2015/Q2
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".					
Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)		
1	Important Changes During the Quarter	108-109			
2	Comparative Balance Sheet	110-113			
3	Statement of Income for the Quarter	114-117	Page 16 - NA		
4	Statement of Retained Earnings for the Quarter	118-119			
5	Statement of Cash Flows	120-121			
6	Notes to Financial Statements	122-123			
7	Statement of Accum Comp Income, Comp Income, and Hedging Activities	122 (a)(b)			
8	Summary of Utility Plant & Accumulated Provisions for Dep, Amort & Dep	200-201			
9	Electric Plant In Service and Accum Provision For Depr by Function	208			
10	Transmission Service and Generation Interconnection Study Costs	231	NA		
11	Other Regulatory Assets	232			
12	Other Regulatory Liabilities	278			
13	Elec Operating Revenues (Individual Schedule Lines 300-301)	300-301			
14	Regional Transmission Service Revenues (Account 457.1)	302	NA		
15	Electric Prod, Other Power Supply Exp, Trans and Distrib Exp	324			
16	Electric Customer Accts, Service, Sales, Admin and General Expenses	325			
17	Transmission of Electricity for Others	328-330			
18	Transmission of Electricity by ISO/RTOs	331	NA		
19	Transmission of Electricity by Others	332			
20	Deprec, Depl and Amort of Elec Plant (403,403.1,404,and 405) (except A	338			
21	Amounts Included in ISO/RTO Settlement Statements	397			
22	Monthly Peak Loads and Energy Output	399			
23	Monthly Transmission System Peak Load	400			
24	Monthly ISO/RTO Transmission System Peak Load	400a	NA		

Name of Respondent Southwestern Electric Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report / /	Year/Period of Report End of 2015/Q2
IMPORTANT CHANGES DURING THE QUARTER/YEAR			
<p>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.</p> <p>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.</p> <p>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</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.</p> <p>8. State the estimated annual effect and nature of any important wage scale changes during the year.</p> <p>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.</p> <p>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.</p> <p>11. (Reserved.)</p> <p>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.</p> <p>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.</p> <p>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.</p>			
<p>PAGE 108 INTENTIONALLY LEFT BLANK SEE PAGE 109 FOR REQUIRED INFORMATION.</p>			

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)			

1. None
2. None
3. None
4. None
5. None
6. None
7. None
8. None
9. Please refer to the Notes to Financial Statements Pages 122-123
10. None
11. (Reserved)
12. Not Used
13. Michael S. Isenberg resigned as Vice President effective April 23, 2015
14. Proprietary capital ratio exceeds 30%

Name of Respondent Southwestern Electric Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2015/Q2
---	---	---------------------------------------	---

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	7,844,311,901	7,694,662,709
3	Construction Work in Progress (107)	200-201	577,773,375	471,689,556
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		8,422,085,276	8,166,352,265
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	2,810,563,021	2,732,620,442
6	Net Utility Plant (Enter Total of line 4 less 5)		5,611,522,255	5,433,731,823
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)		5,611,522,255	5,433,731,823
15	Utility Plant Adjustments (116)		-59,147,094	-59,712,575
16	Gas Stored Underground - Noncurrent (117)		0	0
17	OTHER PROPERTY AND INVESTMENTS			
18	Nonutility Property (121)		3,251,147	3,241,387
19	(Less) Accum. Prov. for Depr. and Amort. (122)		28,736	33,781
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	28,737,403	26,176,006
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)		1,179,452	1,179,452
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)		22,749,322	21,427,133
30	Long-Term Portion of Derivative Assets (175)		33,034	0
31	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		55,921,622	51,990,197
33	CURRENT AND ACCRUED ASSETS			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		1,580,727	1,660,861
36	Special Deposits (132-134)		6,284,992	3,236,757
37	Working Fund (135)		0	0
38	Temporary Cash Investments (136)		0	0
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		71,445,969	45,402,232
41	Other Accounts Receivable (143)		25,718,620	25,668,755
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		39,412	515,949
43	Notes Receivable from Associated Companies (145)		179,708,584	41,033,220
44	Accounts Receivable from Assoc. Companies (146)		21,706,077	34,140,324
45	Fuel Stock (151)	227	73,285,877	76,590,072
46	Fuel Stock Expenses Undistributed (152)	227	1,864,287	1,445,837
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	73,243,485	73,666,499
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	53,884	0

Name of Respondent Southwestern Electric Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2015/Q2
---	---	---------------------------------------	---

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)		17,212,464	14,033,288
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		58,390	61,385
60	Rents Receivable (172)		722,925	1,337,707
61	Accrued Utility Revenues (173)		34,733,587	27,948,961
62	Miscellaneous Current and Accrued Assets (174)		0	2,030,000
63	Derivative Instrument Assets (175)		2,110,288	30,874
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		33,034	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)		509,657,710	347,770,823
68	DEFERRED DEBITS			
69	Unamortized Debt Expenses (181)		10,665,997	7,298,067
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	426,061,716	417,432,594
73	Prelim. Survey and Investigation Charges (Electric) (183)		322,501	236,021
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)		38,343	97,653
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	59,744,474	33,493,396
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)		6,450,995	6,952,309
82	Accumulated Deferred Income Taxes (190)	234	178,634,593	180,042,979
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		681,918,619	645,553,019
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		6,799,873,112	6,419,333,287

Name of Respondent Southwestern Electric Power Company		This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (mo, da, yr) / /	Year/Period of Report end of 2015/Q2
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	135,659,520	135,659,520	
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	674,606,937	674,606,937	
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	1,312,705,236	1,270,252,397	
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	25,457,032	23,735,635	
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)	-6,813,421	-7,468,023	
16	Total Proprietary Capital (lines 2 through 15)		2,141,615,304	2,096,786,466	
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	0	0	
21	Other Long-Term Debt (224)	256-257	2,360,200,000	2,060,200,000	
22	Unamortized Premium on Long-Term Debt (225)		0	0	
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		4,972,212	1,638,115	
24	Total Long-Term Debt (lines 18 through 23)		2,355,227,788	2,058,561,885	
25	OTHER NONCURRENT LIABILITIES				
26	Obligations Under Capital Leases - Noncurrent (227)		26,940,726	28,192,056	
27	Accumulated Provision for Property Insurance (228.1)		0	0	
28	Accumulated Provision for Injuries and Damages (228.2)		103,153	77,172	
29	Accumulated Provision for Pensions and Benefits (228.3)		11,204,560	19,295,029	
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0	
31	Accumulated Provision for Rate Refunds (229)		2,476,915	10,505,770	
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)		64,538,844	46,555,168	
35	Total Other Noncurrent Liabilities (lines 26 through 34)		105,264,198	104,625,195	
36	CURRENT AND ACCRUED LIABILITIES				
37	Notes Payable (231)		0	0	
38	Accounts Payable (232)		136,752,582	172,342,796	
39	Notes Payable to Associated Companies (233)		0	0	
40	Accounts Payable to Associated Companies (234)		136,610,075	105,650,094	
41	Customer Deposits (235)		60,740,758	59,902,931	
42	Taxes Accrued (236)	262-263	71,431,924	33,785,493	
43	Interest Accrued (237)		46,333,911	47,581,215	
44	Dividends Declared (238)		0	0	
45	Matured Long-Term Debt (239)		0	0	

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (mo, da, yr) / /	Year/Period of Report end of 2015/Q2
---	---	---------------------------------------	---

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)		5,013,551	5,153,549
48	Miscellaneous Current and Accrued Liabilities (242)		95,996,442	128,514,974
49	Obligations Under Capital Leases-Current (243)		4,452,215	4,321,277
50	Derivative Instrument Liabilities (244)		2,522,931	1,082,039
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)		559,854,389	558,334,368
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		0	0
57	Accumulated Deferred Investment Tax Credits (255)	266-267	9,154,881	9,830,871
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	25,132,424	24,726,696
60	Other Regulatory Liabilities (254)	278	64,575,188	71,001,899
61	Unamortized Gain on Reaquired Debt (257)		47,789	53,345
62	Accum. Deferred Income Taxes-Accel. Amort (281)	272-277	0	0
63	Accum. Deferred Income Taxes-Other Property (282)		1,257,293,773	1,229,044,805
64	Accum. Deferred Income Taxes-Other (283)		281,707,378	266,367,757
65	Total Deferred Credits (lines 56 through 64)		1,637,911,433	1,601,025,373
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		6,799,873,112	6,419,333,287

Name of Respondent Southwestern Electric Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2015/Q2
---	---	---------------------------------------	---

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 column in 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	883,866,013	922,810,498	443,115,401	462,231,687
3	Operating Expenses					
4	Operation Expenses (401)	320-323	481,511,553	586,721,215	227,274,293	285,566,021
5	Maintenance Expenses (402)	320-323	65,650,870	64,078,541	38,236,956	33,667,999
6	Depreciation Expense (403)	336-337	87,999,807	85,660,281	44,417,910	42,864,613
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	297,460	271,049	148,730	135,091
8	Amort. & Depl. of Utility Plant (404-405)	336-337	5,719,292	4,649,524	2,946,343	2,392,108
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)		937,009	979,832	468,504	489,916
13	(Less) Regulatory Credits (407.4)		36,000	36,000	18,000	18,000
14	Taxes Other Than Income Taxes (408.1)	262-263	43,039,290	41,026,181	21,318,419	20,289,225
15	Income Taxes - Federal (409.1)	262-263	15,891,649	-150,377,551	13,476,912	-151,208,694
16	- Other (409.1)	262-263	1,571,906	1,676,320	692,720	1,011,366
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	68,333,198	204,616,582	33,540,719	181,589,753
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	37,524,878	25,869,035	20,924,495	13,963,175
19	Investment Tax Credit Adj. - Net (411.4)	266	-675,990	-688,266	-337,995	-344,133
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)		149	519	1	
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)		795,096	741,172	396,009	371,999
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		733,510,113	813,449,326	361,637,024	402,844,089
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		150,355,900	109,361,172	81,478,377	59,387,598

Name of Respondent Southwestern Electric Power Company		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) / /		Year/Period of Report End of 2015/Q2	
STATEMENT OF INCOME FOR THE YEAR (Continued)							
<p>9. Use page 122 for important notes regarding the statement of income for any account thereof.</p> <p>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.</p> <p>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 purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.</p> <p>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.</p> <p>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.</p> <p>14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports</p> <p>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.</p>							
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	
883,866,013	922,810,498					2	
						3	
481,511,553	586,721,215					4	
65,650,870	64,078,541					5	
87,999,807	85,660,281					6	
297,460	271,049					7	
5,719,292	4,649,524					8	
						9	
						10	
						11	
937,009	979,832					12	
36,000	36,000					13	
43,039,290	41,026,181					14	
15,891,649	-150,377,551					15	
1,571,906	1,676,320					16	
68,333,198	204,616,582					17	
37,524,878	25,869,035					18	
-675,990	-688,266					19	
						20	
						21	
149	519					22	
						23	
795,096	741,172					24	
733,510,113	813,449,326					25	
150,355,900	109,361,172					26	

Name of Respondent Southwestern Electric Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2015/Q2
---	---	---------------------------------------	---

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL		Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
			Current Year (c)	Previous Year (d)		
27	Net Utility Operating Income (Carried forward from page 114)		150,355,900	109,361,172	81,478,377	59,387,598
28	Other Income and Deductions					
29	Other Income					
30	Nonutility 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)		147,144	83,040	74,433	51,891
36	Equity in Earnings of Subsidiary Companies (418.1)	119	1,721,396	725,598	1,124,890	415,419
37	Interest and Dividend Income (419)		1,163,694	92,025	1,183,758	205,752
38	Allowance for Other Funds Used During Construction (419.1)		11,111,211	4,278,096	5,882,026	2,197,407
39	Miscellaneous Nonoperating Income (421)		364,056	536,873	192,163	292,741
40	Gain on Disposition of Property (421.1)		1,320		1,320	
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		14,508,821	5,715,632	8,458,590	3,163,210
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		10,194		10,120	
44	Miscellaneous Amortization (425)					
45	Donations (426.1)		51,183	284,008	2,191	159,677
46	Life Insurance (426.2)					
47	Penalties (426.3)		9,035	5,000	8,817	5,000
48	Exp. for Certain Civic, Political & Related Activities (426.4)		569,489	602,834	266,320	267,615
49	Other Deductions (426.5)		3,061,945	3,576,691	1,558,382	1,901,891
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		3,701,846	4,468,533	1,845,830	2,334,183
51	Taxes Applicable to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	10,853			
53	Income Taxes-Federal (409.2)	262-263	-1,182,909	-2,018,684	-387,965	-988,045
54	Income Taxes-Other (409.2)	262-263	46,660	-55,793	48,299	-24,834
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	518,531	717,584	259,266	358,792
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277				
57	Investment Tax Credit Adj.-Net (411.5)					
58	(Less) Investment Tax Credits (420)					
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		-606,865	-1,356,893	-80,400	-654,087
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		11,413,840	2,603,992	6,693,160	1,483,114
61	Interest Charges					
62	Interest on Long-Term Debt (427)		58,808,107	55,379,032	30,682,135	27,689,516
63	Amort. of Debt Disc. and Expense (428)		1,145,311	974,305	524,476	487,153
64	Amortization of Loss on Reacquired Debt (428.1)		501,314	606,591	250,657	303,296
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)		5,556	5,556	2,778	2,778
67	Interest on Debt to Assoc. Companies (430)		46,378	127,997		81,579
68	Other Interest Expense (431)		3,524,491	3,907,928	1,748,712	1,960,053
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		6,424,540	2,582,117	3,501,589	1,345,204
70	Net Interest Charges (Total of lines 62 thru 69)		57,595,505	58,408,180	29,701,613	29,173,615
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		104,174,235	53,556,984	58,469,924	31,697,097
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)		104,174,235	53,556,984	58,469,924	31,697,097

Name of Respondent Southwestern Electric Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2015/Q2
---	---	---------------------------------------	---

STATEMENT OF RETAINED EARNINGS

- Do not report Lines 49-53 on the quarterly version.
- Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
- 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)
- State the purpose and amount of each reservation or appropriation of retained earnings.
- 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.
- Show dividends for each class and series of capital stock.
- Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
- 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.
- 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		1,270,252,397	1,232,101,518
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)		102,452,839	52,831,386
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	\$18 par value - 7,536,640 shares outstanding		-60,000,000	(50,000,000)
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-60,000,000	(50,000,000)
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		1,312,705,236	1,234,932,904
	APPROPRIATED RETAINED EARNINGS (Account 215)			
39				
40				

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.

FERC FORM NO. 1/3-Q (REV. 02-04) Page 119

Name of Respondent Southwestern Electric Power Company		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2015/Q2
STATEMENT OF CASH FLOWS					
<p>(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</p> <p>(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</p> <p>(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.</p> <p>(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</p>					
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)	104,174,235	53,556,984		
3	Noncash Charges (Credits) to Income:				
4	Depreciation and Depletion	94,016,559	90,580,854		
5	Amortization of Regulatory Debits and Credits (Net)	901,009	943,832		
6					
7					
8	Deferred Income Taxes (Net)	31,326,851	179,465,131		
9	Investment Tax Credit Adjustment (Net)	-675,990	-688,266		
10	Net (Increase) Decrease in Receivables	-13,419,870	21,217,780		
11	Net (Increase) Decrease in Inventory	3,308,759	18,534,957		
12	Net (Increase) Decrease in Allowances Inventory	-53,884	2,572		
13	Net Increase (Decrease) in Payables and Accrued Expenses	50,014,824	-100,920,436		
14	Net (Increase) Decrease in Other Regulatory Assets	1,279,599	-14,172,631		
15	Net Increase (Decrease) in Other Regulatory Liabilities	-5,777,486	-10,097,815		
16	(Less) Allowance for Other Funds Used During Construction	11,111,211	4,278,096		
17	(Less) Undistributed Earnings from Subsidiary Companies	1,721,396	725,598		
18	Other (provide details in footnote):	-86,865,398	-40,249,656		
19					
20					
21					
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	165,396,601	193,169,612		
23					
24	Cash Flows from Investment Activities:				
25	Construction and Acquisition of Plant (including land):				
26	Gross Additions to Utility Plant (less nuclear fuel)	-274,104,209	-220,663,098		
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	-11,111,211	-4,278,096		
31	Other (provide details in footnote):				
32	Acquired Assets	-21,039	-414,126		
33					
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-263,014,037	-216,799,128		
35					
36	Acquisition of Other Noncurrent Assets (d)				
37	Proceeds from Disposal of Noncurrent Assets (d)				
38	Proceeds from Disposal of Noncurrent Assets - Fixed Assets	977,093	494,937		
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 Southwestern Electric Power Company		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2015/Q2
STATEMENT OF CASH FLOWS				
<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>				
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	Contribution in Aid of Construction - Current	4,706,698	1,111,196	
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	Other (provide details in footnote):			
54	(Increase) Decrease in Other Special Deposits	-2,684,562	2,202,086	
55	Notes Receivable from Associated Companies	-138,675,364		
56	Net Cash Provided by (Used in) Investing Activities			
57	Total of lines 34 thru 55)	-398,690,172	-212,990,909	
58				
59	Cash Flows from Financing Activities:			
60	Proceeds from Issuance of:			
61	Long-Term Debt (b)	453,500,000		
62	Preferred Stock			
63	Common Stock			
64	Other (provide details in footnote):			
65	Long-Term Debt Issuance Costs	-7,550,556		
66	Net Increase in Short-Term Debt (c)			
67	Other (provide details in footnote): Proceeds on Capital Leaseback	763,993	831,000	
68	Notes Payable to Associated Companies - Issued		69,917,764	
69				
70	Cash Provided by Outside Sources (Total 61 thru 69)	446,713,437	70,748,764	
71				
72	Payments for Retirement of:			
73	Long-term Debt (b)	-153,500,000		
74	Preferred Stock			
75	Common Stock			
76	Other (provide details in footnote):			
77				
78	Net Decrease in Short-Term Debt (c)			
79				
80	Dividends on Preferred Stock			
81	Dividends on Common Stock	-60,000,000	-50,000,000	
82	Net Cash Provided by (Used in) Financing Activities			
83	(Total of lines 70 thru 81)	233,213,437	20,748,764	
84				
85	Net Increase (Decrease) in Cash and Cash Equivalents			
86	(Total of lines 22, 57 and 83)	-80,134	927,467	
87				
88	Cash and Cash Equivalents at Beginning of Period	1,660,861	1,414,188	
89				
90	Cash and Cash Equivalents at End of period	1,580,727	2,341,655	

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
FOOTNOTE DATA			

Schedule Page: 120 Line No.: 18 Column: a

	2015 Cash Flow Incr / (Decr)	2014 Cash Flow Incr / (Decr)
Utility Plant, Net	\$ (5,097,323)	\$ (6,886,354)
Property and Investments, Net	(854,804)	-
Margin Deposits	(363,673)	(2,752,368)
Mark-to-Market of Risk Management Contracts	(638,522)	593,231
Prepayments	(9,499,416)	(2,287,465)
Accrued Utility Revenues, Net	(6,784,626)	-
Unamortized Debt Expense	558,670	637,783
Other Deferred Debits, Net	(26,450,149)	(24,990,669)
Other Comprehensive Income, Net	1,133,490	1,165,859
Unamortized Discount/Premium on Long-Term Debt	233,903	177,207
Accumulated Provisions - Misc	(10,311,766)	2,096,391
Current and Accrued Liabilities, Net	(28,943,538)	(8,529,707)
Other Deferred Credits, Net	152,356	526,436
Total	\$ (86,865,398)	\$ (40,249,656)

Name of Respondent Southwestern Electric Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report / /	Year/Period of Report End of <u>2015/Q2</u>
---	---	-----------------------	--

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 Commission 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.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
Southwestern Electric Power Company			
NOTES TO FINANCIAL STATEMENTS (Continued)			

INDEX OF NOTES TO FINANCIAL STATEMENTS

- Glossary of Terms for Notes
1. Significant Accounting Matters
 2. New Accounting Pronouncements
 3. Comprehensive Income
 4. Rate Matters
 5. Commitments, Guarantees and Contingencies
 6. Benefit Plans
 7. Business Segments
 8. Derivatives and Hedging
 9. Fair Value Measurements
 10. Income Taxes
 11. Financing Activities
 12. Property, Plant and Equipment
 13. Disposition Plant Severance

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 or Parent	American Electric Power Company, Inc., an electric utility holding company.
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.
AFUDC	Allowance for Funds Used During Construction.
AOCI	Accumulated Other Comprehensive Income.
APSC	Arkansas Public Service Commission.
ASU	Accounting Standards Update.
CWIP	Construction Work in Progress.
FASB	Financial Accounting Standards Board.
Federal EPA	United States Environmental Protection Agency.
FERC	Federal Energy Regulatory Commission.
FGD	Flue Gas Desulfurization or scrubbers.

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

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
FTR	Financial Transmission Right, a financial instrument that entitles the holder to receive compensation for certain congestion-related transmission charges that arise when the power grid is congested resulting in differences in locational prices.
I&M	Indiana Michigan Power Company, an AEP electric utility subsidiary.
IRS	Internal Revenue Service.
LPSC	Louisiana Public Service Commission.
MMBtu	Million British Thermal Units.
MTM	Mark-to-Market.
MW	Megawatt.
MWh	Megawatthour.
OPEB	Other Postretirement Benefit Plans.
OTC	Over the counter.
PSO	Public Service Company of Oklahoma, an AEP electric utility subsidiary.
PUCT	Public Utility Commission of Texas.
Risk Management Contracts	Trading and nontrading derivatives, including those derivatives designated as cash flow and fair value hedges.
RTO	Regional Transmission Organization, responsible for moving electricity over large interstate areas.
SIA	System Integration Agreement, effective June 15, 2000, as amended, provides contractual basis for coordinated planning, operation and maintenance of the power supply sources of the combined AEP.
Stall Unit	J. Lamar Stall Unit at Arsenal Hill Plant, a 534 MW natural gas unit owned by SWEPCo.
SWEPCo	Southwestern Electric Power Company, an AEP electric utility subsidiary.
Turk Plant	John W. Turk, Jr. Plant, a 600 MW coal-fired plant in Arkansas that is 73% owned by SWEPCo.
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

1. SIGNIFICANT ACCOUNTING MATTERS

General

The financial statements and footnotes were prepared in accordance with the Uniform System of Accounts prescribed by the FERC. The unaudited financial statements and footnotes should be read in conjunction with SWEPCo's 2014 FERC Form 1 (2014 Annual Report).

In the opinion of management, the unaudited interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair presentation of the net income, financial position and cash flows for the interim periods. Net income for the three and six months ended June 30, 2015 is not necessarily indicative of results that may be expected for the year ending December 31, 2015.

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

	2015	2014
For the Six Months Ended June 30,	(in thousands)	
Cash was Paid (Received) for:		
Interest (Net of Capitalized Amounts)	\$ 51,224	\$ 54,784
Income Taxes (Net of Refunds)	8,808	(9,369)
Noncash Acquisitions Under Capital Leases	1,162	3,354
As of June 30,		
Construction Expenditures Included in Current and Accrued Liabilities	73,626	63,813

Subsequent Events

Management has evaluated the impact of events occurring after June 30, 2015 through July 23, 2015, the date that SWEPCo's 2015 second quarter Form 10-Q was issued, and has updated such evaluation for disclosure purposes through August 20, 2015. These financial statements include all necessary adjustments and disclosures resulting from these evaluations.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

2. NEW ACCOUNTING PRONOUNCEMENTS

Upon issuance of final pronouncements, management reviews the new accounting literature to determine its relevance, if any, to SWEPCo'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 clarifying the method used to determine the timing and requirements for revenue recognition on the statements of income. Under the new standard, an entity must identify the performance obligations in a contract, the transaction price and allocate the price to specific performance obligations to recognize the revenue when the obligation is completed. The amendments in this update also require disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts.

The new accounting guidance is effective for interim and annual periods beginning after December 15, 2016. Early adoption is not permitted. As applicable, this standard may change the amount of revenue recognized in the income statements in each reporting period. Management is analyzing the impact of this new standard and, at this time, cannot estimate the impact of adoption on revenue or net income. Management plans to adopt ASU 2014-09 effective January 1, 2017.

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

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

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

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

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

3. COMPREHENSIVE INCOME

Presentation of Comprehensive Income

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

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

	Cash Flow Hedges			
	Commodity	Interest Rate and Foreign Currency	Pension and OPEB	Total
	(in thousands)			
Balance in AOCI as of March 31, 2015	\$ —	\$ (10,469)	\$ 3,330	\$ (7,139)
Change in Fair Value Recognized in AOCI	—	—	—	—
Amounts Reclassified from AOCI	—	567	(239)	328
Net Current Period Other Comprehensive Income (Loss)	—	567	(239)	328
Balance in AOCI as of June 30, 2015	\$ —	\$ (9,902)	\$ 3,091	\$ (6,811)

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

	Cash Flow Hedges			
	Commodity	Interest Rate and Foreign Currency	Pension and OPEB	Total
	(in thousands)			
Balance in AOCI as of March 31, 2014	\$ —	\$ (12,736)	\$ 4,560	\$ (8,176)
Change in Fair Value Recognized in AOCI	—	—	—	—
Amounts Reclassified from AOCI	—	567	(235)	332
Net Current Period Other Comprehensive Income (Loss)	—	567	(235)	332
Balance in AOCI as of June 30, 2014	\$ —	\$ (12,169)	\$ 4,325	\$ (7,844)

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

**Changes in Accumulated Other Comprehensive Income (Loss) by Component
For the Six Months Ended June 30, 2015**

	<u>Cash Flow Hedges</u>		<u>Pension and OPEB</u>	<u>Total</u>
	<u>Commodity</u>	<u>Interest Rate and Foreign Currency</u>		
		(in thousands)		
Balance in AOCI as of December 31, 2014	\$ —	\$ (11,036)	\$ 3,570	\$ (7,466)
Change in Fair Value Recognized in AOCI	—	—	—	—
Amounts Reclassified from AOCI	—	1,134	(479)	655
Net Current Period Other Comprehensive Income (Loss)	—	1,134	(479)	655
Balance in AOCI as of June 30, 2015	\$ —	\$ (9,902)	\$ 3,091	\$ (6,811)

**Changes in Accumulated Other Comprehensive Income (Loss) by Component
For the Six Months Ended June 30, 2014**

	<u>Cash Flow Hedges</u>		<u>Pension and OPEB</u>	<u>Total</u>
	<u>Commodity</u>	<u>Interest Rate and Foreign Currency</u>		
		(in thousands)		
Balance in AOCI as of December 31, 2013	\$ 66	\$ (13,304)	\$ 4,794	\$ (8,444)
Change in Fair Value Recognized in AOCI	—	—	—	—
Amounts Reclassified from AOCI	(66)	1,135	(469)	600
Net Current Period Other Comprehensive Income (Loss)	(66)	1,135	(469)	600
Balance in AOCI as of June 30, 2014	\$ —	\$ (12,169)	\$ 4,325	\$ (7,844)

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

Reclassifications from Accumulated Other Comprehensive Income

The following tables provide details of reclassifications from AOCI for the three and six months ended June 30, 2015 and 2014. The amortization of pension and OPEB AOCI components are included in the computation of net periodic pension and OPEB costs. See Note 6 for additional details.

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

	Amount of (Gain) Loss Reclassified from AOCI	
	Three Months Ended June 30, 2015	2014
	(in thousands)	
Gains and Losses on Cash Flow Hedges		
Commodity:		
Operation Expenses	\$ —	\$ —
Maintenance Expenses	—	—
Utility Plant	—	—
Regulatory Assets/(Liabilities), Net (a)	—	—
Subtotal – Commodity	—	—
Interest Rate and Foreign Currency:		
Interest on Long-term Debt	872	872
Subtotal – Interest Rate and Foreign Currency	872	872
Reclassifications from AOCI, before Income Tax (Expense) Credit	872	872
Income Tax (Expense) Credit	305	305
Reclassifications from AOCI, Net of Income Tax (Expense) Credit	567	567
Pension and OPEB		
Amortization of Prior Service Cost (Credit)	(467)	(477)
Amortization of Actuarial (Gains)/Losses	99	115
Reclassifications from AOCI, before Income Tax (Expense) Credit	(368)	(362)
Income Tax (Expense) Credit	(129)	(127)
Reclassifications from AOCI, Net of Income Tax (Expense) Credit	(239)	(235)
Total Reclassifications from AOCI, Net of Income Tax (Expense) Credit	\$ 328	\$ 332

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

**Reclassifications from Accumulated Other Comprehensive Income (Loss)
For the Six Months Ended June 30, 2015 and 2014**

	Amount of (Gain) Loss Reclassified from AOCI	
	Six Months Ended June 30,	
	2015	2014
Gains and Losses on Cash Flow Hedges		
(in thousands)		
Commodity:		
Operation Expenses	\$ —	\$ (13)
Maintenance Expenses	—	(10)
Utility Plant	—	(11)
Regulatory Assets/(Liabilities), Net (a)	—	(67)
Subtotal – Commodity	—	(101)
Interest Rate and Foreign Currency:		
Interest on Long-term Debt	1,744	1,744
Subtotal – Interest Rate and Foreign Currency	1,744	1,744
Reclassifications from AOCI, before Income Tax (Expense) Credit	1,744	1,643
Income Tax (Expense) Credit	610	574
Reclassifications from AOCI, Net of Income Tax (Expense) Credit	1,134	1,069
Pension and OPEB		
Amortization of Prior Service Cost (Credit)	(934)	(955)
Amortization of Actuarial (Gains)/Losses	197	233
Reclassifications from AOCI, before Income Tax (Expense) Credit	(737)	(722)
Income Tax (Expense) Credit	(258)	(253)
Reclassifications from AOCI, Net of Income Tax (Expense) Credit	(479)	(469)
Total Reclassifications from AOCI, Net of Income Tax (Expense) Credit	\$ 655	\$ 600

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

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

4. RATE MATTERS

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

Regulatory Assets Pending Final Regulatory Approval

	June 30, 2015	December 31, 2014
Regulatory Assets	(in thousands)	
<u>Regulatory Assets Currently Not Earning a Return</u>		
Rate Case Expenses	\$ —	\$ 8,126
Shipe Road Transmission Project	3,022	2,287
Carbon Capture and Storage Commercial Scale Facility	440	440
Other Regulatory Assets Pending Final Regulatory Approval	1,438	1,262
Total Regulatory Assets Pending Final Regulatory Approval	\$ 4,900	\$ 12,115

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

2012 Texas Base Rate Case

In 2012, SWEPCo filed a request with the PUCT to increase annual base rates primarily due to the completion of the Turk Plant. In 2013, the PUCT issued an order affirming the prudence of the Turk Plant but determined that the Turk Plant's Texas jurisdictional capital cost cap established in a previous Certificate of Convenience and Necessity case also limited SWEPCo's recovery of AFUDC in addition to limits on its recovery of cash construction costs. Additionally, the PUCT deferred consideration of the requested increase in depreciation expense related to the change in the 2016 retirement date of the Welsh Plant, Unit 2. As of June 30, 2015, the net book value of Welsh Plant, Unit 2 was \$83 million, before cost of removal, including materials and supplies inventory and CWIP.

Upon rehearing in January 2014, the PUCT reversed its initial ruling and determined that AFUDC was excluded from the Turk Plant's Texas jurisdictional capital cost cap. As a result, in the fourth quarter of 2013, SWEPCo reversed \$114 million of previously recorded regulatory disallowances. The resulting annual base rate increase is approximately \$52 million. In March 2014, the PUCT issued an order related to the January 2014 PUCT ruling and in April 2014, this order became final. In May 2014, intervenors filed appeals of that order with the Texas District Court. In June 2014, SWEPCo intervened in those appeals and filed initial responses.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

If certain parts of the PUCT order are overturned or if SWEPCo cannot ultimately recover its Texas jurisdictional share of the Turk Plant investment, including AFUDC, or its retirement-related costs and potential fuel or replacement power disallowances related to Welsh Plant, Unit 2, it could reduce future net income and cash flows and impact financial condition.

2012 Louisiana Formula Rate Filing

In 2012, SWEPCo initiated a proceeding to establish new formula base rates in Louisiana, including recovery of the Louisiana jurisdictional share (approximately 29%) of the Turk Plant. In February 2013, a settlement was filed and approved by the LPSC. The settlement increased SWEPCo's Louisiana total rates by approximately \$2 million annually, effective March 2013, which consisted of an increase in base rates of approximately \$85 million annually offset by a decrease in fuel and other rates of approximately \$83 million annually. The March 2013 base rates are based on a 10% return on common equity and cost recovery of the Louisiana jurisdictional share of the Turk Plant and Stall Unit. The rates are subject to refund based on the staff review of the cost of service and the prudence review of the Turk Plant. The settlement also provided that the LPSC review base rates in 2014 and 2015 and that SWEPCo recover non-fuel Turk Plant costs and a full weighted-average cost of capital return on the prudently incurred Turk Plant investment in jurisdictional rate base, effective January 2013. In December 2014, the LPSC approved a settlement agreement related to the staff review of the cost of service. The settlement agreement reduced the requested revenue increase by \$3 million, primarily due to the timing of both the allowed recovery of certain existing regulatory assets and the establishment of a regulatory asset for certain previously expensed costs. If the LPSC orders refunds based upon the pending prudence review of the Turk Plant investment, it could reduce future net income and cash flows and impact financial condition.

2014 Louisiana Formula Rate Filing

In April 2014, SWEPCo filed its annual formula rate plan for test year 2013 with the LPSC. The filing included a \$5 million annual increase, which was effective August 2014. SWEPCo also proposed to increase rates by an additional \$15 million annually, effective January 2015, for a total annual increase of \$20 million. This additional increase reflects the cost of incremental generation to be used to serve Louisiana customers in 2015 due to the expiration of a purchase power agreement attributable to Louisiana customers. In December 2014, the LPSC approved a partial settlement agreement that included the implementation of the \$15 million annual increase in rates effective January 2015. These increases are subject to LPSC staff review and are subject to refund. If any of these costs are not recoverable, it could reduce future net income and cash flows and impact financial condition.

2015 Louisiana Formula Rate Filing

In April 2015, SWEPCo filed its formula rate plan for test year 2014 with the LPSC. The filing included a \$14 million annual increase, which will be effective August 2015. This increase is subject to LPSC staff review and is subject to refund. If any of these costs are not recoverable, it could reduce future net income and cash flows and impact financial condition.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

Welsh Plant, Units 1 and 3 – Environmental Projects

To comply with pending Federal EPA regulations, SWEPCo is currently constructing environmental control projects to meet mercury and air toxics standards for Welsh Plant, Units 1 and 3 at a cost of approximately \$410 million, excluding AFUDC. Management currently estimates that the total environmental projects to be completed through 2020 for Welsh Plant, Units 1 and 3 will cost approximately \$600 million, excluding AFUDC. As of June 30, 2015, SWEPCo has incurred costs of \$256 million, including AFUDC, and has remaining contractual construction obligations of \$89 million related to these projects. SWEPCo will seek recovery of these project costs from customers through filings at the state commissions and the FERC. As of June 30, 2015, the net book value of Welsh Plant, Units 1 and 3 was \$484 million, before cost of removal, including materials and supplies inventory and CWIP. If any of these costs are not recoverable, it could reduce future net income and cash flows and impact financial condition.

5. COMMITMENTS, GUARANTEES AND CONTINGENCIES

SWEPCo is subject to certain claims and legal actions arising in its ordinary course of business. In addition, SWEPCo's business activities are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation cannot be predicted. 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 the 2014 Annual Report should be read in conjunction with this report.

GUARANTEES

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

Guarantees of Third-Party Obligations

As part of the process to receive a renewal of a Texas Railroad Commission permit for lignite mining, SWEPCo provides guarantees of mine reclamation of \$115 million. Since SWEPCo uses self-bonding, the guarantee provides for SWEPCo to commit to use its resources to complete the reclamation in the event the work is not completed by Sabine Mining Company (Sabine). This guarantee ends upon depletion of reserves and completion of final reclamation. Based on the latest study completed in 2010, it is estimated the reserves will be depleted in 2036 with final reclamation completed by 2046 at an estimated cost of \$58 million. Actual reclamation costs could vary due to period inflation and any changes to actual mine reclamation. As of June 30, 2015, SWEPCo has collected \$65 million through a rider for final mine closure and reclamation costs.

Sabine charges SWEPCo, its only customer, all of its costs. SWEPCo passes these costs to customers through its fuel clause.

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

Indemnifications and Other Guarantees

Contracts

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

SWEPCo is jointly and severally liable for activity conducted by AEPSC on behalf of PSO and SWEPCo related to power purchase and sale activity pursuant to the SIA.

Master Lease Agreements

SWEPCo 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, SWEPCo 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 June 30, 2015, the maximum potential loss by SWEPCo for these lease agreements assuming the fair value of the equipment is zero at the end of the lease term is \$2.8 million.

Railcar Lease

In June 2003, AEP Transportation LLC (AEP Transportation), a subsidiary of AEP, entered into an agreement with BTM Capital Corporation, as lessor, to lease 875 coal-transporting aluminum railcars. The lease is accounted for as an operating lease. In January 2008, AEP Transportation assigned the remaining 848 railcars under the original lease agreement to I&M (390 railcars) and SWEPCo (458 railcars). The assignment is accounted for as an operating lease. The initial lease term was five years with three consecutive five-year renewal periods for a maximum lease term of twenty years. SWEPCo intends to renew the lease for the full lease term of twenty years via the renewal options. SWEPCo's future minimum lease obligation is \$12 million for the remaining railcars as of June 30, 2015.

Under the lease agreement, the lessor is guaranteed that the sale proceeds under a return-and-sale option will equal at least a lessee obligation amount specified in the lease, which declines from 83% under the current five year lease term to 77% at the end of the 20-year term of the projected fair value of the equipment. SWEPCo assumed the guarantee under the return-and-sale option. SWEPCo's maximum potential loss related to the guarantee is approximately \$10 million assuming the fair value of the equipment is zero at the end of the current five-year lease term. However, management believes that the fair value would produce a sufficient sales price to avoid any loss.

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

6. BENEFIT PLANS

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

Components of Net Periodic Benefit Cost

The following tables provide the components of net periodic benefit cost (credit) for the plans for the three and six months ended June 30, 2015 and 2014:

	Pension Plans		Other Postretirement Benefit Plans	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Service Cost	\$ 2,082	\$ 1,654	\$ 210	\$ 253
Interest Cost	2,932	3,162	838	998
Expected Return on Plan Assets	(4,008)	(3,857)	(1,736)	(1,754)
Amortization of Prior Service Cost (Credit)	77	88	(1,289)	(1,289)
Amortization of Net Actuarial Loss	1,507	1,762	266	308
Net Periodic Benefit Cost (Credit)	\$ 2,590	\$ 2,809	\$ (1,711)	\$ (1,484)

	Pension Plans		Other Postretirement Benefit Plans	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Service Cost	\$ 4,163	\$ 3,309	\$ 421	\$ 506
Interest Cost	5,864	6,325	1,675	1,996
Expected Return on Plan Assets	(8,016)	(7,714)	(3,471)	(3,508)
Amortization of Prior Service Cost (Credit)	154	175	(2,578)	(2,578)
Amortization of Net Actuarial Loss	3,014	3,523	532	617
Net Periodic Benefit Cost (Credit)	\$ 5,179	\$ 5,618	\$ (3,421)	\$ (2,967)

7. BUSINESS SEGMENTS

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

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

8. DERIVATIVES AND HEDGING

OBJECTIVES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS

SWEP Co is exposed to certain market risks as a major power producer and participant in the wholesale electricity, natural gas, coal and emission allowance markets. These risks include commodity price risk, interest rate risk, credit risk and, to a lesser extent, foreign currency exchange risk. These risks represent the risk of loss that may impact SWEPCo due to changes in the underlying market prices or rates. AEPSC, on behalf of SWEPCo, manages these risks using derivative instruments.

STRATEGIES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS TO ACHIEVE OBJECTIVES

Risk Management Strategies

The strategy surrounding the use of derivative instruments primarily focuses on managing risk exposures, future cash flows and creating value utilizing both economic and formal hedging strategies. The risk management strategies also include the use of derivative instruments for trading purposes, focusing on seizing market opportunities to create value driven by expected changes in the market prices of the commodities in which AEPSC transacts on behalf of SWEPCo. To accomplish these objectives, AEPSC, on behalf of SWEPCo, primarily employs risk management contracts including physical and financial forward purchase-and-sale contracts and, to a lesser extent, OTC swaps and options. Not all risk management contracts meet the definition of a derivative under the accounting guidance for "Derivatives and Hedging." Derivative risk management contracts elected normal under the normal purchases and normal sales scope exception are not subject to the requirements of this accounting guidance.

AEPSC, on behalf of SWEPCo, enters into power, coal, natural gas, interest rate and, to a lesser extent, heating oil, gasoline and other commodity contracts to manage the risk associated with the energy business. AEPSC, on behalf of SWEPCo, enters into interest rate derivative contracts in order to manage the interest rate exposure associated with SWEPCo's commodity portfolio. For disclosure purposes, such risks are grouped as "Commodity," as these risks are related to energy risk management activities. AEPSC, on behalf of SWEPCo, also engages in risk management of interest rate risk associated with debt financing and foreign currency risk associated with future purchase obligations denominated in foreign currencies. For disclosure purposes, these risks are grouped as "Interest Rate and Foreign Currency." The amount of risk taken is determined by the Commercial Operations and Finance groups in accordance with established risk management policies as approved by the Finance Committee of AEP's Board of Directors.

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

The following table represents the gross notional volume of SWEPCo's outstanding derivative contracts as of June 30, 2015 and December 31, 2014:

Notional Volume of Derivative Instruments

Primary Risk Exposure	Volume		Unit of Measure
	June 30, 2015	December 31, 2014	
	(in thousands)		
Commodity:			
Power	31,839	20,469	MWhs
Coal	750	1,500	Tons
Natural Gas	14	—	MMBtus
Heating Oil and Gasoline	975	699	Gallons

Cash Flow Hedging Strategies

AEPSC, on behalf of SWEPCo, enters into and designates as cash flow hedges certain derivative transactions for the purchase and sale of power ("Commodity") in order to manage the variable price risk related to forecasted purchases and sales. Management monitors the potential impacts of commodity price changes and, where appropriate, enters into derivative transactions to protect profit margins for a portion of future electricity sales and purchases. SWEPCo does not hedge all commodity price risk.

SWEPCo's vehicle fleet is exposed to gasoline and diesel fuel price volatility. AEPSC, on behalf of SWEPCo, enters into financial heating oil and gasoline derivative contracts in order to mitigate price risk of future fuel purchases. Cash flow hedge accounting for these derivative contracts was discontinued effective March 31, 2014. In March 2014, these contracts were grouped as "Commodity" with other risk management activities. SWEPCo does not hedge all fuel price risk.

AEPSC, on behalf of SWEPCo, enters into a variety of interest rate derivative transactions in order to manage interest rate risk exposure. AEPSC, on behalf of SWEPCo, also enters into interest rate derivative contracts to manage interest rate exposure related to future borrowings of fixed-rate debt. SWEPCo does not hedge all interest rate exposure.

At times, SWEPCo is exposed to foreign currency exchange rate risks primarily when some fixed assets are purchased from foreign suppliers. In accordance with AEP's risk management policy, AEPSC, on behalf of SWEPCo, may enter into foreign currency derivative transactions to protect against the risk of increased cash outflows resulting from a foreign currency's appreciation against the dollar. SWEPCo does not hedge all foreign currency exposure.

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND THE IMPACT ON THE FINANCIAL STATEMENTS

The accounting guidance for "Derivatives and Hedging" requires recognition of all qualifying derivative instruments as either assets or liabilities on the balance sheet at fair value. The fair values of derivative instruments accounted for using MTM accounting or hedge accounting are based on exchange prices and broker quotes. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes, supply and demand market data and assumptions. In order to determine the relevant fair values of the derivative instruments, SWEPCo also applies valuation adjustments for discounting, liquidity and credit quality.

Credit risk is the risk that a counterparty will fail to perform on the contract or fail to pay amounts due. Liquidity risk represents the risk that imperfections in the market will cause the price to vary from estimated fair value based upon prevailing market supply and demand conditions. Since energy markets are imperfect and volatile, there are inherent risks related to the underlying assumptions in models used to fair value risk management contracts. Unforeseen events may cause reasonable price curves to differ from actual price curves throughout a contract's term and at the time a contract settles. Consequently, there could be significant adverse or favorable effects on future net income and cash flows if market prices are not consistent with management's estimates of current market consensus for forward prices in the current period. This is particularly true for longer term contracts. Cash flows may vary based on market conditions, margin requirements and the timing of settlement of risk management contracts.

According to the accounting guidance for "Derivatives and Hedging," SWEPCo 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, SWEPCo is required to post or receive cash collateral based on third party contractual agreements and risk profiles. For the June 30, 2015 and December 31, 2014 balance sheets, SWEPCo netted cash collateral received from third parties against short-term and long-term risk management assets and cash collateral paid to third parties against short-term and long-term risk management liabilities as follows:

June 30, 2015		December 31, 2014	
Cash Collateral Received Netted Against Risk Management Assets	Cash Collateral Paid Netted Against Risk Management Liabilities	Cash Collateral Received Netted Against Risk Management Assets	Cash Collateral Paid Netted Against Risk Management Liabilities
(in thousands)			
\$ —	\$ 134	\$ —	\$ 62

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

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

**Fair Value of Derivative Instruments
June 30, 2015**

Balance Sheet Location	Risk Management Contracts	Hedging Contracts		Gross Amounts of Risk Management Assets/Liabilities Recognized	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	Commodity (a)	Commodity (a)	Interest Rate and Foreign Currency (a)			
	(in thousands)					
Derivative Instrument Assets	\$ 2,216	\$ —	\$ —	\$ 2,216	\$ (106)	\$ 2,110
Long-term Portion of Derivative Instrument Assets	33	—	—	33	—	33
Derivative Instrument Liabilities	2,763	—	—	2,763	(240)	2,523

**Fair Value of Derivative Instruments
December 31, 2014**

Balance Sheet Location	Risk Management Contracts	Hedging Contracts		Gross Amounts of Risk Management Assets/Liabilities Recognized	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	Commodity (a)	Commodity (a)	Interest Rate and Foreign Currency (a)			
	(in thousands)					
Derivative Instrument Assets	\$ 471	\$ —	\$ —	\$ 471	\$ (440)	\$ 31
Derivative Instrument Liabilities	1,584	—	—	1,584	(502)	1,082

- (a) Derivative instruments within these categories 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) There are no derivative contracts subject to a master netting arrangement or similar agreement which are not offset in the statement of financial position.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

The table below presents SWEPCo's activity of derivative risk management contracts for the three and six months ended June 30, 2015 and 2014:

Location of Gain (Loss)	Amount of Gain (Loss) Recognized on Risk Management Contracts			
	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
	(in thousands)			
Operating Revenues	\$ 43	\$ (79)	\$ 26	\$ (56)
Operation Expenses	(99)	—	(246)	—
Maintenance Expenses	(84)	—	(177)	—
Regulatory Assets (a)	2,111	(16)	(1,422)	(13)
Regulatory Liabilities (a)	9,350	(1,019)	13,309	311
Total Gain (Loss) on Risk Management Contracts	\$ 11,321	\$ (1,114)	\$ 11,490	\$ 242

(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 the statements of income. Unrealized and realized gains and losses on derivative instruments not held for trading purposes are included in revenues or expenses on the 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."

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

Accounting for Cash Flow Hedging Strategies

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

Realized gains and losses on derivative contracts for the purchase and sale of power designated as cash flow hedges are included in Operating Revenues or Operation Expenses on the statements of income or in regulatory assets or regulatory liabilities on the balance sheets, depending on the specific nature of the risk being hedged. During the three and six months ended June 30, 2015 and 2014, SWEPCo did not designate power derivatives as cash flow hedges.

SWEPCo reclassifies gains and losses on heating oil and gasoline derivative contracts designated as cash flow hedges from Accumulated Other Comprehensive Income on the balance sheets into Operation Expenses, Maintenance Expenses or Depreciation Expense, as it relates to capital projects, on the statements of income. The impact of cash flow hedge accounting for these derivative contracts was immaterial and was discontinued effective March 31, 2014.

SWEPCo reclassifies gains and losses on interest rate derivative hedges related to debt financings from Accumulated Other Comprehensive Income on the balance sheets into Interest on Long-term Debt on the statements of income in those periods in which hedged interest payments occur. During the three and six months ended June 30, 2015 and 2014, SWEPCo did not designate interest rate derivatives as cash flow hedges.

The accumulated gains or losses related to foreign currency hedges are reclassified from Accumulated Other Comprehensive Income on the balance sheets into Depreciation Expense on the statements of income over the depreciable lives of the fixed assets designated as the hedged items in qualifying foreign currency hedging relationships. During the three and six months ended June 30, 2015 and 2014, SWEPCo did not designate any foreign currency derivatives as cash flow hedges.

During the three and six months ended June 30, 2015 and 2014, hedge ineffectiveness was immaterial or nonexistent for all of the hedge strategies disclosed above.

For details on designated, effective cash flow hedges included in Accumulated Other Comprehensive Income on the balance sheets and the reasons for changes in cash flow hedges for the three and six months ended June 30, 2015 and 2014, see Note 3.

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

Cash flow hedges included in Accumulated Other Comprehensive Income on the balance sheets as of June 30, 2015 and December 31, 2014 were:

**Impact of Cash Flow Hedges on the Balance Sheet
June 30, 2015**

	<u>Commodity</u>	<u>Interest Rate and Foreign Currency</u> (in thousands)	<u>Total</u>
Hedging Assets (a)	\$ —	\$ —	\$ —
Hedging Liabilities (a)	—	—	—
AOCI Loss Net of Tax	—	(9,902)	(9,902)
Portion Expected to be Reclassified to Net Income During the Next Twelve Months	—	(1,728)	(1,728)

**Impact of Cash Flow Hedges on the Balance Sheet
December 31, 2014**

	<u>Commodity</u>	<u>Interest Rate and Foreign Currency</u> (in thousands)	<u>Total</u>
Hedging Assets (a)	\$ —	\$ —	\$ —
Hedging Liabilities (a)	—	—	—
AOCI Loss Net of Tax	—	(11,036)	(11,036)
Portion Expected to be Reclassified to Net Income During the Next Twelve Months	—	(1,998)	(1,998)

- (a) Hedging assets and hedging liabilities are included in Derivative Instrument Assets – Hedges and Derivative Instrument Liabilities – Hedges on the balance sheets.

The actual amounts reclassified from Accumulated Other Comprehensive Income to Net Income can differ from the estimate above due to market price changes. As of June 30, 2015, SWEPCo is not hedging (with contracts subject to the accounting guidance for “Derivatives and Hedging”) any exposure to variability in future cash flows related to forecasted transactions.

Credit Risk

AEPSC, on behalf of SWEPCo, limits credit risk in the wholesale marketing and trading activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis. AEPSC, on behalf of SWEPCo, uses Moody’s, Standard and Poor’s and current market-based qualitative and quantitative data as well as financial statements to assess the financial health of counterparties on an ongoing basis.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report
Southwestern Electric Power Company			2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

When AEPSC, on behalf of SWEPCo, uses standardized master agreements, these agreements may include collateral requirements. These master agreements facilitate the netting of cash flows associated with a single counterparty. Cash, letters of credit and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. The collateral agreements require a counterparty to post cash or letters of credit in the event an exposure exceeds the established threshold. The threshold represents an unsecured credit limit which may be supported by a parental/affiliate guaranty, as determined in accordance with AEP's credit policy. In addition, collateral agreements allow for termination and liquidation of all positions in the event of a failure or inability to post collateral.

Collateral Triggering Events

Under the tariffs of the RTOs and Independent System Operators (ISOs) and a limited number of derivative and non-derivative contracts primarily related to competitive retail auction loads, SWEPCo is obligated to post an additional amount of collateral if certain credit ratings decline below investment grade. The amount of collateral required fluctuates based on market prices and total exposure. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these collateral triggering items in contracts. SWEPCo has not experienced a downgrade below investment grade. The following table represents SWEPCo's exposure if credit ratings were to decline below a specified rating threshold as of June 30, 2015 and December 31, 2014:

	Fair Value of Contracts with Credit Downgrade Triggers	Amount of Collateral SWEPCo Would Have Been Required to Post for Derivative Contracts as well as Non- Derivative Contracts Subject to the Same Master Netting Arrangement		Amount of Collateral SWEPCo Would Have Been Required to Post Attributable to RTOs and ISOs		Amount of Collateral Attributable to Other Contracts	
		(in thousands)					
June 30, 2015	\$	—	\$	—	\$	293	\$ 210
December 31, 2014		—		—		877	166

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

In addition, a majority of SWEPCo's non-exchange traded commodity contracts contain cross-default provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-default provisions could be triggered if there was a non-performance event by Parent or the obligor under outstanding debt or a third party obligation in excess of \$50 million. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-default provisions in the contracts. The following table represents: (a) the fair value of these derivative liabilities subject to cross-default provisions prior to consideration of contractual netting arrangements, (b) the amount this exposure has been reduced by cash collateral posted by SWEPCo and (c) if a cross-default provision would have been triggered, the settlement amount that would be required after considering SWEPCo's contractual netting arrangements as of June 30, 2015 and December 31, 2014:

		Liabilities for Contracts with Cross Default Provisions Prior to Contractual Netting Arrangements	Amount of Cash Collateral Posted (in thousands)	Additional Settlement Liability if Cross Default Provision is Triggered
June 30, 2015	\$	—	\$	—
December 31, 2014		—	—	—

9. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy and Valuation Techniques

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

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

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

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 Long-term Debt for SWEPCo as of June 30, 2015 and December 31, 2014 are summarized in the following table:

June 30, 2015		December 31, 2014	
Book Value	Fair Value	Book Value	Fair Value
(in thousands)			
\$ 2,355,228	\$ 2,511,062	\$ 2,058,562	\$ 2,309,149

Name of Respondent Southwestern Electric Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2015/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

Fair Value Measurements of Financial Assets and Liabilities

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
	(in thousands)				
Assets:					
<u>Derivative Instrument Assets</u>					
Risk Management Commodity Contracts (a) (b)	\$ 3	\$ 114	\$ 2,100	\$ (107)	\$ 2,110
Liabilities:					
<u>Derivative Instrument Liabilities</u>					
Risk Management Commodity Contracts (a) (b)	\$ 6	\$ 2,697	\$ 61	\$ (241)	\$ 2,523

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
	(in thousands)				
Assets:					
<u>Derivative Instrument Assets</u>					
Risk Management Commodity Contracts (a) (b)	\$ —	\$ 31	\$ 439	\$ (439)	\$ 31
Liabilities:					
<u>Derivative Instrument Liabilities</u>					
Risk Management Commodity Contracts (a) (b)	\$ —	\$ 684	\$ 899	\$ (501)	\$ 1,082

- (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."
(b) Substantially comprised of coal contracts.

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