



**TRANSMISSION FORMULA RATE
TRUE-UP 2017
OPERATING COMPANIES**

Section 205 FERC Filing

- Pursuant to revised Attachment H-14 of the PJM OATT, which was accepted by the Federal Energy Regulatory Commission (FERC) by letter order issued on March 10, 2017, AEP calculated its 2017 Projected Transmission Revenue Requirement (PTRR) effective January 1, 2017 (subject to refund).
- On, April 24, 2018, FERC issued an order approving a settlement resolving all issues set for hearing, effective January 1, 2017. AEP's 2017 Actual Transmission Revenue Requirement (ATRR) for Network Transmission Service, Scheduling System Control and Dispatch Service (Schedule 1A) and the 2017 True-up ATRR for RTEP projects (Schedule 12) reflects the terms of the settlement.
 - Includes revised property tax allocation
 - unfunded reserves
 - ADIT worksheets within the template.

Timeline

- **May 25 AEP posted on PJM/AEP website 2017 actual revenue requirement**
 - **Cost Allocation Manual**
 - **AEPSC 2017 FERC Form 60**
- **The 2017 ATRR over-recovery included in the 2019 PTRR filing will be posted on or before October 31, 2018**
- **Interested parties have 150 calendar days after May 25 to submit information requests**
- **Interested parties have 210 calendar days after May 25 to notify AEP of any challenges to the annual update**

Federal Energy Regulatory Commission (FERC)

- **EL17-13 ROE Complaint**
 - A contested settlement is pending before the Commission
 - AEP implemented the terms of the settlement on an interim basis
 - Reduced base ROE from 10.99% to 9.85% effective January 1, 2018
 - Provided a one-time refund of \$50M for the period prior to 2018

Benefits to Customers

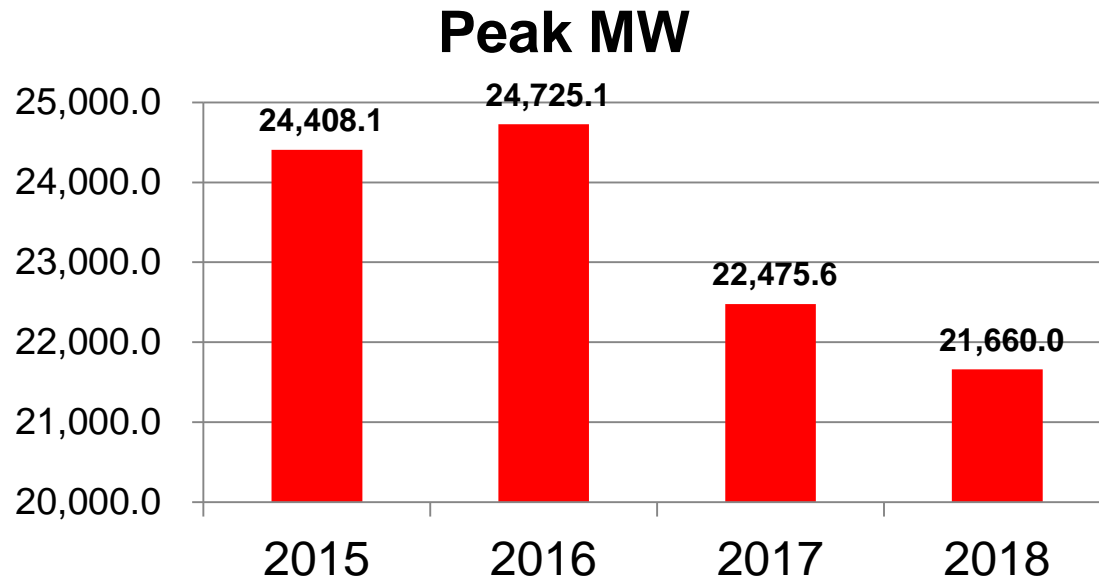
- **Reduces regulatory lag**
 - Reduces over or under recovery of transmission revenues
- **Process is consistent with PJM billing process (“NSPL”)**
 - Transmission customers billed based on NSPL beginning January 1 (each year)

AEP East Zone Network Service Peak Load

- **NSPL (1 CP)**

- **2017 NSPL August 11, 2016 (summer peak)**

- **Hour 15 22,475.7 MW**





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Operating Company Rates

- **Projected Rate**
 - **Rates effective January 1, 2017 Average B/E “Projected” Ratebase Balances (2016-2017) “Projected” O&M Expense**
 - **January – December, 2017**
 - **\$99.63/MW Day (2017 NSPL 22,475.7 MW)**

- **Actual 2017 Rate**
 - **Average B/E “Actual” Ratebase Balances (2016-2017) “Actual” O&M Expense**
 - **\$98.37/MW Day (2017 NSPL 22,475.7 MW)**
 - **1% variance**

(Rates are Off-peak PTP daily rate.)



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Summary of OpCo Rates

Charge	Projected * Billed January 1, 2017 (projected B/E 2016/2017 plant)	Actual January 1, 2017 (actual B/E 2016/2017 plant)	Total Change and % Change
Point-to-Point Rate \$/MW Month	\$3,030.54	\$2,992.22	\$(38.32) (1.3)%
Schedule 12 ATRR	\$43,791,672	\$38,088,772	\$(5,702,900) (15)%
Schedule 1A	\$.1000/MWh	\$.0338/MWh	\$(0.0662) (196)%
AEP East Zone Annual MWh	134,310,000 MWh	126,865,775 MWh	(7,444,225) (6)%
AEP East Zone Network Service Peak Load	22,475.7 MW	22,475.7 MW	No Variance

*Billed January 1, 2017.



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Website Posting for 2017 True-up Rates

[http://www.aep.com/about/codeofconduct/
OASIS/TariffFilings/
ER17-405](http://www.aep.com/about/codeofconduct/OASIS/TariffFilings/ER17-405)
OATT Tariff Filings

- Notice of Annual Filing
- Annual Update Customer Meeting Notice
- Formula Rate Update AEP Operating Companies Summary
- ATRR Summary of AEP Operating Companies
- Appalachian Power Company
- Indiana Michigan Power Company
- Kentucky Power Company
- Kingsport Power Company
- Ohio Power Company
- Wheeling Power Company
- AEP Actuarial Report UMWA YE 2017
- AEP Actuarial Report Non-UMWA YE 2017
- AEPSC Cost Allocation Manual
- AEPSC 2017 FERC Form 60

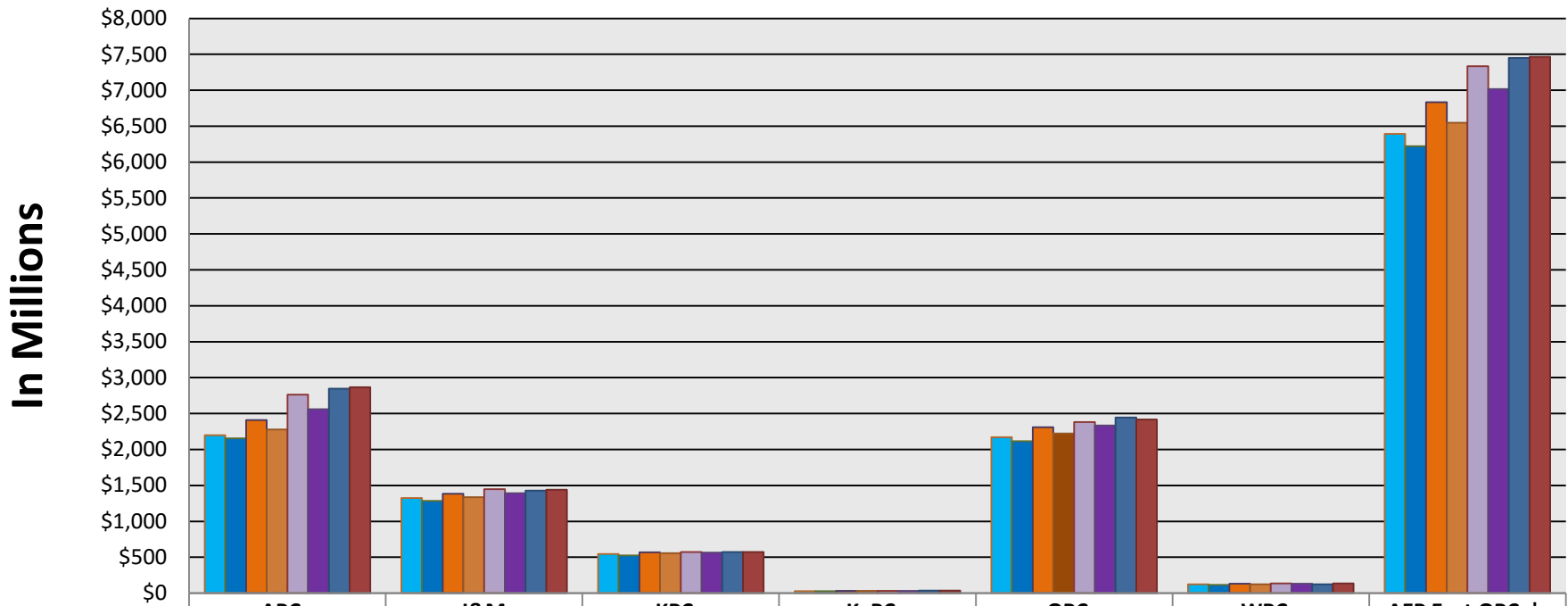
Primary Drivers of Rate Change

- **No variance due to change in NSPL**
- **Rate Base was less than 1% off from 2017 projected rate base**
- **Decrease in Expense**
 - 19% reduction of actual transmission O&M Expense
 - 79% reduction administration – allocated to transmission predominantly due to recovery PBOP



Projected vs. Actual Gross Plant Investment

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	APCo	I&M	KPCo	KgPCo	OPCo	WPCo	AEP East OPCo's
2014 Projected	\$2,199,373,091	\$1,324,224,611	\$543,925,322	\$29,146,339	\$2,171,393,367	\$122,181,495	\$6,390,244,225
2014 True-Up	\$2,152,929,297	\$1,284,972,364	\$526,475,770	\$28,705,625	\$2,114,008,353	\$115,824,067	\$6,222,915,476
2015 Projected	\$2,407,266,243	\$1,384,724,647	\$566,977,191	\$31,047,561	\$2,311,692,688	\$132,265,600	\$6,833,973,930
2015 True-Up	\$2,278,172,515	\$1,336,209,902	\$556,714,089	\$30,363,290	\$2,220,492,527	\$123,762,754	\$6,545,715,075
2016 Projected	\$2,761,993,877	\$1,446,047,472	\$573,718,053	\$32,832,725	\$2,382,190,014	\$135,496,411	\$7,332,278,553
2016 True-Up	\$2,562,094,588	\$1,392,302,480	\$565,883,433	\$31,181,185	\$2,334,051,022	\$131,960,703	\$7,017,473,410
2017 Projected	\$2,847,370,980	\$1,425,667,607	\$572,894,562	\$35,330,161	\$2,443,991,759	\$125,450,720	\$7,450,705,789
2017 True-Up	\$2,868,301,546	\$1,439,860,918	\$571,631,474	\$34,771,198	\$2,415,891,074	\$135,223,990	\$7,465,680,200

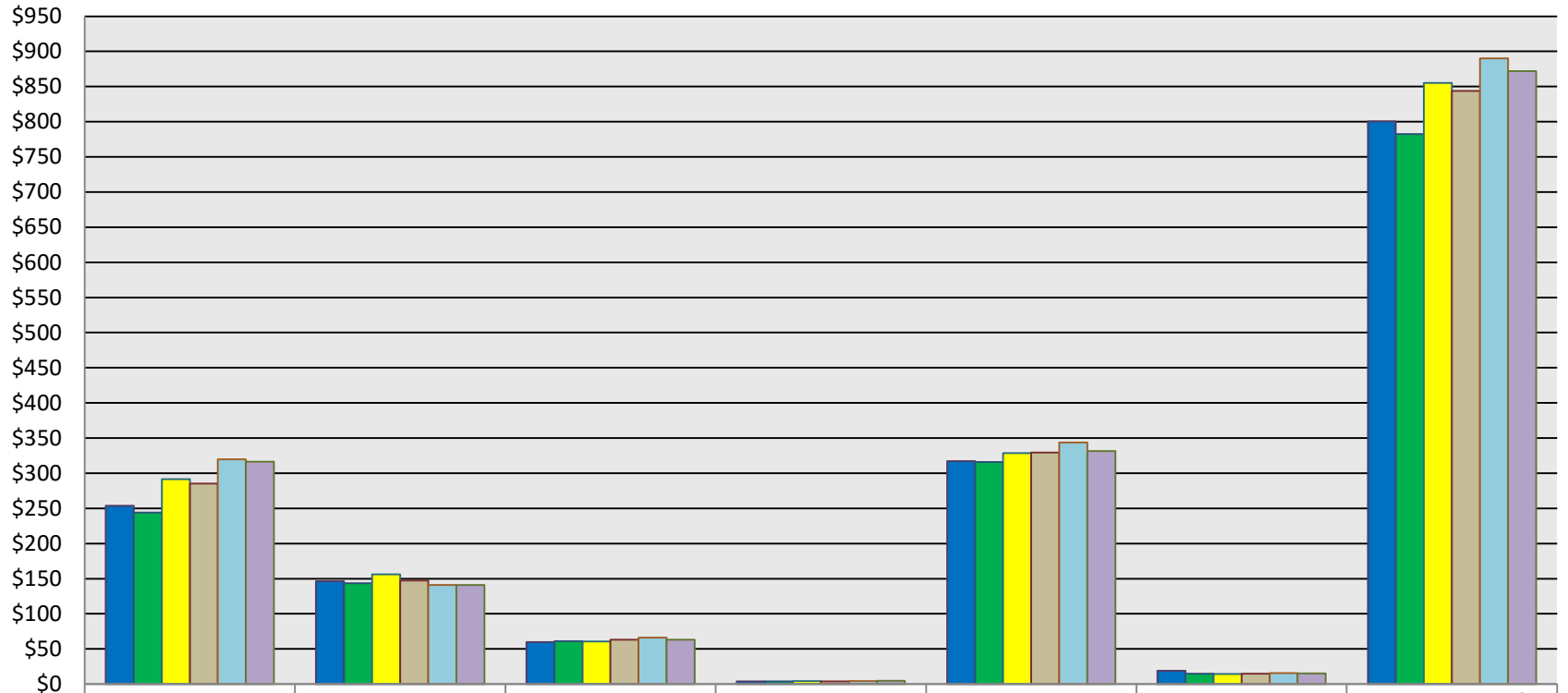
Includes allocated general and intangible plant investment.



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Revenue Requirement (ATRR Summary Line 1)

In Millions



	APCo	I&M	KPCo	KgPCo	OPCo	WPCo	AEP East OPCo's
2015 Projected	\$253,543,461	\$146,336,441	\$59,974,299	\$4,013,431	\$317,417,627	\$19,172,194	\$800,457,453
2015 Actual	\$243,869,159	\$143,522,611	\$60,863,089	\$3,913,253	\$315,759,847	\$14,619,729	\$782,547,688
2016 Projected	\$291,574,957	\$155,931,913	\$60,498,932	\$4,084,589	\$328,509,896	\$14,529,863	\$855,130,150
2016 Actual	\$285,286,282	\$147,474,049	\$63,002,365	\$4,047,720	\$329,224,319	\$14,629,380	\$843,664,115
2017 Projected	\$319,931,263	\$140,802,942	\$65,996,192	\$4,326,215	\$343,581,620	\$15,603,732	\$890,241,964
2017 Actual	\$316,382,941	\$140,896,973	\$63,322,931	\$4,812,895	\$331,623,962	\$15,011,823	\$872,051,526

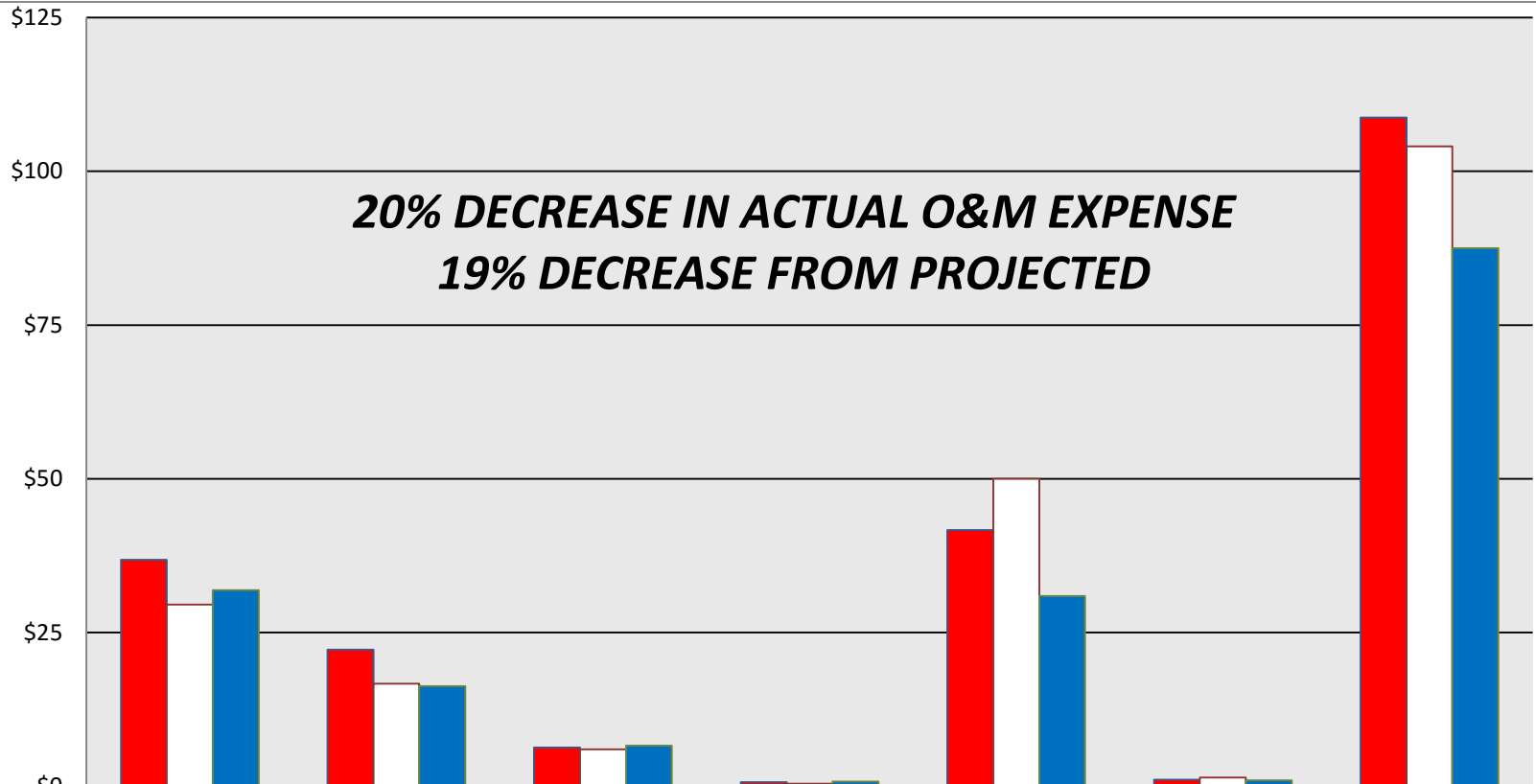


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Transmission O&M Expense Comparison

**20% DECREASE IN ACTUAL O&M EXPENSE
19% DECREASE FROM PROJECTED**

In Millions



	APCo	I&M	KPCo	KgPCo	OPCo	WPCo	Total East OPCo's
2016 True-up	36,821,982	22,210,215	6,317,201	690,395	41,661,104	1,058,437	108,759,333
2017 Projected	29,525,002	16,696,414	6,000,283	446,013	49,981,001	1,404,338	104,053,052
2017 True-up	31,905,841	16,261,324	6,611,956	781,563	30,939,802	987,299	87,487,786



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Operating Companies Revenue Requirement for PJM Schedule 12 Socialized Investment

Operating Company	No. of Schedule 12 Projects		Revenue Requirement		
	Projected	Actual	Projected	Actual	Change
Appalachian Power	11	13	\$23,376,588	\$20,041,492	(17)%
Indiana Michigan	8	8	\$6,594,270	\$6,345,501	(4)%
Ohio Power	21	19	\$12,195,900	\$11,556,972	(6)%
Wheeling Power	1	1	\$154,474	\$144,808	(7)%
Total	41	41	\$42,321,232	\$38,088,773	(11)%



Schedule 1A

AEP EAST Companies Transmission Formula Rate Revenue Requirement
 Utilizing Projected or FERC Form 1 Data
 True-up Included in Rates Effective January 1, 2019

AEP Transmission Schedule 1A Revenue Requirements

<u>Line No.</u>		AEP Annual Revenue Requirement
A. Schedule 1A ARR		
1	Total Load Dispatch & Scheduling (Account 561) (TCOS Line 15)	\$20,961,108
2	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)	\$12,345,988
3	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.6)	\$3,881,699
4	Total 561 Internally Developed Costs (Ln 1 - Ln 2 - Ln 3)	\$4,733,421
5	Less: PTP Service Credit	\$445,861
6	EXISTING ZONAL ARR (Ln 4 - Ln 5)	\$4,287,560
7	PRIOR YEAR TRUE-UP with Interest	\$0
8	Net Schedule 1A Revenue Requirement for Zone	\$4,287,560
B. Schedule 1A Rate Calculations		
9	2017 AEP East Zone Annual MWh	126,865,775 MWh
10	AEP Zone Rate for Schedule 1A Service. (Line 8 / Line 9)	\$0.0338



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Questions?



**TRANSMISSION FORMULA RATE
TRUE-UP 2017
TRANSMISSION COMPANIES**

Section 205 FERC Filing

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- On, April 24, 2018, FERC issued an order approving a settlement resolving all issues set for hearing, effective January 1, 2017. AEP's 2017 Actual Transmission Revenue Requirement (ATRR) for Network Transmission Service, and the 2017 True-up ATRR for RTEP (Schedule 12) projects reflects the terms of the settlement.
 - Includes revised property tax allocation
 - unfunded reserves
 - ADIT worksheets within the template.



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Summary of Transco Rates

Charge	Projected * Billed January 1, 2017 (projected B/E 2016/2017 plant)	Actual January 1, 2017 (actual B/E 2016/2017 plant)	Total Change and % Change
Point-to-Point Rate \$/MW Month	\$1,718.74	\$1,579.75	\$(138.99) (8)%
Schedule 12 ATRR	\$142,452,722	\$145,648,385	\$3,195,663 2%
AEP East Zone Network Service Peak Load	22,475.7 MW	22,475.7 MW	No Variance

*Billed January 1, 2017.



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Website Posting for 2017 True-up Rates

- <http://www.aep.com/about/codeofconduct/OASIS/TariffFilings/>
Docket No. ER17-406, AEPTCo FERC
Formula Rate Filing
- Notice of Annual Filing
- Formula Rate Update AEP
Transmission Companies Summary
- ATRR Summary of AEP TransCo East
Formula Rates
- Appalachian Transmission Company
- Indiana Michigan Transmission
Company
- Kentucky Transmission Company
- Ohio Transmission Company
- West Virginia Transmission Company
- AEPSC Cost Allocation Manual
- AEPSC 2017 FERC Form 60

Primary Drivers of Rate Change

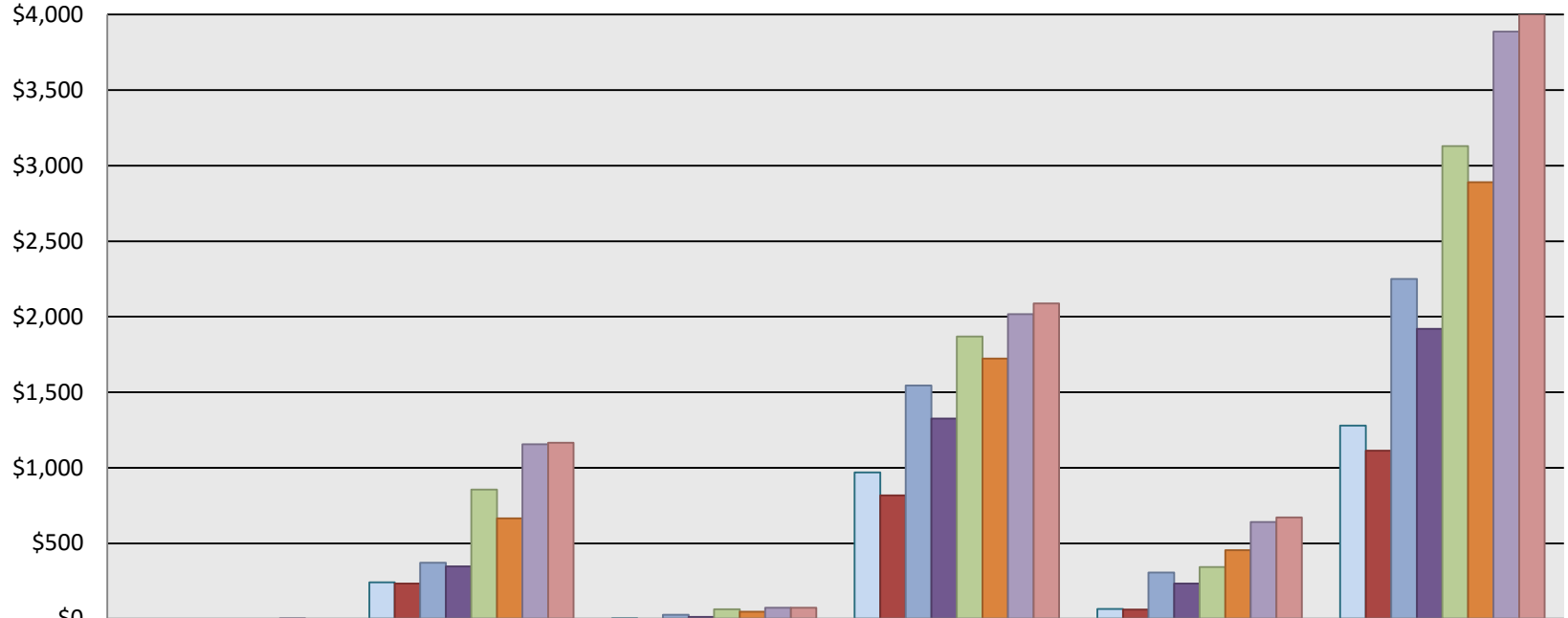
- **Rate Base was less than 1% off from 2017 projected rate base**
- **No variance due to NSPL**
- **Decrease in Expense**
 - **Decrease transmission O&M Expense 16%**
 - **Decrease in administration by 13%**
 - **Property and other taxes were within 2% of actual expense**



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Projected vs. Actual Gross Plant Investment

In Millions



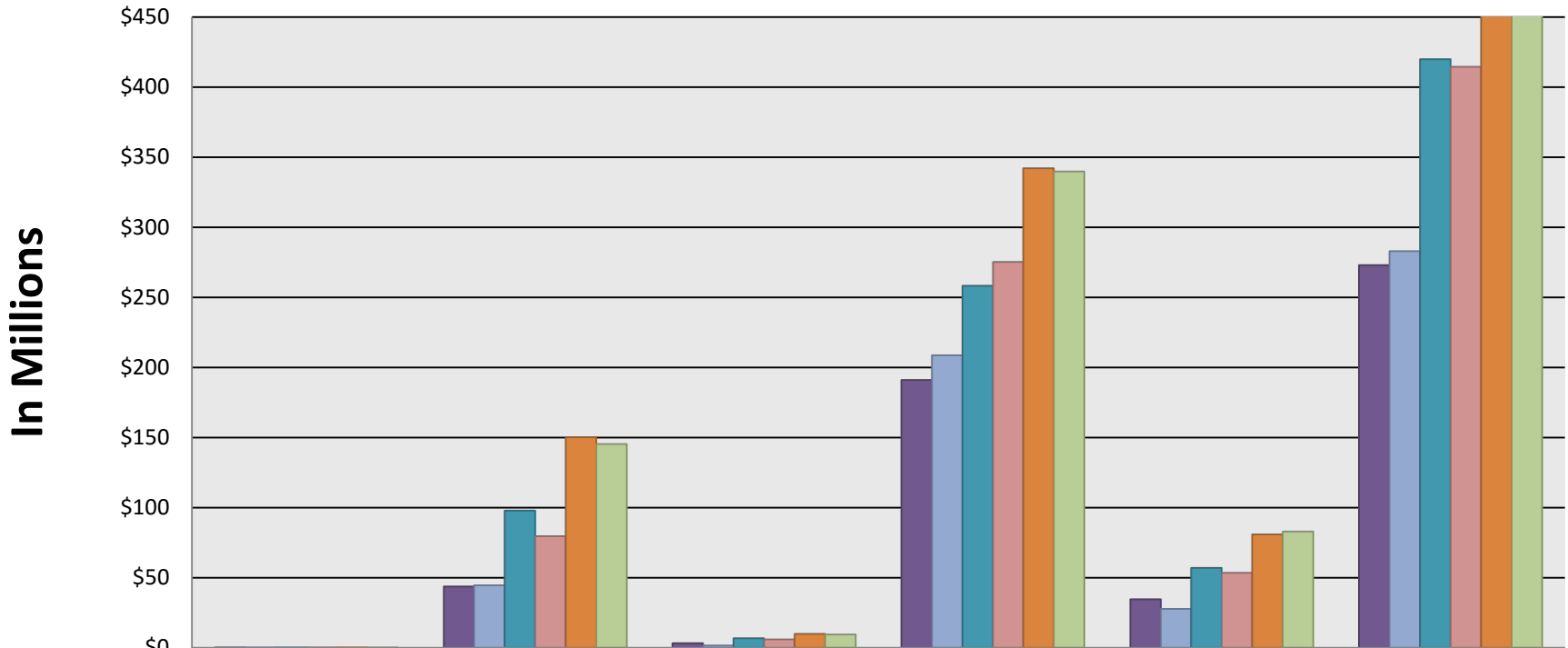
	Appalachian Transco	IM Transco	Kentucky Transco	Ohio Transco	West Virginia Transco	Total East TransCo's
2014 Projected	-	242,187,013	1,212,625	969,781,263	65,924,284	\$1,279,105,185
2014 Actual	-	234,115,618	-	816,769,917	62,347,971	\$1,113,233,506
2015 Projected	-	371,242,343	26,578,020	1,544,089,030	306,942,718	\$2,248,852,111
2015 Actual	-	347,473,717	12,579,970	1,326,060,874	233,436,312	\$1,919,550,873
2016 Projected	-	854,805,360	63,519,778	1,867,883,746	342,176,682	\$3,128,385,566
2016 Actual	-	664,590,192	46,276,532	1,723,415,930	455,203,327	\$2,889,485,981
2017 Projected	60,285	1,155,577,704	74,543,653	2,015,778,378	640,814,512	\$3,886,774,532
2017 Actual	0	1,166,417,225	73,542,252	2,087,867,447	672,118,488	\$3,999,945,412

Includes allocated general and intangible plant



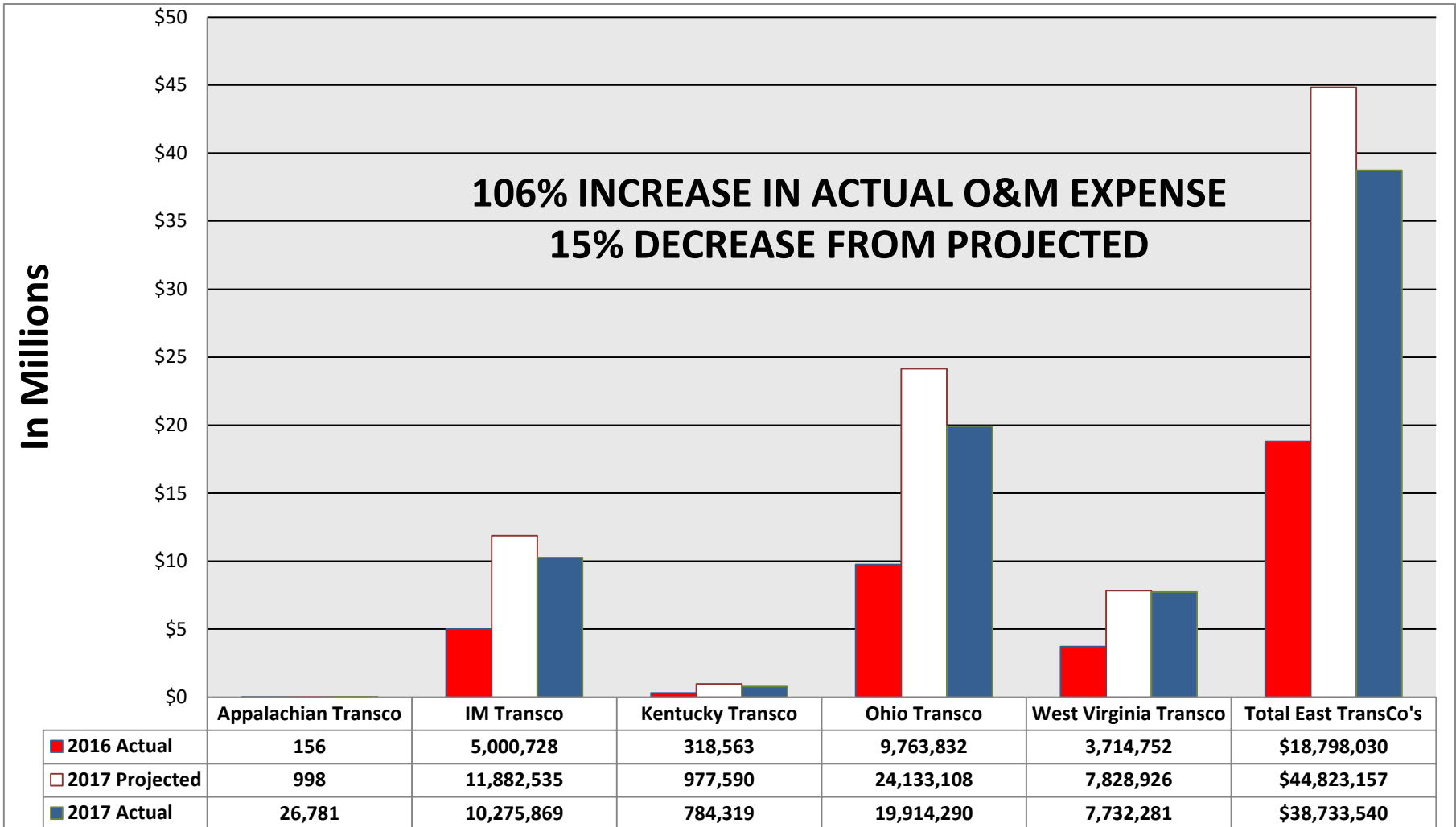
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Revenue Requirement (ATRR Summary Line 1)



	Appalachian Transco	IM Transco	Kentucky Transco	Ohio Transco	West Virginia Transco	Total East Transco's
2015 Projected	\$219,165	\$43,818,510	\$3,317,708	\$191,068,558	\$34,566,928	\$272,990,870
2015 Actual	\$113,802	\$44,685,407	\$1,627,462	\$208,715,942	\$27,775,117	\$282,917,730
2016 Projected	\$109,055	\$97,839,050	\$6,831,944	\$258,167,544	\$56,959,465	\$419,907,058
2016 Actual	\$126,790	\$79,679,080	\$5,908,466	\$275,161,072	\$53,559,964	\$414,435,372
2017 Projected	\$98,423	\$150,171,841	\$9,939,217	\$342,043,393	\$80,961,691	\$583,214,565
2017 Actual	\$192,217	\$145,366,086	\$9,616,793	\$339,803,550	\$83,050,622	\$578,029,268

Transmission O&M Expense Comparison





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TransCo Revenue Requirement for PJM Schedule 12 Socialized Investment

Transmission Company	No. of Schedule 12 Projects		Revenue Requirement		
	Projected	Actual	Projected	Actual	Change
Indiana Michigan TransCo	9	10	\$46,887,455	\$49,817,761	6%
Kentucky TransCo	1	1	\$5,097,838	\$5,015,456	(2)%
Ohio TransCo	20	19	\$45,052,975	\$44,736,527	(1)%
W. Va. TransCo	11	11	\$45,414,454	\$46,078,641	1%
TransCo Total	41	41	\$142,452,722	\$145,648,385	2%

Contact:

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APPENDIX A – OPERATING COMPANIES





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APPENDIX B – TRANSMISSION COMPANIES

