AEPTCo - SPP Formula Rate Projected NITS Rates Page: 1 of 69

#### AEP Transmission Formula Rate Template Utilizing FERC Form 1 Data For rates effective July 1, 2012

SPP Zone 1 Projected AEP Revenue Requirements

Line No.		·	OKTCo Annual Revenue Requirement	SWTCo Annual Revenue Requirement
A. AEP	Network Integration Transmission Service (NITS)			
1	REVENUE REQUIREMENT (w/o incentives)	(TCOS Line 1)	\$5,429,748	\$113,636
2	LESS: REVENUE CREDITS	(TCOS Line 5)	\$0	\$0
3	CURRENT YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(TCOS Line 6)	\$5,429,748	\$113,636
4 5 6 7 8	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR: BASE PLAN UPGRADES (W/O INCENTIVES) REQUESTED UPGRADES (W/O INCENTIVES) ECONOMIC UPGRADES (W/O INCENTIVES) SUBTOTAL	(TCOS Line 7 ) (Worksheet F) (Worksheet F)	2,837,925 - - - 2,837,925	- - - -
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	2,591,823	113,636
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(TCOS Line 15)	-	-
11	EXISTING ZONAL ATRR FOR SPP OATT ATTACHMENT H, SEC. 1, COL. 3	(Ln 9 + Ln 10)	\$2,591,823	\$113,636
12	2011 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 17)	8,323 MW	8,323 MW
13	AEP Monthly NITS Rate in \$/MW - Month	(Line 11 / Line 12) / 12	\$25.95	\$1.14
B. Point	-to-Point Service			
14 15 16 17 18 19 20	Annual Point-to-Point Rate in \$/MW - Year Monthly Point-to-Point Rate in \$/MW - Month Weekly Point-to-Point Rate in \$/MW - Weekly Daily On-Peak Point-to-Point Rate in \$/MW - Day Daily Off-Peak Point-to-Point Rate in \$/MW - Day Hourly On-Peak Point-to-Point Rate in \$/MW - Hour Hourly Off-Peak Point-to-Point Rate in \$/MW - Hour	(Line 11 / Line 12) (Line 14 / 12) (Line 14 / 52) (Line 14 / 260) (Line 14 / 365) (Line 14 / 4160) (Line 14 / 8760)	\$311.42 \$25.95 \$5.99 \$1.20 \$0.85 \$0.07 \$0.04	\$13.65 \$1.14 \$0.26 \$0.05 \$0.04 \$0.00

AEPTCo - SPP Formula Rate Schedule 1 Rates Page: 2 of 69

## AEP Transmission Formula Rate Template Utilizing FERC Form 1 Data For rates effective July 1, 2012

#### **SPP SCHEDULE 1 AEP Revenue Requirements**

	Line No.		<b>1</b>	OKTCo Annual Revenue Requirement	SWTCo Annual Revenue Requirement
Α.	Schedu	le 1 ARR For 2012 Projected Year			
	1	Total Load Dispatch & Scheduling (Account 561) (TCOS Line 77)		\$0	\$0
	2	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)		\$0	\$0
	3	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)		\$0	\$0
	4	Total 561 Internally Developed Costs	(Line 1 - Line 2 - Line 3)	\$0	\$0
	5	Less: PTP Service Credit (prior year Sched 1 revenue from PTP transactions)		\$0	\$0
	6	PROJECTED ZONAL ARR FOR 2012	(Line 4 - Line 5)	\$0	\$0
В.	Schedu	le 1 Projected 7/1/2012 Rate Calculations			
	7	2011 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 17)	8,323 MW	8,323 MW
	8	Annual Point-to-Point Rate in \$/MW - Year	(Line 6 / Line 7)	\$0.00	\$0.00
	9	Monthly Point-to-Point Rate (In 8 / 12) \$/MW - Month	(Line 8 / 12)	\$0.00	\$0.00
	10	Weekly Point-to-Point Rate (In 8 / 52) \$/MW - Weekly	(Line 8 / 52)	\$0.00	\$0.00
	11	Daily Off-Peak Point-to-Point Rate (In 8 / 365) \$/MW - Day	(Line 8 / 365)	\$0.00	\$0.00
	12	Hourly Off-Peak Point-to-Point Rate (In 8 / 8760) \$/MW - Hour	(Line 8 / 8760)	\$0.00	\$0.00

AEPTCo - SPP Formula Rate Trued-Up NITS Rates Page: 3 of 69

#### AEP Transmission Formula Rate Template Calculation of True-Up Rate For Schedule 9 For Calendar Year 2011

SPP Zone 1 Trued-Up AEP Revenue Requirements (if such had been effective)

Line No.			OKTCo Annual Revenue Requirement	SWTCo Annual Revenue Requirement
A. Netwo	ork Service			
1	TRUE-UP YEAR 2011 REVENUE REQUIREMENT (w/o incentives)	(True-Up TCOS Line 1)	\$742,586	\$104,031
2	LESS: REVENUE CREDITS	(True-Up TCOS Line 5)	\$0	\$0
3	TRUE-UP YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(True-Up TCOS Line 6)	\$742,586	\$104,031
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(True-Up TCOS Line 7)	708,386	-
6	REQUESTED UPGRADES (W/O INCENTIVES) ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet G) (Worksheet G)	-	-
8	SUBTOTAL	(Worksheet G)	708,386	<del></del>
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	34,200	104,031
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(True-Up TCOS Line 15)	-	-
11	TRUED-UP ZONAL ATRR (W/ INCENTIVES) FOR 2011	(Line 9 + Line 10)	34,200	104,031
12	2011 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 17)	8,323 MW	8,323 MW
13	Monthly NITS Rate in \$/MW - Month	(Line 11 / Line 12) /12	0.34	1.04

AEPTCo - SPP Formula Rate Schedule 11 Revenue Requirements Page: 4 of 69

### AEP Transmission Formula Rate Template Calculation of Schedule 11 Revenue Requirements For AEP Transmission Projects For Calendar Year 2011 and Projected Year 2012

#### AEP TRANSCO Schedule 11 Revenue Requirement Including True-Up of Prior Collections

Note: Some project's final trued-up cost may not meet SPP's \$100,000 threshold for socialization. In that case a true-up of the pirior year ARR will be made in columns (H) through (O), but no projected ARR will be shown in columns (E) through (G) for the current year.

	(A)	(B)	(C)	(D)	(E)	(F)	(G) = (E) + (F)	(H)	(1)	(J)	(K) = (I) - (J)	(L)	(M)	(N) = (L)-(M)	(O)	$(P) = (H) {+} (K) {+} (N) {+} (O)$	(Q)	= (G) + (P)
				-	Projected A	RR For 2012	From WS-F	T	True-Up ARR CY2011 From Worksheet G (includes			s adjustm	ent for S	PP Collectio	ns)			
									Ва	se ARR			ncentive	ARR				Total
Line No.	Sheet Name	Owner	Project Description	Year in Service	Base ARR (WS-F)	Incentive	<u>Total</u>	TRUE-UP Adjustment (WS-G)	Adjusted ARR from Prior Update	As Billed by SPP (for Prior Yr T-Service)	COLLECTION Adjustment	True- up	As Billed	<u>Change</u>	INTEREST Adjustment	Total Adjustments (True-Up, Billing, & Interest)	Red E	OJUSTED Revenue quirement Effective 7/1/2012
1	OKT.001	OKT	Snyder 138 kV Terminal Addition	2010	84,180	-	84,180	(25,220)	111,383	63,879	47,504	-	-	-	2,004	24,288		108,468
2	OKT.002	OKT	Coffeyville T to Dearing 138 kV Rebuild - 1.1 miles	2010	109,575	-	109,575	(27,460)	160,694	92,159	68,535	-	-	-	3,693	44,768		154,343
3 4	OKT.003 OKT.004 OKT.005	OKT OKT OKT	Tulsa Power Station Reactor Bartlesville SE to Coffeyville T Rebuild Install 345kV terminal at Valliant	2011 2011 2012	101,867 1,426,879 423,079	- - -	101,867 1,426,879 423,079	(100,932) (1,153,938) -	125,485 1,690,106 -	71,966 969,286 -	53,518 720,820 -	-	- - -	- - -	(4,263) (38,944)	(51,677) (472,062) -		50,190 954,817 423,079
5	OKT.006	OKT	Canadian River - McAlester City 138 kV Line Conversion	2012	692,344	-	692,344	-	-	-	-	-	-	-	-	-		692,344
			OKT Total	-	2,837,925	-	2,837,925	(1,307,549)	2,087,668	1,197,290	890,378	-	-	-	(37,511)	(454,682)	\$	2,383,242
6	SWT.001	SWT	insert project name here	2011	-	-	-	-	-	-	-	-	-	-	-	-		-
7			SWT Total	-		-						-	-	-				

<sup>\*&</sup>lt;\$100K investment

AEPTCo - SPP Formula Rate Load Worksheet Page: 5 of 69

#### AEP West (SPP Zone-1)

Network Load for January Through December, 2011

Based on West Zone-SPP Monthly Transmission System Firm Peak Demands [1] for the Twelve Months Ended December 31, 2011

#### **Historical Combined Load Worksheet (SPP Zone - 1)**

		Peak Day	1/13/2011	2/1/2011	3/10/2011	4/19/2011	5/31/2011	6/27/2011	7/27/2011	8/3/2011	9/1/2011	10/7/2011	11/28/2011	12/7/2011	12 Month	. 50
Line		Peak Hour	800	1900	800	1700	1700	1600	1700	1600	1700	1700	800	800	Average MW	LRS
No. S	PP Load Responsibility															
1	<b>PSO</b> (2)		2,810.00	2,797.00	2,233.00	2,391.00	3,327.00	4,087.00	4,323.00	4,469.00	4,038.00	2,685.00	2,299.00	2,621.00	3,173.33	38.1%
2	SWEPCO (2)		3,189.00	3,207.00	2,352.00	2,820.00	3,282.50	3,619.50	3,817.50	4,149.50	3,722.50	2,716.50	2,526.50	2,805.50	3,184.00	38.3%
3	AECC (3)		780.00	766.00	529.00	460.00	591.00	737.00	853.00	919.00	786.00	463.00	507.00	621.00	667.67	8.0%
4	WFEC (3)		36.00	38.00	28.00	27.00	31.00	35.00	33.00	41.00	37.00	31.00	33.00	33.00	33.58	0.4%
5	OMPA (3)		89.00	98.00	69.00	89.00	129.00	161.00	176.00	180.00	163.00	103.00	75.00	87.00	118.25	1.4%
6	OG&E (3)		_	_	4.00	5.00	7.00	8.00	7.00	7.00	6.00	7.00	7.00	6.00	5.33	0.06%
7	NTEC (3)		809.00	850.00	511.00	473.00	591.00	655.00	697.00	758.00	668.00	469.00	605.00	663.00	645.75	7.8%
8	ETEC (3)		107.00	114.00	64.00	64.00	77.00	85.00	90.00	101.00	89.00	63.00	70.00	89.00	84.42	1.0%
9	TEXLA (3)		123.00	123.00	77.00	69.00	101.00	108.00	104.00	124.00	112.00	74.00	90.00	102.00	100.58	1.2%
10	Greenbelt (3)		7.00	5.00	4.00	5.00	9.00	12.00	13.00	11.00	10.00	4.00	5.00	6.00	7.58	0.09%
11	Lighthouse (3)		1.00	2.00	1.00	2.00	3.00	3.00	3.00	3.00	3.00	1.00	2.00	2.00	2.17	0.03%
12	Bentonville, AR		98.00	91.00	81.00	88.00	104.00	126.00	145.00	157.00	139.00	89.00	80.00	91.00	107.42	1.3%
13	Prescott, AR (Entergy) (3)		12.00	11.00	9.00	13.00	14.00	16.00	16.00	18.00	18.00	12.00	11.00	11.00	13.42	0.16%
14	Minden, LA (Entergy) (3)		25.00	26.00	19.00	27.00	35.00	39.00	40.00	45.00	40.00	29.00	20.00	23.00	30.67	0.4%
15	Hope, AR (3)		46.00	45.00	37.00	45.00	54.00	60.00	60.00	64.00	59.00	44.00	37.00	39.00	49.17	0.6%
16	Coffeyville, KS (3)	_	97.00	89.00	89.00	91.00	102.00	111.00	113.00	115.00	113.00	92.00	85.00	95.00	99.33	1.2%
17 Z	one 1 - System Firm Peak Demands	6	8,229.00	8,262.00	6,107.00	6,669.00	8,457.50	9,862.50	10,490.50	11,161.50	10,003.50	6,882.50	6,452.50	7,294.50	8,322.67	
	Supporting Data															
18 <b>F</b>			2,756.00	2,740.00	2,192.00	2,367.00	3,283.00	4,030.00	4,263.00	4,407.00	3,977.00	2,654.00	2,262.00	2,573.00		
19	KAMO		35.00	37.00	30.00	18.00	33.00	41.00	42.00	42.00	45.00	23.00	25.00	33.00		
20	GRDA load on PSO		19.00	20.00	11.00	6.00	11.00	16.00	18.00	20.00	16.00	8.00	12.00	15.00		
21	PSO Load Responsibility		2810.00	2797.00	2233.00	2391.00	3327.00	4087.00	4323.00	4469.00	4038.00	2685.00	2299.00	2621.00		
22 6	WEPCO: SWEPCO Native Load (2	١.5١	3,336.00	3,356.00	2,445.00	2,916.00	3,394.00	3,739.00	3,924.00	4,289.00	3,846.00	2,793.00	2,622.00	2,923.00		
23	Lafayette	) 3)	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00		
24	Dolet Hills Aux. Load (4)		10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
25	VEMCO (on Entergy/CLE	(CO)	-163.00	-155.00	-99.00	-102.00	-127.00	-135.00	-122.00	-155.00	-139.00	-92.00	-111.00	-133.00		
26	VEMCO (SPA Hydro Rep		0.00	0.00	0.00	0.00	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50		
27	SWEPCO Load Responsibility	, ,	3189.00	3207.00	2352.00	2820.00	3282.50	3619.50	3817.50	4149.50	3722.50	2716.50	2526.50	2805.50		

#### Notes:

- (1) MW, at the time of the AEP-SPP Internal (MLR) Peak
- (2) At the generator, includes transmission losses.
- (3) At the generator. Transmission losses added to metered values which include appropriate dist.& xfmr losses.
- (4) Not self-generated
- (5) VEMCO and its resources purchased by SWEPCO Oct. 1, 2010. VEMCO load included in SWEPCO Native starting Oct 1, 2010.
- (6) SPP export from SWEPCO's SPP fleet to VEMCO (CLECO) commenced May 2011 Replacement of terminated SPA Hydro resource.

AEPTCo - SPP Formula Rate OKT Projected TCOS - Projected Page: 6 of 69

#### AEP West SPP Member Companies 2012 Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

#### AEP OKLAHOMA TRANSMISSION COMPANY, INC

No.	REVENUE REQUIREMENT (w/o incentives)	(In 119)				 Amount \$5,429,748
	,		Total	Al	locator	
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	-	DA	1.00000	\$ -
4	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$ -
5	Total Revenue Credits		-			\$ -
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)				\$5,429,748
MEMO	O: The Carrying Charge Calculations on lines 9 to 14 b total non-incentive revenue requiremen	nelow is used in calculating project revenue require ts for these projects shown on line 7 is included in		11. The		
7	Revenue Requirement for SPP BPU Regional Facilities (Worksheet F)	(w/o incentives)	2,837,925	DA	1.00000	\$ 2,837,925
8	NET PLANT CARRYING CHARGE (w/o incentive					
9	Annual Rate	(In 1/ (Sum of Ins 46, 47, 48, 49, 51)) x 100%				10.12%
10	Monthly Rate	(ln 9 / 12)				0.84%
11	NET PLANT CARRYING CHARGE ON LINE 9, W/O DE	EPRECIATION (w/o incentives) (Note B)				
12	Annual Rate	((In 1 - 94 - In 95) / (Sum of Ins 46, 47, 48, 49, 51)) x	100%			9.66%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O II	NCOME TAXES, RETURN (Note B)				
14	Annual Rate	((In 1 - In 94 - In 95- In 116 - In 117) / (Sum of Ins 46,	47, 48, 49, 51)) x 100%			0.76%
15	ADDITIONAL REVENUE REQUIREMENT for projects w	/ incentive ROE's (Note C) (Worksheet F)				-

AEPTCo - SPP Formula Rate OKT Projected TCOS - Projected Page: 7 of 69

#### AEP West SPP Member Companies 2012 Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

#### AEP OKLAHOMA TRANSMISSION COMPANY, INC

(1) (2) (3) (4) (5)

	( )	( )	(-)		( )	(-)
Line	RATE BASE CALCULATION	Data Sources (See "General Notes")	<u>TO Total</u> NOTE D	<u>All</u>	ocator	Total <u>Transmission</u>
No.	GROSS PLANT IN SERVICE		NOTE B			
16	Line Deliberately Left Blank					
17	Line Deliberately Left Blank					
		(Worksheet A In 3.C &		D.4		45.040.050
18	Transmission	Hist. Template Ln 183)	15,010,858	DA		15,010,858
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	1.00000	-
20	Plus: Transmission Plant-in-Service Additions (Wo	orksheet B)	39,003,833	DA	1.00000	39,003,833
21	Plus: Additional Trans Plant on Transferred Asset	s (Worksheet B)	-	TP	1.00000	-
22	Line Deliberately Left Blank					
23	Line Deliberately Left Blank					
24	General Plant	(Worksheet A In 7.C)	-	W/S	0.99691	-
25	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S	0.99691	-
26	Intangible Plant	(Worksheet A In 9.C)	<u>-</u> _	W/S	0.99691	
27	TOTAL GROSS PLANT	(sum Ins 16 to 26)	54,014,691			54,014,691
28	ACCUMULATED DEPRECIATION AND AMORTIZA	TION				
29	Line Deliberately Left Blank		-	NA	0.00000	-
30	Line Deliberately Left Blank		-	NA	0.00000	-
	Transmission	(Worksheet A In 14.C &	107,601	TP1=		
31	Hallstillssion	28.C)	107,001	11-1-	1.00000	107,601
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	1.00000	-
33	Plus: Transmission Plant-in-Service Additions (Wo	orksheet B)	118,667	DA	1.00000	118,667
34	Plus: Additional Projected Deprec on Transferred	Assets (Worksheet B)	-	DA	1.00000	-
35	Plus: Additional Transmission Depreciation for 20	12 (ln 94)	124,635	TP1	1.00000	124,635
36	Plus: Additional General & Intangible Depreciation	for (In 96+In 97)	(1)	W/S	0.99691	(1)
37	Plus: Additional Accum Deprec on Transferred As	sets (Worksheet B)	-	DA	1.00000	-
38	Line Deliberately Left Blank					
39	Line Deliberately Left Blank					
40	General Plant	(Worksheet A In 18.C)	-	W/S	0.99691	-
41	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	0.99691	-
42	Intangible Plant	(Worksheet A In 20.C)	<u></u> _	W/S	0.99691	
43	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 29 to 42)	350,902			350,902
44	NET PLANT IN SERVICE					
45	Line Deliberately Left Blank					
46	Transmission	(In 18 + In 19 - In 31 - In 32)	14,903,257			14,903,257
47	Plus: Transmission Plant-in-Service Additions (In 2	20 - In 33)	38,885,166			38,885,166
48	Plus: Additional Trans Plant on Transferred Asset	s (ln 21 - ln 34)	-			-
49	Plus: Additional Transmission Depreciation for 20	12 (-In 35)	(124,635)			(124,635)
50	Plus: Additional General & Intangible Depreciation	for 2012 (-In 36)	1			1
51	Plus: Additional Accum Deprec on Transferred As	sets (Worksheet B) (-In 37)	-			-
52	Line Deliberately Left Blank					
53	General Plant	(In 24 + In 25 - In 40 - In 41)	-			-
54	Intangible Plant	(In 26 - In 42)				
55	TOTAL NET PLANT IN SERVICE	(sum Ins 45 to 54)	53,663,789			53,663,789
56	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)				
57	Account No. 281.1 (enter negative)	272-273.8.k		NA		-
58	Account No. 282.1 (enter negative)	(Worksheet C, In 1.C & In 3.J)	(11,671,798)	DA		(11,671,798)
59	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & In 12.J)	(1,970,313)	DA		(1,945,718)
60	Account No. 190.1	(Worksheet C, In 19.C & In 21.J)	681,001	DA		681,001
61	Account No. 255 (enter negative)	(Worksheet C, In 28.C & In 30.J)	· -	DA		-
62	TOTAL ADJUSTMENTS	(sum Ins 57 to 61)	(12,961,110)			(12,936,514)
		,	, , , ,			, , ,
63	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	-	DA		-
		,				
63a	REGULATORY ASSETS	(Worksheet A In NOTE 1 . (C))	-	DA		-
64	WORKING CAPITAL	(Note F)				
65	Cash Working Capital	(1/8 * In 80) (Note G)	5,174			5,174
66	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	· -	TP	1.00000	_
67	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S	0.99691	
68	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	1.00000	
69	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	1,551	W/S	0.99691	1,547
70	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	3,704	GP(h)	1.00000	3,704
71	Prepayments (Account 165) - Gross Flant Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	5,704	DA	1.00000	5,704
72	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	-	NA NA	0.00000	-
73	TOTAL WORKING CAPITAL	(sum Ins 65 to 72)	10,429	INA	0.00000	10,425
, 3	TO THE WORKING OAT TIAL	(00111 1110 00 10 12)	10,423			10,425
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	_	DA	1.00000	_
, 4	SSITTIES HORSE ON CONCINCOTION	(	-	DA	1.00000	-
75	RATE BASE (sum Ins 55, 62, 63, 73, 74)		40,713,108			40,737,699
. 0			.0,110,100			10,101,000

AEPTCo - SPP Formula Rate OKT Projected TCOS - Projected Page: 8 of 69

#### AEP West SPP Member Companies 2012 Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

#### AEP OKLAHOMA TRANSMISSION COMPANY, INC

(1) (2) (3) (4) (5)

	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	<u>TO Total</u>	Alle	ocator_	Total <u>Transmission</u>
Line	ODEDATION A MAINTENANCE EVERNOR					
No.	OPERATION & MAINTENANCE EXPENSE	224 442 5	04.044			
76 77	Transmission	321.112.b (Note I) 321.84-92.b	81,644			
77 78	Less: Total Account 561 Less: Account 565	(Note J) 321.84-92.b (Note J) 321.96.b	40,252			
79	Less: expenses 100% assigned to TO billed custome		\$0,232 \$0			
80	Total O&M Allocable to Transmission	(Ins 76 - 77 - 78 - 79)	41.392	TP	1.00000	41.392
00	Total Oxivi Allocable to Transmission	(1115 70 - 77 - 76 - 79)	41,392	I F	1.00000	41,392
81	Administrative and General	323.197.b (Note K)	326,571			
82	Less: Acct. 924, Property Insurance	323.185.b	5,255			
83	Acct. 928, Reg. Com. Exp.	323.189.b	<u>-</u>			
84	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-			
85	Acct. 930.2, Misc. Gen. Exp.	323.192.b	3,215			
86	Balance of A & G	(In 81 - sum In 82 to In 85)	318,101	W/S	0.99691	317,117
87	Plus: Acct. 924, Property Insurance	(In 82)	5,255	GP(h)	1.00000	5,255
88	Acct. 928 - Transmission Specific	Worksheet J In 9.(E) (Note L)	-	TP	1.00000	-
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 26.(E) (Note L)	-	TP	1.00000	-
90	Acct 930.2 - Misc Gen. Exp Trans	Worksheet J In 32.(E) (Note L)		DA	1.00000	
90a	PBOP Adjustment	Worksheet O In 16.B	11,181	DA	1.00000	11,181
91	A & G Subtotal	(sum lns 86 to 90 less ln 90a)	334,537			333,553
92	TOTAL O & M EXPENSE	(In 80 + In 91)	375,929			374,945
93	DEPRECIATION AND AMORTIZATION EXPENSE		·			
94	Transmission	336.7.f	124,635	TP	1.00000	124.635
95	Plus: Transmission Plant-in-Service Additions (Works	sheet B)	118,667	DA	1.00000	118,667
95a	Plus: Formation Costs Amortization	(Worksheet A In 39.C)	28,109	DA	1.00000	28,109
96	General	336.10.f	-	W/S	0.99691	-
97	Intangible	336.1.f	(1)	W/S	0.99691	(1)
98	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 94 to 97)	271,410			271,410
99 100	TAXES OTHER THAN INCOME Labor Related	(Note N)				
101	Payroll	Worksheet L, Col. D	-	W/S	0.99691	_
102	Plant Related					
103	Property	Worksheet L, Col. C	6,360	GP(h)	1.00000	6,360
104	Gross Receipts/Sales & Use	Worksheet L, Col. F	· -	NA	0.00000	-
105	Other	Worksheet L, Col. E	<u></u> _	GP(h)	1.00000	
106	TOTAL OTHER TAXES	(sum Ins 101 to 105)	6,360			6,360
107	INCOME TAXES	(Note O)				
108	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =	(14016-0)	38.68%			
109	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		40.94%			
110	where WCLTD=(In 161) and WACC = (In 164)		40.0476			
111	and FIT, SIT & p are as given in Note O.					
112	GRCF=1 / (1 - T) = (from In 108)		1.6308			
113	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-			
444	In come Tax Only latter	(la 400 * la 447)	4.000.070			4 007 511
114	Income Tax Calculation	(ln 109 * ln 117)	1,386,676	ND/h)	4.00000	1,387,514
115 116	ITC adjustment TOTAL INCOME TAXES	(In 112 * In 113)	1,386,676	NP(h)	1.00000	1,387,514
110	TOTAL INCOME TAXES	(sum Ins 114 to 115)	1,380,076			1,307,314
117	RETURN ON RATE BASE (Rate Base*WACC)	(In 75 * In 164)	3,387,473			3,389,519
118	INTEREST ON IPP CONTRIBUTION FOR CONST. (No	te E) (Worksheet E, In 2)	-	DA	1.00000	-
119	REVENUE REQUIREMENT BEFORE TEXAS GROSS	MARGIN TAX	5,427,848			5,429,748
120	(sum Ins 92, 98, 106, 116, 117, 118)					
	TEVAS 00000 MADONI TAV (M. 1. D. 611 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1					
121	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA		-
122	REVENUE REQUIREMENT INCLUDING GROSS MAR	GIN TAX	5,427,848			5,429,748
						<del></del>

AEPTCo - SPP Formula Rate OKT Projected TCOS - Projected Page: 9 of 69

#### AEP West SPP Member Companies 2012 Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP OKLAHOMA TRANSMISSION COMPANY, INC

#### SUPPORTING CALCULATIONS

	TRANSPIRATION DI ANT INCLUDED IN ORD TABLES								
No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF	(= 40, 40, 00, 04)							E4 044 004
123	Total transmission plant	(ln 18, 19, 20, 21)							54,014,691
124	Less transmission plant excluded from SPP Tariff (No								-
125 126	Less transmission plant included in OATT Ancillary Se Transmission plant included in SPP Tariff	ervices (Worksheet A, in 23, Co (In 123 - In 124 - In 125)	ol. (C)) (Note R)					_	54,014,691
120	Transmission plant included in 3FF Tahin	(111 123 - 111 124 - 111 123)							34,014,091
127	Percent of transmission plant in SPP Tariff	(In 126 / In 123)						TP=	1.00000
				Dev	roll Billed from				
128	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll		Service Corp.	Total			
129	Line Deliberately Left Blank	(Note 3)	Direct Payroll	AEF	Service Corp.	Total			
130	Transmission	354.21.b		0	15,533	15,533	TP	1.00000	15,533
131	Regional Market Expenses	354.22.b		0	0	10,000	NA	0.00000	15,555
132	Line Deliberately Left Blank	334.22.6		U	O		IVA	0.00000	
133	Other (Excludes A&G)	354.24,25,26.b		0	48	48	NA	0.00000	
134	Total	(sum Ins 129 to 133)		0	15,581	15,581	11/7	0.00000	15,533
134	lotal	(Sulli IIIS 129 to 133)		U	15,561	10,001			15,555
135	Transmission related amount							W/S=	0.99691
	STAND ALONE (Note T)								
136	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
137	,	Long Term Interest (Worksh	neet M. In. 18. col. (D))						-
138		Less Preferred Stock (In 16							-
139	Development of Common St		,						
140	•	Proprietary Capital (112.16.	c)						35,757,898
141		Less Preferred Stock (In 14							-
142		Less Account 216.1 (112.12							_
143		Less Account 219.1 (112.15	5.c)						-
		· ·							
144		Common Stock (In 140 - In	141 - In 142 - In 143)						35,757,898
144		Common Stock (In 140 - In	141 - In 142 - In 143)	Ca	apital Structure Pe	ercentages		Cost	35,757,898
144 145		Common Stock (In 140 - In	141 - In 142 - In 143)	<u>Ca</u>	apital Structure Po	ercentages Cap Limit		Cost (Note T)	35,757,898 Weighted
	Long Term Debt (Worksheet M, In. 18, col. (B))	`	141 - In 142 - In 143)	Ca					
145	Long Term Debt (Worksheet M, In. 18, col. (B)) Preferred Stock (Worksheet M, In. 24, col. (B))	`	141 - In 142 - In 143)	Ca	Actual	Cap Limit	• .		Weighted
145 146		`	141 - In 142 - In 143)	<u>Ca</u>	Actual 0.00%	Cap Limit 50.00%			Weighted 0.0000 0.0000 0.0000
145 146 147	Preferred Stock (Worksheet M, In. 24, col. (B))	\$ - -	141 - In 142 - In 143)	<u>Ca</u>	Actual 0.00% 0.00%	Cap Limit 50.00% 0.00%		(Note T)	Weighted 0.0000 0.0000
145 146 147 148	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U)	\$ - - 35,757,898	141 - In 142 - In 143)	Ca	Actual 0.00% 0.00%	Cap Limit 50.00% 0.00%		(Note T) - - 0.0%	Weighted 0.0000 0.0000 0.0000
145 146 147 148 149	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148)	\$ - 35,757,898 35,757,898 50.0%	141 - In 142 - In 143)		Actual 0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	elow s	(Note T) - - 0.0%	Weighted 0.0000 0.0000 0.0000 0.0000
145 146 147 148 149	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U) PUBLIC SERVICE COMPANY OF OKLAHOMA (Note	\$ - 35,757,898 35,757,898 50.0%	141 - In 142 - In 143)		Actual 0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	elow s	(Note T)	Weighted 0.0000 0.0000 0.0000 0.0000
145 146 147 148 149	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U)	\$ 35,757,898 35,757,898 50.0%	,	NOT	Actual 0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	elow s	(Note T)	Weighted 0.0000 0.0000 0.0000 0.0000 0.0000
145 146 147 148 149 150	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U) PUBLIC SERVICE COMPANY OF OKLAHOMA (Note	\$	reet M, In. 18, col. (D))	NOT	Actual 0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	elow s	(Note T)	Weighted 0.0000 0.0000 0.0000 0.0000
145 146 147 148 149 150 151 152 153	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U)  PUBLIC SERVICE COMPANY OF OKLAHOMA (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC)	\$ 35,757,898 35,757,898 50.0%  Long Term Interest (Workst Preferred Stock Dividends (	reet M, In. 18, col. (D))	NOT	Actual 0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	elow s	(Note T)	Weighted 0.0000 0.0000 0.0000 0.0000 0.0000
145 146 147 148 149 150	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U) PUBLIC SERVICE COMPANY OF OKLAHOMA (Note	\$ 35,757,898 35,757,898 50.0%  ET)  Long Term Interest (Workst Preferred Stock Dividends (ock:	neet M, In. 18, col. (D)) Worksheet M, In. 24, c	NOT	Actual 0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	elow s	(Note T)	Weighted 0.0000 0.0000 0.0000 0.0000 0.0000  0 or Template \$ 53,651,112
145 146 147 148 149 150 151 152 153 154 155	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U)  PUBLIC SERVICE COMPANY OF OKLAHOMA (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC)	\$ 35,757,898 35,757,898 50.0% ET) Long Term Interest (Worksh Preferred Stock Dividends (ock: Proprietary Capital (112.16.	neet M, In. 18, col. (D)) Worksheet M, In. 24, c	NOT	Actual 0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	elow s	(Note T)	Weighted 0.0000 0.0000 0.0000 0.0000 0.0000
145 146 147 148 149 150 151 152 153 154 155 156	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U)  PUBLIC SERVICE COMPANY OF OKLAHOMA (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC)	\$ 35,757,898 35,757,898 50.0% ET)  Long Term Interest (Workst Preferred Stock Dividends (ook: Proprietary Capital (112.16. Less Preferred Stock (in 16	neet M, In. 18, col. (D)) Worksheet M, In. 24, c c) 2)	NOT	Actual 0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	elow s	(Note T)	Weighted 0.0000 0.0000 0.0000 0.0000 0.0000  0 or Template \$ 53,651,112
145 146 147 148 149 150 151 152 153 154 155 156 157	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U)  PUBLIC SERVICE COMPANY OF OKLAHOMA (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC)	\$ 35,757,898 35,757,898 50.0%  ET)  Long Term Interest (Workst Preferred Stock Dividends (ock: Proprietary Capital (112.16. Less Preferred Stock (in 16. Less Account 216.1 (112.12.12.12.12.12.12.12.12.12.12.12.12.	neet M, In. 18, col. (D)) Worksheet M, In. 24, c c) 2) 2.0	NOT	Actual 0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	e <b>low</b> s	(Note T)	Weighted  0.0000 0.0000 0.0000  0.0000  0.0000  1 or Template \$ 53,651,112 - 892,805,058 -
145 146 147 148 149 150 151 152 153 154 155 156 157 158	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U)  PUBLIC SERVICE COMPANY OF OKLAHOMA (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC)	35,757,898 35,757,898 35,757,898 50.0%  ET)  Long Term Interest (Worksh Preferred Stock Dividends (oock: Proprietary Capital (112.16. Less Preferred Stock (In 16. Less Account 216.1 (112.15. Less Account 219.1 (112.15.	neet M, In. 18, col. (D)) Worksheet M, In. 24, c c) 2) 2) 2.c)	NOT	Actual 0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	elow s	(Note T)	Weighted 0.0000 0.0000 0.0000 0.0000 0.0000 0.0000 0.0000 0.0000
145 146 147 148 149 150 151 152 153 154 155 156 157	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U)  PUBLIC SERVICE COMPANY OF OKLAHOMA (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC)	\$ 35,757,898 35,757,898 50.0%  ET)  Long Term Interest (Workst Preferred Stock Dividends (ock: Proprietary Capital (112.16. Less Preferred Stock (in 16. Less Account 216.1 (112.12.12.12.12.12.12.12.12.12.12.12.12.	neet M, In. 18, col. (D)) Worksheet M, In. 24, c c) 2) 2) 2.c)	NOT	Actual 0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	elow s	(Note T) 0.0% WACC=  ourced from PSO's FF	Weighted  0.0000 0.0000 0.0000  0.0000  0.0000  1 or Template \$ 53,651,112 - 892,805,058 -
145 146 147 148 149 150 151 152 153 154 155 156 157 158 159	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U)  PUBLIC SERVICE COMPANY OF OKLAHOMA (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC)	35,757,898 35,757,898 35,757,898 50.0% ET)  Long Term Interest (Workst Preferred Stock Dividends (ock: Proprietary Capital (112.16. Less Preferred Stock (in 16. Less Account 216.1 (112.12. Less Account 219.1 (112.15. Common Stock (in 155 - in	neet M, In. 18, col. (D)) Worksheet M, In. 24, c c) 2) 2) 2.c)	NOT	Actual  0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	elow s	(Note T) 0.0% WACC=  Durced from PSO's FF	Weighted 0.0000 0.0000 0.0000 0.0000 0.0000  1 or Template \$ 53,651,112 892,805,058 7,148,518 885,656,540
145 146 147 148 149 150 151 152 153 154 155 156 157 158 159	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148)  Capital Structure Equity Limit (Note U)  PUBLIC SERVICE COMPANY OF OKLAHOMA (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC)  Development of Common St	\$ 35,757,898 35,757,898 50.0%  ET)  Long Term Interest (Workst Preferred Stock Dividends (ook: Proprietary Capital (112.16. Less Preferred Stock (In 16 Less Account 216.1 (112.12 Less Account 219.1 (112.15 Common Stock (In 155 - In	neet M, In. 18, col. (D)) Worksheet M, In. 24, c c) 2) 2) 2.c)	NOT	Actual  0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%	elow s	(Note T)  0.0% WACC=  ourced from PSO's FF  - Cost (Note T)	Weighted  0.0000 0.0000 0.0000  0.00000  0.00000  0.00000  0.00000  0.00000  0.00000  0.00000  0.00000
145 146 147 148 149 150 151 152 153 154 155 156 157 158 159	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148)  Capital Structure Equity Limit (Note U)  PUBLIC SERVICE COMPANY OF OKLAHOMA (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC)  Development of Common St	35,757,898 35,757,898 35,757,898 50.0% ET)  Long Term Interest (Workst Preferred Stock Dividends (ock: Proprietary Capital (112.16. Less Preferred Stock (in 16. Less Account 216.1 (112.12. Less Account 219.1 (112.15. Common Stock (in 155 - in	neet M, In. 18, col. (D)) Worksheet M, In. 24, c c) 2) 2) 2.c)	NOT	Actual  0.00% 0.00% 100.00%  EE: All WACC rela  apital Structure Processing Structure Process	Cap Limit 50.00% 0.00% 50.00%		(Note T) 0.0% WACC=  Durced from PSO's FF	Weighted  0.0000 0.0000 0.0000  0.0000  1 or Template \$ 53,651,112 - 892,805,058 - 7,148,518 885,656,540 Weighted 0.0292
145 146 147 148 149 150 151 152 153 154 155 156 157 158 159	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U)  PUBLIC SERVICE COMPANY OF OKLAHOMA (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC)  Development of Common St	\$ 35,757,898 35,757,898 35,757,898 50.0% ET)  Long Term Interest (Workst Preferred Stock Dividends (ock: Proprietary Capital (112.16. Less Preferred Stock (In 16 Less Account 216.1 (112.12 Less Account 219.1 (112.15 Common Stock (In 155 - In \$ 951,341,259	neet M, In. 18, col. (D)) Worksheet M, In. 24, c c) 2) 2) 2.c)	NOT	Actual  0.00% 0.00% 100.00%	Cap Limit 50.00% 0.00% 50.00%		(Note T)  0.0% WACC=  ourced from PSO's FF  - Cost (Note T)	Weighted  0.0000 0.0000 0.0000  0.00000  0.00000  0.00000  0.00000  0.00000  0.00000  0.00000  0.00000
145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148)  Capital Structure Equity Limit (Note U)  PUBLIC SERVICE COMPANY OF OKLAHOMA (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC)  Development of Common St  Long Term Debt (257.33.h) Preferred Stock (251.f) Common Stock (In 159) (Note U)	\$ 35,757,898 35,757,898 35,757,898 50.0% 2T)  Long Term Interest (Workst Preferred Stock Dividends (ock: Proprietary Capital (112.16. Less Preferred Stock (in 16. Less Account 216.1 (112.12. Less Account 219.1 (112.15. Common Stock (in 155 - in \$ 951,341,259 885,656,540	neet M, In. 18, col. (D)) Worksheet M, In. 24, c c) 2) 2) 2.c)	NOT	Actual  0.00% 0.00% 100.00%  100.00%  E: All WACC rela  apital Structure Process Actual 51.79% 0.00%	Cap Limit		(Note T) 0.0% WACC=  ourced from PSO's FF -  Cost (Note T)	Weighted  0.0000 0.0000 0.0000  0.0000  1 or Template \$ 53,651,112  892,805,058  7,148,518 885,656,540  Weighted  0.0292 0.0000
145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163	Preferred Stock (Worksheet M, In. 24, col. (B)) Common Stock (In 144) (Note U) Total (sum Ins 146 to 148) Capital Structure Equity Limit (Note U)  PUBLIC SERVICE COMPANY OF OKLAHOMA (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC)  Development of Common St	\$ 35,757,898 35,757,898 35,757,898 50.0% ET)  Long Term Interest (Workst Preferred Stock Dividends (ock: Proprietary Capital (112.16. Less Preferred Stock (In 16 Less Account 216.1 (112.12 Less Account 219.1 (112.15 Common Stock (In 155 - In \$ 951,341,259	neet M, In. 18, col. (D)) Worksheet M, In. 24, c c) 2) 2) 2.c)	NOT	Actual  0.00% 0.00% 100.00%  100.00%  E: All WACC rela  apital Structure Process Actual 51.79% 0.00%	Cap Limit		(Note T)  0.0% WACC=  Durced from PSO's FF-  Cost (Note T) 0.0564	Weighted  0.0000 0.0000 0.0000  0.0000  0.0000  0.0000  1 or Template \$ 53,651,112 - 892,805,058 - 7,148,518 885,656,540  Weighted  0.0292 0.0000 0.0540

AEPTCo - SPP Formula Rate OKT Projected TCOS - Projected Page: 10 of 69

AEP West SPP Member Companies 2012 Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Letter Notes

General Notes: a) References to data from FERC Form 1 are indicated as: page#.line#.col.#

- b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting work papers rather than using the allocations above
- The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, Α the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- В The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the projected revenue requirement for each project, based on an FCR rate caclulated from inputs on the Historic TCOS. Line 15 shows the incremental ARR for C projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- Е The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet B.
- Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 80.
- Consistent with Paragraph 657 of Order 2003-A, the amount on line 74 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 118.
- Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- General Plant and Administrative & General expenses may be functionalized based on allocators other then the W/S allocator. Full documentation must be provided. Κ
- L Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- Ν Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- 0 The currently effective income tax rate: where EIT is the Federal income tax rate: SIT is the State income tax rate and n = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 108) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.

35.00% Inputs Required: FIT =

SIT= 5.66% (State Income Tax Rate or Composite SIT. Worksheet K))

0.00% (percent of federal income tax deductible for state purposes)

- Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT. Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q. R
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- The Capital Structure of AEP OKLAHOMA TRANSMISSION COMPANY, INC will be based on the Capital Structure of PSO until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes a stand alond capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS. Long Term Debt cost rate = long-term interest (in 152) / long term debt (in 161). Preferred Stock cost rate = preferred dividends (in 153) / preferred outstanding (in 162).
  - Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- Per Settlement, equity is limited to 50% of AEP OKLAHOMA TRANSMISSION COMPANY, INC's Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEPTCo - SPP Formula Rate OKT Historic TCOS - Historic Page: 11 of 69

## AEP TRANSMISSION HOLDING COMPANY Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

#### AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No. 166	REVENUE REQUIREMENT (w/o incentives)	(In 284)	Total	Allo	ocator	Tr	ansmission Amount \$765,897
167	REVENUE CREDITS	(Note A)		7.110	outo.		
168	Transmission Credits	(Worksheet H)	-	DA	1.00000	\$	_
169	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$	_
170	Total Revenue Credits	( 1 1 1 1 1 )	-			\$	
171	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 170)				\$	765,897
172	The total non-incentive revenue requirement  Revenue Requirement for SPP BPU Regional Facilities ( (Worksheet F)	s for these projects shown on line 172 is inclu w/o incentives)	2,837,925	DA	1.00000	\$	2,837,925
173	NET PLANT CARRYING CHARGE (w/o incentives	, ,					
174	Annual Rate	(In 166/ In 211 x 100%)					5.14%
175	Monthly Rate	(In 174 / 12)					0.43%
176	NET PLANT CARRYING CHARGE ON LINE 174 , W/O						4.200/
177	Annual Rate	( (In 166 - In 259) / In 211 x 100%)					4.30%
178 179	NET PLANT CARRYING CHARGE ON LINE 176, W/O Annual Rate	INCOME TAXES, RETURN (Note B) ( (In 166 - In 259 - In 281 - In 282) / In 211 x 100	0%)				2.75%
180	ADDITIONAL REVENUE REQUIREMENT for projects w.	/ incentive ROE's (Note C) (Worksheet F)					-

AEPTCo - SPP Formula Rate OKT Historic TCOS - Historic Page: 12 of 69

## AEP TRANSMISSION HOLDING COMPANY Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

#### AEP OKLAHOMA TRANSMISSION COMPANY, INC

(1) (2) (3) (4) (5)

	(1)	(=)	(0)	(.)	(0)
Lina	RATE BASE CALCULATION	Data Sources (See "General Notes")	<u>TO Total</u> NOTE D	Allocator	Total <u>Transmission</u>
Line No.	GROSS PLANT IN SERVICE		NOTED		
181					
182	Line Deliberately Left Blank Line Deliberately Left Blank				
102	Line Deliberately Left Blank	(Worksheet A In 3.C &			
183	Transmission	Ln 291)	15,010,858	DA	15,010,858
184	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 1.00000	_
185	Plus: Transmission Plant-in-Service Additions (Work		N/A	NA 0.00000	N/A
186	Plus: Additional Trans Plant on Transferred Assets (	*	N/A	NA 0.00000	N/A
187	Line Deliberately Left Blank	Worksheet b)	IVA	0.00000	IVA
188	Line Deliberately Left Blank				
189	General Plant	(Worksheet A In 7.C)	_	W/S 0.99691	_
190	Less: General Plant ARO (Enter Negative)	(Worksheet A III 7.0)		W/S 0.99691	
191	Intangible Plant	(Worksheet A In 9.C)	_	W/S 0.99691	
192	TOTAL GROSS PLANT	(sum Ins 181 to 191)	15.010.858	GP(h)= 1.000000	15,010,858
102	TOTAL GROOD LEANT	(34111113 101 10 131)	13,010,030	GTD= 1.00000	13,010,030
193	ACCUMULATED DEPRECIATION AND AMORTIZATION	ON		G1D= 1.00000	
193	Line Deliberately Left Blank	JIN			
194					
190	Line Deliberately Left Blank				
	Transmission	(Worksheet A In 14.C	107,601.000	TP1=	
196		& 28.C)	,	1.00000	107,601.000
197	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)		<b>TP1=</b> 1.00000	
198	Plus: Transmission Plant-in-Service Additions (Work	sheet B)	N/A	DA 1.00000	N/A
199	Plus: Additional Projected Deprec on Transferred As	ssets (Worksheet B)	N/A	DA 1.00000	N/A
200	Plus: Additional Transmission Depreciation for 2012	(In 259)	N/A	TP1 1.00000	N/A
201	Plus: Additional General & Intangible Depreciation for	or 2012 (In 261+In 262)	N/A	W/S 0.99691	N/A
202	Plus: Additional Accum Deprec on Transferred Asse	ets (Worksheet B)	N/A	DA 1.00000	N/A
203	Line Deliberately Left Blank	,			
204	Line Deliberately Left Blank				
205	General Plant	(Worksheet A In 18.C)	_	W/S 0.99691	-
206	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	<u>-</u>	W/S 0.99691	-
207	Intangible Plant	(Worksheet A In 20.C)	<del>-</del>	W/S 0.99691	-
208	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 194 to 207)	107,601		107,601
200	TO THE MODERNEE BET REGISTION	(64111115 104 10 207)	107,001		107,001
209	NET PLANT IN SERVICE				
210	Line Deliberately Left Blank				
211	Transmission	(In 183 + In 184 - In 196 - In 197)	14,903,257		14,903,257.000
212	Plus: Transmission Plant-in-Service Additions (In 18		N/A		N/A
213	,	•	N/A		N/A
	Plus: Additional Trans Plant on Transferred Assets				
214	Plus: Additional Transmission Depreciation for 2012		N/A		N/A
215	Plus: Additional General & Intangible Depreciation for		N/A		N/A
216	Plus: Additional Accum Deprec on Transferred Asse	ets (Worksheet B) (-In 202)	N/A		N/A
217	Line Deliberately Left Blank				
218	General Plant	(In 189 + In 190 - In 205 - In 206)	-		-
219	Intangible Plant	(In 191 - In 207)			
220	TOTAL NET PLANT IN SERVICE	(sum Ins 210 to 219)	14,903,257	NP(h)= 1.000000	14,903,257
_					
221	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)			
222	Account No. 281.1 (enter negative)	272-273.8.k		NA	-
223	Account No. 282.1 (enter negative)	(Worksheet C, In 1.C & In 3.J)	(11,671,798)	DA	(11,671,798)
224	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(1,970,313)	DA	(1,945,718)
225	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	681,001	DA	681,001
226	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)		DA	
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	(12,961,110)		(12,936,514)
228	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	-	DA	-
228a	REGULATORY ASSETS	(Worksheet A In NOTE 1 . (C))	-	DA	-
		a =			
229	WORKING CAPITAL	(Note F)			
230	Cash Working Capital	(1/8 * In 245) (Note G)	5,174		5,174
231	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP 1.00000	-
232	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S 0.99691	-
233	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h) 1.00000	-
234	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	1,551	W/S 0.99691	1,547
235	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	3,704	GP(h) 1.00000	3,704
236	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA 1.00000	-
237	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	<u> </u>	NA 0.00000	
238	TOTAL WORKING CAPITAL	(sum Ins 230 to 237)	10,429		10,425
239	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	-	DA 1.00000	-
0.40	DATE DAGE (		4.050.570		4 077 407
240	RATE BASE (sum Ins 220, 227, 228, 238, 239)		1,952,576		1,977,167

AEPTCo - SPP Formula Rate OKT Historic TCOS - Historic Page: 13 of 69

## AEP TRANSMISSION HOLDING COMPANY Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

#### AEP OKLAHOMA TRANSMISSION COMPANY, INC

(1) (2) (3) (4) (5)

	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Alloc	ator_	Total <u>Transmission</u>
Line No.	OPERATION & MAINTENANCE EXPENSE					
241	Transmission	321.112.b	81,644			
242	Less: Total Account 561	(Note I) 321.84-92.b	01,044			
242	Less: Account 565	(Note J) 321.94-92.0 (Note J) 321.96.b	40,252			
243	Less: expenses 100% assigned to TO billed customers		40,232			
244	Total O&M Allocable to Transmission	(Norksheet I, III 14) (Ins 241 - 242 - 243 - 244)	41,392	TP	1.00000	41,392
243	Total Oxivi Allocable to Transmission	(115 241 - 242 - 243 - 244)	41,592	11	1.00000	41,332
246	Administrative and General	323.197.b (Note K)	326,571			
247	Less: Acct. 924, Property Insurance	323.185.b	5,255			
248	Acct. 928, Reg. Com. Exp.	323.189.b				
249	Acct. 930.1, Gen. Advert. Exp.	323.191.b	2.2.2			
250	Acct. 930.2, Misc. Gen. Exp.	323.192.b	3,215			
251	Balance of A & G	(In 246 - sum In 247 to In 250)	318,101	W/S	0.99691	317,117
252	Plus: Acct. 924, Property Insurance	(In 247)	5,255	GP(h)	1.00000	5,255
253	Acct. 928 - Transmission Specific	Worksheet J In 9.(E) (Note L)	-	TP	1.00000	-
254	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 26.(E) (Note L)	-	TP	1.00000	-
255	Acct 930.2 - Misc Gen. Exp Trans	Worksheet J In 32.(E) (Note L)		DA	1.00000	
255a	PBOP Adjustment	Worksheet O In 16.B	11,181	DA	1.00000	11,181
256	A & G Subtotal	(sum lns 251 to 255 less ln 255a)	334,537			333,553
257	TOTAL O & M EXPENSE	(In 245 + In 256)	375,929			374,945
258	DEPRECIATION AND AMORTIZATION EXPENSE					
259	Transmission	336.7.f	124,635	TP	1.00000	124,635
260	Plus: Transmission Plant-in-Service Additions (Worksh		N/A			N/A
260a	Plus: Formation Costs Amortization	(Worksheet A In 37.C)	28,109	DA	1.00000	28,109
261	General	336.10.f	-	W/S	0.99691	-
262	Intangible	336.1.f	(1)	W/S	0.99691	(1)
263	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 259 to 262)	152,743			152,743
264 265	TAXES OTHER THAN INCOME Labor Related	(Note N)				
266	Payroll	Worksheet L, Col. D	-	W/S	0.99691	_
267	Plant Related	,				
268	Property	Worksheet L, Col. C	6,360	GP(h)	1.00000	6,360
269	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NÀ ´	0.00000	· -
270	Other	Worksheet L, Col. E	-	GP(h)	1.00000	-
271	TOTAL OTHER TAXES	(sum Ins 266 to 270)	6,360			6,360
272	INCOME TAXES	(Note O)				
273	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =	(.1010-0)	38.68%			
274	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		40.94%			
275	where WCLTD=(In 326) and WACC = (In 329)					
276	and FIT, SIT & p are as given in Note O.					
277	GRCF=1 / (1 - T) = (from In 273)		1.6308			
278	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-			
279	Income Tax Calculation	(In 274 * In 282)	66,504			67,342
280	ITC adjustment	(ln 277 * ln 278)	-	NP(h)	1.00000	07,042
281	TOTAL INCOME TAXES	(sum Ins 279 to 280)	66,504	111 (11)	1.00000	67,342
000		· ·	400 404			404.555
282	RETURN ON RATE BASE (Rate Base*WACC)	(In 240 * In 329)	162,461			164,507
283	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note	E) (Worksheet E, In 2)		DA	1.00000	
284	REVENUE REQUIREMENT BEFORE TEXAS GROSS M	ARGIN TAX	763,997			765,897
285	(sum Ins 257, 263, 271, 281, 282, 283)					
286	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		_	DA		_
				DA		
287	REVENUE REQUIREMENT INCLUDING GROSS MARG	IN TAX	763,997			765,897

AEPTCo - SPP Formula Rate OKT Historic TCOS - Historic Page: 14 of 69

# AEP TRANSMISSION HOLDING COMPANY Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

#### AEP OKLAHOMA TRANSMISSION COMPANY, INC

#### SUPPORTING CALCULATIONS

In								
No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF							
288	Total transmission plant	(ln 183)						15,010,858
289	Less transmission plant excluded from SPP Tariff (Note		O-1 (O)) (N-4- D)					-
290	Less transmission plant included in OATT Ancillary Sen						_	45.040.050
291	Transmission plant included in SPP Tariff	(In 288 - In 289 - In 290)						15,010,858
292	Percent of transmission plant in SPP Tariff	(In 291 / In 288)					TP=	1.00000
	· ·	,						
				Payroll Billed from				
293	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	AEP Service Corp.	Total			
294	Line Deliberately Left Blank							
295	Transmission	354.21.b	0		15,533	TP	1.00000	15,533
296 297	Regional Market Expenses Line Deliberately Left Blank	354.22.b	U		-	NA	0.00000	-
297	Other (Excludes A&G)	354.24,25,26.b	0	48	48	NA	0.00000	
299	Total	(sum Ins 294 to 298)	0		15,581	INA	0.00000	15,533
299	Total	(501111115 254 to 250)	U	13,301	13,361			10,000
300	Transmission related amount						W/S=	0.99691
	STAND ALONE (Note T)							
301	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
302	WEIGHTED AVEIVAGE COST OF CAPITAL (WACC)	Long Term Interest (Wor	rksheet M In 18 col (	D))			_	Ψ
303		Preferred Stock Dividend						_
304	Development of Common Stoo		do (Workoncet W, III. 2	4, 001. ( <i>D</i> ))				
305		Proprietary Capital (112.	.16.c)					35,757,898
306		Less Preferred Stock (In						-
307		Less Account 216.1 (112	2.12.c)					-
308		Less Account 219.1 (112						-
309		Common Stock (In 305 -	In 306 - In 307 - In 308					35,757,898
240		•		Capital Structure I			Cost	M/=:=b4==d
310	Lang Tarra Dalet (Markabaat M. In. 40, and (D))	\$		Actual	Cap Limit		(Note T)	Weighted
311 312	Long Term Debt (Worksheet M, In. 18, col. (B)) Preferred Stock (Worksheet M, In. 24, col. (B))	-		0.00% 0.00%	50.00% 0.00%		-	0.0000 0.0000
313	Common Stock (In 309) (Note U)	35,757,898		100.00%	50.00%		11.2%	0.0560
314	Total (sum Ins 311 to 313)	35,757,898		100.0070	30.0070		WACC=	0.0560
014	rotal (damino orrito oro)	00,707,000					117.00-	0.0000
315	Capital Structure Equity Limit (Note U)	50.0%						
	DUDUIC SERVICE COMPANY OF OVI AHOMA (Note 1	•	NOTE: All MACC rol	ated entries below so	urood from DSC	Vo EE1	or Tompleto	
316	PUBLIC SERVICE COMPANY OF OKLAHOMA (Note 1 WEIGHTED AVERAGE COST OF CAPITAL (WACC)	1	NOTE. All WACCIES	ated entines below SO	arcea ironi PSC	, 5 i <sup>-</sup> F l	or remplate	\$
317	WEIGHTED AVEIVAGE GOOT OF GAFTIAE (WAGO)	Long Term Interest (PSC	OFR Worksheet M. In	19 col (D))				53,651,112
318		Preferred Stock Dividend						-
319	Development of Common Stoo		(	, ==, == (= //				
320	·	Proprietary Capital (112.	.16.c)					892,805,058
321		Less Preferred Stock (In						
322		Less Account 216.1 (112	2.12.c)					-
323		Less Account 219.1 (112	2.15.c)					7,148,518
324		Common Stock (In 320 -	In 321 - In 322 - In 323					885,656,540
				Capital Structure I			Cost	
325		\$		Actual	Cap Limit		(Note T)	Weighted
326	Long Term Debt (PSO WS-M, In. 21, col. (B))	951,341,259		51.79%	0.00%		0.0564	0.0292
327	Preferred Stock (PSO WS-M, In. 25, col. (B))	-		0.00%	0.00%		44.00/	0.0000
328	Common Stock (In 324) (Note U) Total (sum Ins 326 to 328)	885,656,540 1,836,997,799		48.21%	0.00%		11.2% WACC=	0.0540 <b>0.0832</b>
329								
	Total (sull'illis 320 to 320)	1,000,007,700					11700-	0.0002
330	Capital Structure Equity Limit (Note U for PSO)	52.5%					11/100=	0.0002

AEPTCo - SPP Formula Rate OKT Historic TCOS - Historic Page: 15 of 69

### AEP TRANSMISSION HOLDING COMPANY Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

#### AEP OKLAHOMA TRANSMISSION COMPANY, INC

<u>Letter</u> <u>Notes</u>

General Notes: a) References to data from FERC Form 1 are indicated as: page#.line#.col.#

- b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting work papers rather than using the allocations above.
- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the projected revenue requirement for each project, based on an FCR rate caclulated from inputs on this TCOS. Line 180 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- E The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations.

  The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet B.
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 245.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 239 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 283.
- I Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other then the W/S allocator. Full documentation must be provided.
- Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p =
  "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a
  work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that
  elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce
  rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f)
  (In 273) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.

Inputs Required: FIT = 35.00%
SIT= 5.66% (State Income Tax Rate or Composite SIT. Worksheet K))
p = 0.00% (percent of federal income tax deductible for state purposes)

- P Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Q Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- R Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- The Capital Structure of AEP OKLAHOMA TRANSMISSION COMPANY, INC will be based on the Capital Structure of PSO until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS.

  Long Term Debt cost rate = long-term interest (ln 317) / long term debt (ln 326). Preferred Stock cost rate = preferred dividends (ln 318) / preferred outstanding (ln 327).

  Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, AEP OKLAHOMA TRANSMISSION COMPANY, INC equity is limited to 50% of AEP OKLAHOMA TRANSMISSION COMPANY, INC's Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEPTCo - SPP Formula Rate OKT True-Up TCOS - True-Up Page: 16 of 69

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

#### AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.								ansmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 106)		Total	Alloca	ator		\$742,586
2 3 4 5	REVENUE CREDITS Transmission Credits Assoc. Business Development Total Revenue Credits	(Note A) (Worksheet H) (Worksheet H)	<del>-</del>		DA DA	1.00000 1.00000	\$ \$	- - -
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)						\$742,586
MEM	O: The Carrying Charge Calculations on lines 9 to 14 b	pelow is used in calculating project revenue requirents for these projects shown on line 7 is included in t			non-incentive			
7	Trued-Up Revenue Requirement for SPP BPU Regional I	Facilities (w/o incentives) (Worksheet		708,386	DA	1.00000	\$	708,386
8 9 10	NET PLANT CARRYING CHARGE (w/o incentives) (Not Annual Rate Monthly Rate	e B) (in 1/ in 39 x 100%) (in 9 / 12)						8.93% 0.74%
11 12	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DE Annual Rate	PRECIATION (w/o incentives) (Note B) ( (In 1 - In 82) / In 39 x 100%)						7.44%
13 14	NET PLANT CARRYING CHARGE ON LINE 11, W/O IN Annual Rate	COME TAXES, RETURN (Note B) ( (In 1 - In 82 - In 103 - In 104) / In 39 x 100%)						4.85%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/	incentive ROE's (Note C) (Worksheet G)						-

AEPTCo - SPP Formula Rate OKT True-Up TCOS - True-Up Page: 17 of 69

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

#### AEP OKLAHOMA TRANSMISSION COMPANY, INC

	(1)	(2)	(3)		(4)	(5)
Line	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total NOTE D	Al	locator	Total <u>Transmission</u>
No. 16 17 18 19	GROSS PLANT IN SERVICE Line Deliberately Left Blank Line Deliberately Left Blank Transmission	(Worksheet A In 3.E & Ln 113)	8,311,107	DA TP	4.00000	8,311,107
20 21	Less: Transmission ARO (Enter Negative) Line Deliberately Left Blank Line Deliberately Left Blank	(Worksheet A In 4.E)	-		1.00000	-
22 23 24 25	General Plant Less: General Plant ARO (Enter Negative) Intangible Plant TOTAL GROSS PLANT	(Worksheet A In 7.E) (Worksheet A In 8.E) (Worksheet A In 9.E) (sum Ins 16 to 24)		W/S W/S W/S <b>GP(TU)=</b> <b>GTD=</b>	1.00000 1.00000 1.00000 <b>1.00000</b> <b>1.00000</b>	35 8,311,141
26 27 28	ACCUMULATED DEPRECIATION AND AMORTIZATIO Line Deliberately Left Blank Line Deliberately Left Blank	DN		GID=	1.00000	
29 30 31	Transmission Less: Transmission ARO (Enter Negative) Line Deliberately Left Blank	(Worksheet A In 14.E & 28.E) (Worksheet A In 15.E)	53,801 -	TP1= TP1=	0.00000 0.00000	-
32 33 34 35 36	Line Deliberately Left Blank General Plant Less: General Plant ARO (Enter Negative) Intangible Plant TOTAL ACCUMULATED DEPRECIATION	(Worksheet A In 18.E) (Worksheet A In 19.E) (Worksheet A In 20.E) (sum Ins 27 to 35)	- - 1 53,801	W/S W/S W/S	1.00000 1.00000 1.00000	- - 1 1
37 38 39	NET PLANT IN SERVICE Line Deliberately Left Blank Transmission	(ln 18 + ln 19 - ln 29 - ln 30)	8,257,306			8,311,107
40 41 42 43	Line Deliberately Left Blank General Plant Intangible Plant TOTAL NET PLANT IN SERVICE	(in 22 + in 23 - in 33 - in 34) (in 24 - in 35) (sum ins 38 to 42)	34 8,257,340	NP(TU)=	1.00652	34 8,311,141
44 45 46 47 48 49 50	DEFERRED TAX ADJUSTMENTS TO RATE BASE Account No. 281.1 (enter negative) Account No. 282.1 (enter negative) Account No. 283.1 (enter negative) Account No. 283.1 (enter negative) Account No. 255 (enter negative) TOTAL ADJ	(Note E) 272-273.8.k (Worksheet C, In 7.C & In 9.J) (Worksheet C, In 16.C & Ln 18.J) (Worksheet C, In 16.C & Ln 27.J) (Worksheet C, In 34.C & Ln 36.J) (sum Ins 45 to 49)	(5,835,899) (1,002,374) 340,501 	NA DA DA DA DA		(5,835,899) (990,076) 340,501 
51	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	-	DA		-
51a	REGULATORY ASSETS	(Worksheet A In NOTE 1 . (E))	-	DA		-
52 53 54 55 56 57 58 59 60 61	WORKING CAPITAL Cash Working Capital Transmission Materials & Supplies A&G Materials & Supplies Stores Expense Prepayments (Account 165) - Labor Allocated Prepayments (Account 165) - Gross Plant Prepayments (Account 165) - Transmission Only Prepayments (Account 165) - Unallocable TOTAL WORKING CAPITAL	(Note F) (118 * In 68) (Note G) (Worksheet D, In 2.(F)) (Worksheet D, In 3.(F)) (Worksheet D, In 4.(F)) (Worksheet D, In 7.G) (Worksheet D, In 7.F) (Worksheet D, In 7.E) (Worksheet D, In 7.E) (Worksheet D, In 7.D) (sum Ins 53 to 60)	5,174 - - - - - - - - - - - - - - - - - - -	TP W/S GP(TU) W/S GP(TU) DA NA	1.00000 1.00000 1.00000 1.00000 1.00000 1.00000 0.00000	5,174 - - - - - - - - - 5,174
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	<u> </u>	DA	1.00000	
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		1,764,742			1,830,840

(1)

AEPTCo - SPP Formula Rate OKT True-Up TCOS - True-Up Page: 18 of 69

(5)

(4)

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

(2)

	(1)	(2)	(0)	(	,	(0)
	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Alloc	<u>ator</u>	Total <u>Transmission</u>
Line						
No.	OPERATION & MAINTENANCE EXPENSE	004 440 1	0.0			
64	Transmission	321.112.b	81,644			
65	Less: Total Account 561	(Note I) 321.84-92.b	40.050			
66	Less: Account 565	(Note J) 321.96.b	40,252			
67	Less: expenses 100% assigned to TO billed customers		\$0 41.392	TP	4.00000	44.000
68	Total O&M Allocable to Transmission	(Ins 64 - 65 - 66 - 67)	41,392	IP	1.00000	41,392
69	Administrative and General	323.197.b (Note K)	326,571			
70	Less: Acct. 924, Property Insurance	323.185.b	5,255			
71	Acct. 928, Reg. Com. Exp.	323.189.b	· -			
72	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-			
73	Acct. 930.2, Misc. Gen. Exp.	323.192.b	3,215_			
74	Balance of A & G	(In 69 - sum In 70 to In 73)	318,101	W/S	1.00000	318,101
75	Plus: Acct. 924, Property Insurance	(In 70)	5,255	GP(TU)	1.00000	5,255
76	Acct. 928 - Transmission Specific	(Note I) 321.84-92.b	-	TP	1.00000	-
77	Acct 930.1 - Only safety related ads -Direct	(Note J) 321.96.b	-	GP(TU)	1.00000	-
78	Acct 930.2 - Misc Gen. Exp Trans	Worksheet J In 32.(E) (Note L)	-	DA	1.00000	-
78a	PBOP Adjustment	Worksheet O In 16.B	11,181	DA	1.00000	11,181
79	A & G Subtotal	(sum Ins 74 to 78 less In 78a)	334,537			334,537
80	TOTAL O & M EXPENSE	(In 68 + In 79)	375,929			375,929
81	DEPRECIATION AND AMORTIZATION EXPENSE					
82	Transmission	336.7.f	104 605	TP	1.00000	104.605
83	General	336.10.f	124,635	W/S	1.00000	124,635
83a	Plus: Formation Costs Amortization	(Worksheet A In 37.E)	21,082	DA	1.00000	21,082
84	Intangible	336.1.f	(1)	W/S	1.00000	(1)
85	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 82 to 84)	145,716	W/O	1.00000	145,716
	TO THE BELL TREGILL TO THE PRINCIPLE AND THE PRI	(64.11 11.6 62 16 6 1)	110,710			
86	TAXES OTHER THAN INCOME	(Note N)				
87	Labor Related					
88	Payroll	Worksheet L, Col. D	-	W/S	1.00000	-
89	Plant Related					
90	Property	Worksheet L, Col. C	6,360	GP(TU)	1.00000	6,360
91	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000	-
92	Other	Worksheet L, Col. E	<u>-</u>	GP(TU)	1.00000	
93	TOTAL OTHER TAXES	(sum Ins 88 to 92)	6,360			6,360
94	INCOME TAXES	(Note O)				
95	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =	(14016-0)	38.68%			
96	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		39.73%			
97	where WCLTD=(In 148) and WACC = (In 151)		55.7676			
98	and FIT, SIT & p are as given in Note O.					
99	GRCF=1 / (1 - T) = (from In 95)		1.6308			
100	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-			
101	Income Tax Calculation	(In 96 * In 104)	58,805	ND/TIL	4 00050	61,008
102	ITC adjustment	(In 99 * In 100)	<del></del>	NP(TU)	1.00652	
103	TOTAL INCOME TAXES	(sum Ins 101 to 102)	58,805			61,008
104	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 151)	148,029			153,574
	·					
105	INTEREST ON IPP CONTRIBUTION FOR CONST. (No	ote E) (Worksheet E, In 2)	-	DA	1.00000	-
106	REVENUE REQUIREMENT BEFORE TEXAS GROSS	MARGIN TAX	734,839			742,586
107	(sum Ins 80, 85, 93, 103, 104, 105)					,000
	(					
108	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA		-
100	DEVENUE DECLUDEMENT INCLUDING CROSS MAD	CINITAY	724 920			740 500
109	REVENUE REQUIREMENT INCLUDING GROSS MAR	GIN TAX	734,839			742,586

AEPTCo - SPP Formula Rate OKT True-Up TCOS - True-Up Page: 19 of 69

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

#### SUPPORTING CALCULATIONS

In									
No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF								
110	Total transmission plant	(In 18)							8,311,107
111	Less transmission plant excluded from SPP Tariff (Note								-
112	Less transmission plant included in OATT Ancillary Ser		Note R)						-
113	Transmission plant included in SPP Tariff	(In 110 - In 111 - In 112)							8,311,107
114	Percent of transmission plant in SPP Tariff	(In 113 / In 110)						TP=	1.00000
	WARE A CALABY ALL COATER (W/O)	***	D: 4 D		Payroll Billed from	<b>-</b>			
115 116	WAGES & SALARY ALLOCATOR (W/S) Line Deliberately Left Blank	(Note S)	Direct Payroll	,	AEP Service Corp.	Total			
117	Transmission	354.21.b		0	15.581	15.581	TP	1.00000	15,581
118	Regional Market Expenses	354.22.b		0	0	10,501	NA	0.0000	13,301
119	Line Deliberately Left Blank	004.22.0		Ü	v		1471	0.00000	
120	Other (Excludes A&G)		0	0	0	-	NA	0.00000	_
121	Total	(sum Ins 116 to 120)		0	15,581	15,581			15,581
122	Transmission related amount							W/S=	1.00000
	STAND ALONE (Note T)								
123	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
124	Long Term Interest	Long Term Interest (Worksheet N,	In. 18, col. (E))						-
125	Preferred Dividends	Preferred Stock Dividends (Worksh							-
126	Development of Common Stock:	•							Average
127	Proprietary Capital	(Worksheet N, In. 1, col. (E))							17,860,523
128	Less Preferred Stock (In 134)	(Worksheet N, In. 2, col. (E))							-
129	Less Account 216.1	(Worksheet N, In. 3, col. (E))							-
130	Less Account 219	(Worksheet N, In. 4, col. (E))							-
131	Common Stock	(In 127 - In 128 - In 129 - In 130)				_			17,860,523
132		2012 Avg Balances			Capital Structure Po Actual	Cap Limit		Cost (Note S)	Weighted
133	Avg Long Term Debt (Worksheet N, In. 10, col. (E))	2012 Avg Balances		_	0.00%	50.00%		0.00%	0.0000
134	Avg Preferred Stock (Worksheet N, In. 46, col. (E))		- [		0.00%	0.00%		0.00%	0.0000
135	Avg Common Stock (In 131) (Note U)	17,860,5	523		100.00%	50.00%		11.20%	0.0560
136	Total (sum Ins 133 to 135)	17,860,5						WACC=	0.0560
137	Capital Structure Equity Limit (Note U)	50.	.0%						
	PUBLIC SERVICE COMPANY OF OKLAHOMA (Note 1	<u>n</u>	NOTE: All WACC rel	ated ei	ntries below sourced t	rom PSO's FF1	or Temp	ate	
138	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
139	Long Term Interest	Long Term Interest (PSO Workshe	et N, In. 19, col. (E))						56,663,595
140	Preferred Dividends	Preferred Stock Dividends (PSO W	orksheet N, In. 47, col. (E)	)					98,153
141	Development of Common Stock:								Average
142	Proprietary Capital	(PSO Worksheet N, In. 1, col. (E))							870,079,531
143	Less Preferred Stock (In 149)	(PSO Worksheet N, In. 2, col. (E))							2,440,900
144	Less Account 216.1	(PSO Worksheet N, In. 3, col. (E))							
145	Less Account 219	(PSO Worksheet N, In. 4, col. (E))							7,821,345
146	Common Stock	(In 142 - In 143 - In 144 - In 145)			0!t-1 0tt B			04	859,817,286
147		2012 Avg Balances			Capital Structure Po Actual	Cap Limit		Cost (Note S)	Weighted
147	Avg Long Term Debt (PSO WS-N, In. 10, col. (E))	962,475,6	30	_	52.75%	0.00%		5.89%	0.0311
149	Avg Preferred Stock (PSO WS-N, In. 46, col. (E))	2.440.9			0.13%	0.00%		4.02%	0.0001
150	Avg Common Stock (In 146) (Note U)	859,817,2			47.12%	0.00%		11.20%	0.0528
151	Total (sum Ins 148 to 150)	1,824,733,8			270	3.5570		WACC=	0.0839
-		, ,,,,,							
152	Capital Structure Equity Limit (PSO Note U)	52.	.5%						

AEPTCo - SPP Formula Rate OKT True-Up TCOS - True-Up Page: 20 of 69

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Letter Notes

General Notes: a) References to data from FERC Form 1 are indicated as: page#.line#.col.#

- b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting work papers rather than using the allocations above.
- The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- В The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades
- С This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the trued-up revenue requirement for each project, based on an FCR rate caclulated from inputs on this TCOS. Line 15 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by Е prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 68.
- Н Consistent with Paragraph 657 of Order 2003-A, the amount on line 62 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 105.
- Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue
- Κ General Plant and Administrative & General expenses may be functionalized based on allocators other then the W/S allocator. Full documentation must be provided.
- ı Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- М The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense
  - Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- 0 The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 95) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.

Ν

Inputs Required: FIT = 35.00%

5.66% (State Income Tax Rate or Composite SIT. Worksheet K) p = 0.00% (percent of federal income tax deductible for state purposes)

- Р Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- O Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise inclinible to be recovered under the OATT
- Removes transmission plant (e.g., step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q. R
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company
- The Capital Structure of AEP OKLAHOMA TRANSMISSION COMPANY, INC will be based on the Capital Structure of PSO until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes a stand alond capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS.

  Long Term Debt cost rate = long-term interest (ln 139) / long term debt (ln 148). Preferred Stock cost rate = preferred dividends (ln 140) / preferred outstanding (ln 149).
  - Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- Per Settlement, equity is limited to 50% of AEP OKLAHOMA TRANSMISSION COMPANY, INC's Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This U value can only change via an approved 205 or 206 filing

AEPTCo - SPP Formula Rate OKT WS A RB Support Page: 21 of 69

#### AEP West SPP Member Companies 2012 Cost of Service Formula Rate Worksheet A - Detail Plant Balances AEP OKLAHOMA TRANSMISSION COMPANY, INC

<u>Line</u> Number	(A)  Rate Base Item & Supporting Balance	(B) Source of Data	(C) <u>Balances @</u> 12/31/2011	(D) <u>Balances</u> 12/31/2010	(E) Average Balance for 2011
	tional ARO investment and accumulated depreciation		<u> </u>		2011
	nent Balances	balances snown below the moladed in the total far	notional balances shown	nore.	
1	Line Deliberately Left Blank				
2	•				
3	Line Deliberately Left Blank  Transmission Plant In Service	EE1 page 207 Col (a) 9 pg 206 Col (b) In E9	15,010,858	1 611 255	8,311,107
4	Transmission Flant III Service  Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58 FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 57	13,010,636	1,611,355	6,311,107
5	_	11 1, page 207 Col.(g) & pg. 200 Col. (b), iii 37			-
	Line Deliberately Left Blank				
6	Line Deliberately Left Blank	FF4 ==== 007 Onl (a) 0 == 000 Onl (b) 1= 00			
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 99	-	-	-
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 98	-	-	-
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 5	-	69	35
10	Total Property Investment Balance	(Sum of Lines: 3, 7, 9)	15,010,858	1,611,424	8,311,141
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 8)	<del>-</del>	-	<del>-</del>
	I Depreciation & Amortization Balances				
12	Line Deliberately Left Blank				
13	Line Deliberately Left Blank				
14	Transmission Accumulated Depreciation	FF1, page 219, ln 25, Col. (b)	107,601	-	53,801
15	Transmission ARO Accumulated Depreciation	Company Records	-	-	=
16	Line Deliberately Left Blank				
17	Line Deliberately Left Blank				
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	-	-	-
19	General ARO Accumulated Depreciation	Company Records	-	-	-
20	Intangible Accumulated Amortization	FF1, page 200, in 21, Col. (b)	-	1	1
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 18, 20)	107,601	1	53,801
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 19)	=	-	-
Generation S	step-Up Units				
23	GSU Investment Amount	Company Records	-	-	-
24	GSU Accumulated Depreciation	Company Records	-	-	-
25	GSU Net Balance	(Line 23 - Line 24)	-	÷	-
Transmission	n Accumulated Depreciation Net of GSU Accumulated	Depreciation			
26	Transmission Accumulated Depreciation	(Line 14 Above)	107,601	-	-
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	-	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	107,601	-	-
Plant Held Fo	or Future Use				
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	-	-	-
30	Transmission Plant Held For Future	Company Records	-	-	-
Regulatory A	ssets and Liabilities Approved for Recovery In Rateb Note: Regulatory Assets & Liabilities can only be included.				
31	Beginning Balance of Regulatory Asset (Note 1)	and in allocated parestalists to a 200 iming with the 1 2130.	98,382	112,436	105,409
32 33	Amortization in Months  Monthly Amortization	(line 31 / line 32)	42 2,342	48 2,342	45 2,342
34 35	Months in 2011 to be amortized Amortization Expense in 2011 Year	(line 33 X line 34)	12 28.109	6 14,055	9 21,082
36	Months in 2012 to be amortized		12	12	12
37 38	Amortization Expense in 2012 Year Ending Balance of Regulatory Asset	(line 33 X line 36) (line 31 - line 35)	28,109 70,273	28,109 98,382	28,109 84,327
39	Average Balance of Regulatory Asset	(line 31 + line 38)/2	84,327	105,409	94,868
40 41	Unamortized Balance of Regulatory Asset at YE 2011 Total Regulatory Deferrals Included in Ratebase	(Note 1)	70,273 0	98,382 0	84,327 0
NOTE 1	Formation costs through 6/30/2010 are includable at 5	0% with 48 month amortization and no return on the un	namortized balance. The b	alance on line 41 ma	y not include

NOTE 1 Formation costs through 6/30/2010 are includable at 50% with 48 month amortization and no return on the unamortized balance. The balance on line 41 may not include unamortized formation costs.

31 (Ln 14 \* Ln 29)

AEPTCo - SPP Formula Rate
OKT WS B Projected Plant

Page: 22 of 69

# AEP TRANSMISSION HOLDING COMPANY 2012 Cost of Service Formula Rate Projected on 2011 FF1 Balances Worksheet B - Projected Transmission Plant in Service Additions AEP OKLAHOMA TRANSMISSION COMPANY, INC

#### I. Calculation of Composite Depreciation Rate

	STAND ALONE (Note 1)	
1	Transmission Plant @ Beginning of Historic Period (2011) (P.206, In 58,(b)):	1,611,355
2	Transmission Plant @ End of Historic Period (2011) (P.207, In 58,(g)):	15,010,858
3		16,622,213
4	Average Balance of Transmission Investment	8,311,107
5	Annual Depreciation Expense, Historic TCOS, In 259	124,635
6	Composite Depreciation Rate	1.50%
7	Average Depreciable Life (Years)	67
	PUBLIC SERVICE COMPANY OF OKLAHOMA (Note 1)	
8	Transmission Plant @ Beginning of Historic Period (2011) (P.206, In 58,(b)):	663,993,516
9	Transmission Plant @ End of Historic Period (2011) (P.207, In 58,(g)):	692,643,975
10		1,239,955,574
11	Average Balance of Transmission Investment	678,318,746
12	Annual Depreciation Expense, PSO Historic TCOS, In 246	13,147,941
13	Composite Depreciation Rate	1.94%
14	Average Depreciable Life (Years)	52

#### II. Calculation of Property Placed in Service by Month and the Related Depreciation Expense

15	Month in Service	Capitaliz	ed Balance	Composite Annual Depreciation Rate	De	Annual preciation	Мо	nthly Depreciation	No. Months Depreciation		First Year Depreciation Expense
16	January	\$	-	1.94%	\$	-	\$	-	11	\$	-
17	February	\$	178,243	1.94%	\$	3,455	\$	288	10	\$	2,879
18	March	\$	-	1.94%	\$	-	\$	-	9	\$	-
19	April	\$	3,966,839	1.94%	\$	76,890	\$	6,407	8	\$	51,260
20	May	\$	5,614,435	1.94%	\$	108,825	\$	9,069	7	\$	63,481
21	June	\$	81,000	1.94%	\$	1,570	\$	131	6	\$	785
22	July	\$	-	1.94%	\$	-	\$	-	5	\$	-
23	August	\$	-	1.94%	\$	-	\$	-	4	\$	-
24	September	\$	-	1.94%	\$	-	\$	-	3	\$	-
25	October	\$	-	1.94%		-	\$	-	2	\$	-
26	November	\$	162,000	1.94%	\$	3,140	\$	262	1	\$	262
27	December	\$	29,001,316	1.94%	\$	562,136	\$	46,845	0	\$	-
28	Investment	\$	39,003,833					Depr	eciation Expense	\$	118,667
	Plant Transferred										
29		\$		<== This input a		0		•			
30		\$		•				d depreciation that m	•		•
				expenditures. It	wo	uld have an	impa	act if a company had a	assets transferred	fror	n a subsidiary.

Note 1: Until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes Transmission plant in service the carrying charge will be calculated as in the Operating Company formula approved in Docket No. ER07-1069. The calculation for AEP OKLAHOMA TRANSMISSION COMPANY, INC is based on Plant Balances and Depreciation Expense for PSO and shown on lines 8 through 14.

<== This input area is for additional Depreciation Expense

AEPTCo - SPP Formula Rate OKT WS C RB Tax Page: 23 of 69

#### AEP TRANSMISSION HOLDING COMPANY 2012 Cost of Service Formula Rate Worksheet C - ADIT Balances used in Projection & True-Up AEP OKLAHOMA TRANSMISSION COMPANY, INC

( Line	(A)	(B)	(C)	(E)	(F) 100% Transmission	(G) PTD Plant	(H) Transmission	(I) Labor	(J) Total Included in Rate base
No. Ac	c. No.	<u>Description</u>	YE Balance	Exclusions *	Related	<u>Related</u>	Plant Related	Related	(E)+(F)+(G)+(H)
1 282. 2 282. 3 282.	1	Account 282 - Form-1 page 274-275, Ln 2 Col. (k)  282 Balance to Use in Projection  2011 Year End Tax Deferrals - Ws C-1  Transmission Allocator from Historic TCOS [GP or W/S]  Allocated Total	(11,671,798)	0.0000 <u>%</u> 0	(11,671,798) 100.0000 <u>%</u> (11,671,798)	- 100.0000% 0	- 100.0000 <u>%</u> 0	99.6907% 0	(11,671,798)
4 282. 5 282.		282 Balance to Use in True-Up 2011 Year End Tax Deferrals - Ws C-1 2010 Year End Tax Deferrals - Ws C-2	(11,671,798) -	-	(11,671,798)	-	-	- -	
6 7 8 9		Subtotal Average Balance Transmission Allocator from True-Up TCOS [GP or W/S] Allocated Total	(11,671,798) (5,835,899)	0.0000 <u>%</u>	(11,671,798) (5,835,899) <u>100.0000%</u> (5,835,899)	0 100.0000% 0	0 100.0000% 0	- - 100.0000% 0	(5,835,899)
10 283. 11 283. 12 283.	1	Account 283 - Form-1 page 276-277, Ln 9, Col (k)  283 Balance to Use in Projection  2011 Year End Tax Deferrals - Ws C-1  Transmission Allocator from Historic TCOS [GP or W/S]  Allocated Total	(1,970,313)	(24,595) 0.0000% 0	(1,945,718) 100.0000% (1,945,718)	100.0000% 0	100.0000 <u>%</u> 0	99.6907% 0 [	(1,945,718)
13 283. 14 283.		283 Balance to Use in True-Up 2011 Year End Tax Deferrals - Ws C-1 2010 Year End Tax Deferrals - Ws C-2	(1,970,313) (34,434)	(24,595)	(1,945,718) (34,434)	-	Ī	-	
15 16 17 18		Subtotal Average Balance Transmission Allocator from True-Up TCOS [GP or W/S] Allocated Total	(2,004,747) (1,002,374)	(24,595) (12,298) <u>0.0000%</u> 0	(1,980,152) (990,076) 100.0000% (990,076)	0 100.0000% 0	0 100.0000% 0	0 100.0000% 0	(990,076)
		Account 190 - Form-1 page 234, Ln 8, Col. ( c)							
19 190. 20 190. 21 190.	1	190 Balance to Use in Projection 2011 Year End Tax Deferrals - Ws C-1 Transmission Allocator from Historic TCOS [GP or W/S] Allocated Total	681,001	0.0000 <u>%</u> 0	681,001 100.0000% 681,001	100.0000 <u>%</u>	100.0000 <u>%</u> 0	99.6907% 0	681,001
22 190. 23 190.		190 Balance to Use in True-Up 2011 Year End Tax Deferrals - Ws C-1 2010 Year End Tax Deferrals - Ws C-2	681,001 -	-	681,001 -	-	<u>-</u> -	-	
24 25 26 27		Subtotal Average Balance Transmission Allocator from True-Up TCOS [GP or W/S] Allocated Total	681,001 340,501	0.0000% 0.0000%	681,001 340,501 <u>100.0000%</u> 340,501	- 0 <u>100.0000%</u> 0	- 0 <u>100.0000%</u> 0	0 100.0000% 0	340,501
		Account 255 - Form-1 page 266-267				Pre 1971 ITC Includable in Rate			
28 255.0 29 255.0 30 255.0	0	255 Balance to Use in Projection  Acc Defrd ITC - Federal - 12/31/2011 (FF1 p. 267, Ln 2.h)  Transmission Allocator from Historic TCOS [GP or W/S]  Allocated Total	- 📗	<u>N/A</u>	<u>N/A</u>	Base - 100.0000% 0	<u>N/A</u>	<u>N/A</u>	0
31 255.0 32 255.0		255 Balance to Use in True-Up Acc Defrd ITC - Federal - 12/31/2011 (FF1 p. 267, Ln 2.h) Acc Defrd ITC - Federal - 12/31/2010 (FF1 p. 266, Ln 2.b)				- -			
33 34 35 36		Subtotal Average Balance Transmission Allocator from True-Up TCOS [GP or W/S] Allocated Total	0	<u>N/A</u>	<u>N/A</u>	- 0 <u>100.0000%</u> 0	<u>N/A</u>	<u>N/A</u> [	0

 $<sup>^{\</sup>star} \ \text{Exclusions: Non-utility, fuel supply, off-system sales and other items as specified related to costs not included in rates.}$ 

AEPTCo - SPP Formula Rate OKT WS C-1 DFIT WP 12-31-11

Page: 24 of 69

#### Worksheet C-1 - ADIT & ITC Details

#### AEP OKLAHOMA TRANSMISSION COMPANY DETAIL OF DEFERRED INCOME TAX BALANCES AS OF DECEMBER 31, 2011

#### Allocation Method

						100%	cation wethou		
Account	Line #	Description	Balance		Exclusions	Transmission	PTD Plant	T&D	Labor
2821001	230A	ACRD BENEFIT NORMALIZED	(11,677,111)	т		(11,677,111)			
2821001	320A	ABFUDC	(16,708)	÷		(16,708)			
2821001	380J	INT EXP CAPITALIZED FOR TAX	22,021	÷		22,021			
2821001	0000	TOTAL ELECTRIC ACCOUNT SUBTOTAL	(11,671,798)		0	(11,671,798)	0	0	0
2831001 2831001	664J	REG ASSET-TRANSCO PRE-FORMATION COSTS	(24,595)	E	(24,595)				
2831001									
2831002	911Q-DSIT	DSIT ENTRY - NORMALIZED	(1,945,718)	Т		(1,945,718)			
2831		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(1,970,313)		(24,595)	(1,945,718)	0	0	0
1901001	911Q-DSIT	DSIT ENTRY - NORMALIZED	681,001	Т		681,001			
1901001									
1901001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	681,001		0	681,001	0	0	0

AEPTCo - SPP Formula Rate OKT WS C-2 DFIT WP 12-31-10 Page: 25 of 69

#### Worksheet C-2 - ADIT & ITC Details

#### AEP OKLAHOMA TRANSMISSION COMPANY DETAIL OF DEFERRED INCOME TAX BALANCES AS OF DECEMBER 31, 2010

#### Allocation Method

						100%	cation Method		
Account	Line #	Description	Balance		Exclusions	Transmission	PTD Plant	T&D	Labor
2821001 2821001 2821001									
2821001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	0		0	0	0	0	0
2831001 2831001 2831001	664J	REG ASSET - PRE-FORMATION COSTS	(34,434)	Т		(34,434)			
200.00.									
2831002	DSIT	DEFERRED STATE INCOME TAX		Т		0			
2831001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(34,434)		0	(34,434)	0	0	0
1901001 1901001									
1901001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	0		0	0	0	0	0

#### AEP West SPP Member Companies 2012 Cost of Service Formula Rate Worksheet D - Working Capital Rate Base Adjustments AEP OKLAHOMA TRANSMISSION COMPANY, INC

			ALI OI	CLAHOMA HARIOMIC	JOIOIT GOINI AITT, I			
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
			<u>Materia</u>	ls & Supplies				
ine nber			<u>Source</u>	Balance @ December 31, 2011 FF1, p. 227, Col. (c)	Balance @ December 31, 2010 FF1, p. 227, Col. (b)	Average Balance for Rate Year 2011		
2		Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c & b)	0	0	=		
		General Materials & Supplies	FF1, p. 227, ln 11, Col. (c & b)	0	0	-		
ŀ		Stores Expense (Undistributed)	FF1, p. 227, In 16, Col. (c & b)	0	0	-		
			Prepayment	Balance Summary	!			
			Average of YE Balance	Excludable <u>Balances</u>	100% Transmission <u>Related</u>	Plant <u>Related</u>	Labor <u>Related</u>	Total Included in Rate Base (E)+(F)+(G)
		Totals as of December 31, 2011 Totals as of December 31, 2010	5,255	0	0	3,704	1,551	5,255
		Average Balance	0	0	0	0	0	0
			Prepayments Account 165 -	Palanco @ 12/31/	2011			
В	Acc. No.	<u>Description</u>	2011 YE Balance	Excludable  Balances	100% Transmission <u>Related</u>	Plant <u>Related</u>	Labor <u>Related</u>	Total Included in Rate Base (E)+(F)+(G)
)	1650021	Prepaid Insurance - EIS	5,255 0	0		3,704 0	1,551	5,255
1			0	0			0	-
3 4			0	0				-
5 6 7			0	0			0	-
			0	0				-
		Subtotal - Form 1, p 111.57.c	5,255	0	0	3,704	1,551	5,255
		<u>i</u>	Prepayments Account 165 -	Balance @ 12/31/2	2010 100%			Total Included
,	Acc. No.	<u>Description</u>	2010 <u>YE Balance</u>	Excludable <u>Balances</u>	Transmission Related	Plant <u>Related</u>	Labor <u>Related</u>	in Rate Base (E)+(F)+(G)
	1650021		0	0		0	0	-
			0	0		0		-
			0	0			0	- -
			0	0			0	-
7 8 9			0 0 0	0 0 0				-
			0	U				-
		Subtotal - Form 1, p 111.57.c						

AEPTCo - SPP Formula Rate OKT WS E IPP Credits

Page: 27 of 69

# AEP West SPP Member Companies 2012 Cost of Service Formula Rate Worksheet E - IPP Credits AEP OKLAHOMA TRANSMISSION COMPANY, INC

<u>Line</u> Number	(A) <u>Description</u>	(B) <u>2011</u>
1	Net Funds from IPP Customers @ 12/31/2010 (2011 FORM 1, P269, (B))	
2	Interest Accrual (company records)	
3	Revenue Credits to Generators (company records)	
4 5 6	Other Adjustments (company records) Accounting Adjustment	
7	Net Funds from IPP Customers 12/31/2011 (2011 FORM 1, P269, (F))	-
8	Average Balance for 2011 ((In 1 + In 7) / 2)	<del>-</del>

#### AEP TRANSMISSION HOLDING COMPANY

2012 Cost of Service Formula Rate Projected on 2011 FF1 Balances

Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for BPU and Special-billed Projects
Based on a Carrying Charge Derived from Historic 2011 Data

Sed on a Carrying Charge Derived from Historic 2011 Data
AEP OKLAHOMA TRANSMISSION COMPANY, INC

#### I. Calculate Return and Income Taxes with 0 basis point ROE increase for Projects Qualified

#### A. Determine 'R' with hypothetical 0 basis point increase in ROE for Identified Projects

ROE w/o incentives (Projected	d TCOS, In 163)		11.20%	
Project ROE Incentive Adder (Enter as whole number)			0 basis points	
ROE with additional 0 basis po	int incentive		11.20% <==Incentive ROE Cannot Exceed 12.4	45%
Determine R (cost of long ten	m debt, cost of pret	erred stock and perce	ent is from PSO Projected TCOS, Ins 148 through 150)	
	%	Cost	Weighted cost	
Long Term Debt	51.79%	0.0564	0.0292	
Preferred Stock	0.00%	0.0000	0.0000	
Common Stock	48.21%	0.1120	0.0540	
		R =	0.0832	

B. Determine Return using 'R' with hypothetical 0 basis point ROE increase for Identified Projects.

Rate Base (Projected TCOS, In 75)	40,737,699
R (fom A. above)	0.0832
Return (Rate Base x R)	3.389.519

C. Determine Income Taxes using Return with hypothetical 0 basis point ROE increase for Identified Projects.

Return (from B. above)	3,389,519
Tax Rate (Projected TCOS, In 105)	38.68%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	40.94%
Income Tax Calculation (Return x EIT)	1,387,514
ITC Adjustment (Projected TCOS, In 115)	
Income Taxes	1.387.514

#### Calculate Net Plant Carrying Charge Rate (Fixed Charge Rate or FCR) with hypothetical 0 basis point ROF increase

#### A. Determine Net Revenue Requirement less return and Income Taxes.

Net Revenue Requirement (Projected TCOS, In 122)	5,429,748
Return (Projected TCOS, In 117)	3,389,519
Income Taxes (Projected TCOS, In 116)	1,387,514
Gross Margin Taxes (Projected TCOS, In 121)	-
Net Revenue Requirement Less Return and Tayes	652 715

#### B. Determine Net Revenue Requirement with hypothetical 0 basis point increase in ROE.

Net Revenue Requirement, Less Return and Taxes	652,715
Return (from I.B. above)	3,389,519
Income Taxes (from I.C. above)	1,387,514
Net Revenue Requirement, with 0 Basis Point ROE increase	5,429,748
Gross Margin Tax with 0 Basis Point ROE Increase (II C. below)	
Revenue Requirement w/ Gross Margin Taxes	5,429,748
Less: Depreciation (Projected TCOS, In 94)	124,635
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	5,305,113

#### C. Determine Gross Margin Tax with hypothetical 0 basis point increase in ROE.

Net Revenue Requirement before Gross Margin Taxes, with 0	5,429,748
Basis Point ROE increase (II B. above)	
Apportionment Factor to Texas (Worksheet K, In 12)	0.00%
Apportioned Texas Revenues	-
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	-
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	-
Gross-up Required for Gross Margin Tax Expense	
Total Additional Gross Margin Tax Revenue Requirement	_

#### D. Determine FCR with hypothetical 0 basis point ROE increase.

Net Transmission Plant (Projected TCOS, Ins 46, 47, 48, 49, 51)	53,663,788
Net Revenue Requirement, with 0 Basis Point ROE increase	5,429,748
FCR with 0 Basis Point increase in ROE	10.129
Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	5,305,113
FCR with 0 Basis Point ROE increase, less Depreciation	9.899
FCR less Depreciation (Projected TCOS, In 12)	9.66° 0.22°
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	

#### III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58) Transmission Plant @ End of Period (P.207, In 58)		==From Input on Worksheet B
	16,622,213	Note 1: Until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes Transmission plant in service
Transmission Plant Average Balance for 2011	8,311,107	the depreciation expense component of the carrying charge will be calculated as in the Operating Company
Annual Depreciation Expense (Historic TCOS, In 259)	124,635	formula approved in Docket No. ER07-1069. The calculation for AEP OKLAHOMA TRANSMISSION
Composite Depreciation Rate	1.50%	COMPANY, INC is based on Plant Balances and Depreciation Expense for PSO and shown on lines 8
Depreciable Life for Composite Depreciation Rate	66.68	through 14 of Worksheet B.
Nearest whole year	67	

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS					
		Rev Require	W Incentives	Incentive Amounts	
PROJECTED YEAR	2012	2,837,925	2,837,925	\$ -	

**Note:** Review formulas in summary to ensure the proper year's revenue requirement is being accumulated for each project from the tables below.

NOTE: PART IV --- BPU Project Tables are contained in separate \*.xls file

#### I. Calculate Return and Income Taxes with 0 basis point ROE increase for Projects Qualified for Incentive.

#### A. Determine 'R' with hypothetical 0 basis point increase in ROE for Identified Projects

ROE w/o incentives (True-	Up TCOS, In 150	)	11.20%		
Project ROE Incentive Add	er (Enter as whole	e number)	0	basis points	
ROE with additional 0 basis	s point incentive		11.20%	<==Incentive ROE Cannot Exceed 12	.45%
Determine R (cost of long	term debt, cost of	f preferred stock and pe	rcent is from PSO True	e-Up TCOS, Ins 147 through 149)	
	<u>%</u>	Cost	Weighted cost		
Long Term Debt	52.75%	0.0589	0.0311		
Preferred Stock	0.13%	0.0402	0.0001		
Common Stock	47.12%	0.1120	0.0528		
		D =	0.0020		

#### B. Determine Return using 'R' with hypothetical 0 basis point ROE increase for Identified Projects.

Rate Base (True-Up TCOS, In 63)	1,830,840
R (fom A. above)	0.0839
Return (Rate Base x R)	153.574

#### C. Determine Income Taxes using Return with hypothetical 0 basis point ROE increase for Identified Projects.

Return (from B. above)	153.574
Tax Rate (True-Up TCOS, In 95)	38.68%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	39.73%
Income Tax Calculation (Return x EIT)	61,008
ITC Adjustment (True-Up TCOS, In 102)	
Income Taxes	61,008

#### Calculate Net Plant Carrying Charge Rate (Fixed Charge Rate or FCR) with hypothetical 0 basis point ROE increase.

#### A. Determine Net Revenue Requirement less return and Income Taxes.

Net Revenue Requirement (True-Up TCOS, In 109)	742,586
Return (True-Up TCOS, In 104)	153,574
Income Taxes (True-Up TCOS, In 103)	61,008
Gross Margin Taxes (True-Up TCOS, In 108)	
Net Revenue Requirement Less Return and Taxes	528 005

#### B. Determine Net Revenue Requirement with hypothetical 0 basis point increase in ROE.

Net Revenue Requirement, Less Return and Taxes	528,005
Return (from I.B. above)	153,574
Income Taxes (from I.C. above)	61,008
Net Revenue Requirement, with 0 Basis Point ROE increase	742,586
Gross Margin Tax with Basis Point ROE Increase (II C. below)	
Revenue Requirement w/ Gross Margin Taxes	742,586
Less: Depreciation (True-Up TCOS, In 82)	124,635
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	617,951

#### C. Determine Gross Margin Tax with hypothetical 0.112 basis point increase in ROE.

Net Revenue Requirement before Gross Margin Taxes, with 0	742,586
Basis Point ROE increase (II B. above)	
Apportionment Factor to Texas (Worksheet K, In 12)	0.00%
Apportioned Texas Revenues	-
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	-
Gross-up Required for Gross Margin Tax Expense	
otal Additional Gross Margin Tax Revenue Requirement	-

#### D. Determine FCR with hypothetical 0 basis point ROE increase.

Net Transmission Plant (True-Up TCOS, In 39)	8,311,107
Net Revenue Requirement, with 0 Basis Point ROE increase	742,586
FCR with 0 Basis Point increase in ROE	8.93%
Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	617,951
FCR with 0 Basis Point ROE increase, less Depreciation	7.44%
FCR less Depreciation (True-Up TCOS, In 12)	7.44%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

#### III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	1,611,355 <==From I	Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	15,010,858 <==From I	Input on Worksheet B
	16,622,213	
Transmission Plant Average Balance for 2011	8,311,107	
Annual Depreciation Expense (True-Up TCOS, In 82)	124,635	Note 1: Until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes Transmission plant in service the
Composite Depreciation Rate	1.50%	depreciation expense component of the carrying charge will be calculated as in the Operating Company formula
Depreciable Life for Composite Depreciation Rate	66.68	approved in Docket No. ER07-1069. The calculation for AEP OKLAHOMA TRANSMISSION COMPANY, INC is
Round to nearest whole year	67	based on Plant Balances and Depreciation Expense for PSO and shown on lines 8 through 14 of Worksheet B.

	Rev F	Require	W Inc	centives	Incentive .	Amounts
RUE-UP YEAR 2011						
∑ Prior Year Projected (WS-F)	\$	2,068,615	\$	2,068,615	\$	-
∑ Prior Year True-Up (WS-G)	\$	708,386	\$	708,386	\$	-
True-up Adjustment For 201	1	(1,360,229)		(1,360,229)		-

**Note:** Review formulas in summary to ensure the proper year's revenue requirement is being accumulated for each project from the tables below.

NOTE: PART IV --- BPU Project Tables are contained in separate \*.xls file

AEPTCo - SPP Formula Rate OKT WS H Rev Credits Page: 30 of 69

# AEP West SPP Member Companies Cost of Service Formula Rate Using 2011 FF1 Balances Worksheet H - Revenue Credits for Historic Period AEP OKLAHOMA TRANSMISSION COMPANY, INC

#### **Revenue Credits for**

evenu	e Creats for	Total Company	Non- Transmission	Transmission
I.	Account 450, Forfeited Discounts		-	-
II.	Account 451, Miscellaneous Service Revenues		-	-
III.	Account 454, Rent from Electric Property  1 Account 4540001 - Rent from Elect Property-Aff  2 Account 4540002 - Rent from Elect Property - Non-Aff  3 Account 4540003 - Rent from Elect Property - ABD - Aff  4 Account 4540004 - Rent from Elect Property - ABD - Non-Aff  5 Total Rents from Electirc Property	_		
	( Revenue related to transmission facilities for pole attachments, rentals, etc. Provide data sources and	explanations in Se	ection VIII, Notes below	′)
IV.	Account 4560015, Revenues from Associated Business Development  1 Account 4560015, Revenues from Associated Business Development			
v.	Total Other Operating Revenues To Reduce Revenue Requirement			-
VI.	Account 456.1, Revenues from Transmission of Electricity of Others ( Provide data sources and any detailed explanations necessary in Section VIII Notes below ) Less:			\$1,323,632
	Transmission Direct Assignment Revenue (if costs not in the ARR) Sponsored Upgrade Revenue Credits against Transmission Service Revenue related to Generation Interconnection Revenue for GFA's (Relative to SPP OATT) Associated with Load Included in the Divi			
	5 Network Service Revenue (SPP Schedule 9) Associated with Load included in the Div 6 Revenue Associated with Transmission Plant Excluded From SPP Tariff 7 Other Non-Transmission Revenue			\$126,342
	8 Revenue from SPP Ancillary Services Provided 9 Base Plan Revenue (from SPP) 10 Flow Through of ERCOT Ancillary Charges 11 Other			\$1,197,290
	Net Transm	ission Credi	ts	\$0
VII.	Total Worksheet A Revenue Credits			\$0
*****	Data Caussas			

#### VIII. Data Sources:

Data for this worksheet came from the FERC Form 1 and the Company's General Ledger.

# AEPTCo - SPP Formula Rate OKT WS I Exp Adj s Page: 31 of 69

# AEP West SPP Member Companies Cost of Service Formula Rate Using 2011 FF1 Balances Worksheet I - Supporting Transmission Expense Adjustments AEP OKLAHOMA TRANSMISSION COMPANY, INC

1	Other Expenses		
2	Direct Assignment Charge		\$0
3	Sponsored Upgrades Charge		\$0
4	Firm and Non-Firm Point-To-Point Charges		\$0
5	Base Plan Charges		\$0
6	Schedule 9 Charges		\$0
7	SPP Schedule 12 - FERC Assessment		\$0
8	SPP Schedule 1-A		\$0
9	SPP Annual Assessment		\$0
10	Ancillary Services Expenses		\$0
11	Other		\$0
12	Other		\$0
13	Other		\$0
14	Total	( sum of lines 2 through 13 )	\$0

Adjustment to charges that are booked to transmission accounts that are the responsibility of the TO's LSE.

NOTE: Exclusion of Accounts 561 and 565 from O&M Expense in the TCOS templates eliminates the need to use this worksheet.

AEPTCo - SPP Formula Rate OKT WS J Misc Exp Page: 32 of 69

# AEP West SPP Member Companies Cost of Service Formula Rate Using 2011 FF1 Balances Worksheet J - Allocation of Specific O&M or A&G Expenses AEP OKLAHOMA TRANSMISSION COMPANY, INC

	(A)	(B)	(C)	(D)	(E) <u>100%</u>	(F)
<u>Line</u> Number	FERC Acct No.	<u>Description</u>	2011 Expense	100% Non-Transmission	Transmission Specific	<u>Explanation</u>
		Account 928				
1 2 3	9280000 9280001 9280002				:	
4	9280002				-	
5 6 7 8	9280002 9280002 9280002		-	_	- - - -	
9		Total	0	-	-	
		Account 930.1				
10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25	9301001 9301001 9301006 9301008 9301009 9301010 9301011 9301012 9301013 9301014 9301015		-		-	
26		Total	0	-	-	•
27 28 29 30 31	9302000	Account 930.2 MISC GENERAL EXPENSE	3,215	3,215 0 0 0 0		
32		Total	3,215	3,215	-	

AEPTCo - SPP Formula Rate **OKT WS K State Taxes** Page: 33 of 69

**AEP West SPP Member Companies** Cost of Service Formula Rate Using 2011 FF1 Balances Worksheet K - Development of Composite State Income Tax Rate AEP OKLAHOMA TRANSMISSION COMPANY, INC

#### **DEVELOPMENT OF COMPOSITE STATE INCOME TAX RATES FOR 2011**

State Income Tax Rate - Oklahoma Note 1 5.66% 100.0000% Apportionment Factor Effective State Income Tax Rate 5.6600% State Income Tax Rate - Ohio 0.0000% Apportionment Factor 0.0000% Tax Phase-out Factor 0.0000% Note 2 Effective State Income Tax Rate 0.0000% Total Effective State Income Tax Rate 5.6600%

Note 1 --- The Oklahoma State Income Tax Rate of 6% is reduced to 5.66% due to the deductibility of Oklahoma State Income Taxes on the Oklahoma State Income Tax Return.

Note 2 --- The Ohio State Income Tax is being phased-out over a 5 year period and is being replaced with a Commercial Activites Tax. The taxable portion of income is 40% in 2007.

KW

KW

#### II. **CALCULATION OF TEXAS GROSS MARGIN TAX**

	<u>Projected</u>		<u>Hist</u>	<u>Historic</u>		<u>Actual</u>	
Line # REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX (In 117 of Template)	Total Company 5,427,848	Trans. Only 5,429,748	Total Company 763,997	Trans. Only 765,897	Total Company 734,839	Trans. Only 742,586	
1 Apportionment Factor to Texas (In12)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2 Apportioned Texas Revenues	\$0	\$0	\$0	\$0	\$0	\$0	
3 Taxable Percentage of Revenue (70%)	70%	70%	70%	70%	70%	70%	
4 Taxable, Apportioned Margin		-			_		
5 Texas Gross Margin Tax Rate (1%)	1%	1%	1%	1%	1%	1%	
6 Texas Gross Margin Tax Expense	-	-	-	-	-	-	
7 Gross-up Required for Texas Gross Margin Expense	-	-	-	-	-	-	
((In 6 * In 3 * In 1)/(1- In 5) * In 5) 8 Total Additional Gross Margin Tax Revenue Requirement							

9 WHOLESALE LOAD ALLOCATOR (For Use in Gross Margin Tax Allocator)

10 Texas Jurisdictional Load 11 Total Load

12 Allocation Percentage (ln 10 / ln 11) 0.00%

(Total Company Amount Ties to FFI p.114, Ln 14,(c))

AEPTCo - SPP Formula Rate OKT WS L Other Taxes Page: 34 of 69

# AEP West SPP Member Companies Cost of Service Formula Rate Using 2011 FF1 Balances Worksheet L - Taxes Other than Income AEP OKLAHOMA TRANSMISSION COMPANY, INC

#### HISTORIC PERIOD EXPENSE (2011) - TO BE USED ON TRUE-UP TEMPLATE

	(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Account	Total Company	Property	Labor	Other	Non-Allocable
1 2	Revenue Taxes					-
3 4 5 6 7	Real Estate and Personal Property Taxes Ad Valorem	6,360	6,360 - - -			
8 9 10 11	Payroli Taxes			- - -		
12 13 14	Line Deliberately Left Blank					<u>-</u> -
15 16 17 18 19 20 21 22 23 24 25 26 26	Miscellaneous Taxes					-
27	Total Taxes by Allocable Basis	6,360	6,360	-		

6,360

AEPTCo - SPP Formula Rate OKT WS M Cost of Debt for Proj. Page: 35 of 69

### AEP TRANSMISSION HOLDING COMPANY Cost of Service Formula Rate Using 2011 FF1 Balances

### Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2011 AEP OKLAHOMA TRANSMISSION COMPANY, INC

(A)	(B)	(C)	(D)	(E)
<u>Issuance</u>	Principle Amount FF1.p. 257.x (h)	Interest Rate	Annual Expense	Notes
Long Term Debt (FF1.p. 256-257.h)  1 Bonds - Acc 221				
2			-	0
3 Reacquired Bonds - Total Account 222				
4 4			-	0
5			-	0
6 Advances from Assoc Companies				
7 8			-	0
9 10			-	0
11 Other Long Term Debt - Acc 224			- -	0
12 13			-	0
Issuance Discount, Premium, & Expenses:				
14 Amort of Debt Discount and Expenses	FF1.p. 117.63.c		-	
15 Less: Amor of Debt Premimums	FF1.p. 117.65.c		-	
Reacquired Debt: 16 Amortization of Loss	FF1.p. 117.64.c		_	
17 Less: Amortization of Gain	FF1.p. 117.66.c		-	
18 Total Interest on Long Term Debt	-	0.00%	-	
Preferred Stock (FF1.p. 250-251)	Preferred Balance Outstanding			
19 20			-	
21			-	
22 23			-	
24 Dividends on Preferred Stock	-	0.00%	- - 1	
24 Dividends on Freiened Stock	-	0.00%	-	

AEP TRANSMISSION HOLDING COMPANY
Cost of Service Formula Rate Using 2011 FF1 Balances
AEP OKLAHOMA TRANSMISSION COMPANY, INC

### Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2010 and 12/31/2011

(A)	(B)	(C)	(D)	(E)	
<u>Line</u> Develor	oment of Average Balance of Common Equity	Balances @ 12/31/2011	<u>Balances @</u> 12/31/2010	Average	
1 Total Proprietary Capital (p. 112.16.c&d) 2 Less Preferred Stock from Ln 46 below	1 Total Proprietary Capital (p. 112.16.c&d)	35,757,898 0	(36,852)	17,860,523	
4	3 Less Account 216.1 (p. 112.12.c&d) 4 Less Account 219.1 (p. 112.15.c&d) 5 Average Balance of Common Equity	0 - 35,757,898	(36,852)	17,860,523	
	oment of Cost of Long Term Debt Based on A		, ,	17,000,020	
	6 Bonds (221) (p. 112.18.c&d)	-	-	-	
7 Less: Reacquired Bonds (222) (p. 112.19.c&d) 8 Advances from Assoc. Companies (223) (p112.20. 9 Senior Unsecured Notes (224) (p. 112.21.c&d) 10 Total Average Debt	3 Advances from Assoc. Companies (223) (p112.20.c&d) 3 Senior Unsecured Notes (224) (p. 112.21.c&d)	- - -	- - -	- - -	
12	Annual Interest Expense for 2012  2 Coupon Interest on Long Term Debt (256-257.33.i)  Less: Total Hedge (Gain)/Expense Accumulated from p 28  3 Form 1 included in Ln 12 and shown in Ln 30 below.	56-257, col (i) of FERC			
14 15 16 17	A Amort of Debt Discount & Expense (428) (p. 117.63.c) Amort of Loss on Reacquired Debt (428.1) (p. 117.64.c) Ess: Amort of Premium on Debt (429) (p. 117.65.c) Less: Amort of Gain on Reacquired Debt (429.1) (p. 117.	•		- - - -	
	3 Total Interest Expense (Ln 12 - Ln 14 + Ln 15 - Ln 16 - 9 Average Cost of Debt for 2012 (Ln 18/Ln 10)	Ln 17)		0.00%	
20	CALCULATION OF HEDGE GAINS/LOSSES TO BE EX		es.		
	HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257	Total Hedge	Remaining Unamortized	Amortization Pe	eriod
2′	(i) of the FERC Form 1)	(Gain)/Loss for 2011	Balance	Beginning	Ending
22 23 24 25					
26 27 28 29	5 5 7 8				
26 27 28 29	5 5 7 8				
26 27 28 29 30		_			
26 27 28 29 30 <b>Develor</b> 33	O Total Hedge Amortization to be Removed  Comment of Cost of Preferred Stock  Preferred Stock  0% Series - 0 - Dividend Rate (p. 250-251. 9.a) 2 0% Series - 0 - Par Value (p. 250-251. 9.c)	- 0.00% \$ -	0.00%	<u>Average</u>	
26 27 28 29 30 <b>Develop</b> 3 3 3 3 3 3 3	Total Hedge Amortization to be Removed  Diment of Cost of Preferred Stock  Preferred Stock  0% Series - 0 - Dividend Rate (p. 250-251. 9.a)			<u>Average</u>	
26 27 28 29 30 <b>Develop</b> 33 33 34 36 37 38	Drotal Hedge Amortization to be Removed  Droment of Cost of Preferred Stock  Preferred Stock  1 0% Series - 0 - Dividend Rate (p. 250-251. 9.a) 2 0% Series - 0 - Par Value (p. 250-251. 9.c) 3 0% Series - 0 - Shares O/S (p.250-251. 9.e) 4 0% Series - 0 - Monetary Value (Ln 32 * Ln 33) 5 0% Series - 0 - Dividend Amount (Ln 31 * Ln 34) 6 0% Series - 0 - Dividend Rate (p. 250-251. 10.a) 7 0% Series - 0 - Par Value (p. 250-251. 10.c) 8 0% Series - 0 - Shares O/S (p.250-251. 10.e)			Average - -	
26 27 28 29 30 <b>Develop</b> 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	Drotal Hedge Amortization to be Removed  Drment of Cost of Preferred Stock  Preferred Stock  1 0% Series - 0 - Dividend Rate (p. 250-251. 9.a)  2 0% Series - 0 - Par Value (p. 250-251. 9.c)  3 0% Series - 0 - Shares O/S (p.250-251. 9.e)  4 0% Series - 0 - Monetary Value (Ln 32 * Ln 33)  5 0% Series - 0 - Dividend Amount (Ln 31 * Ln 34)  5 0% Series - 0 - Dividend Rate (p. 250-251. 10.a)  7 0% Series - 0 - Par Value (p. 250-251. 10.c)	\$ - - - - 0.00%	\$ - - - - 0.00%	Average - - -	
26 27 28 29 30 <b>Develop</b> 3 3 3 3 3 3 3 3 3 4 4 4 4 4 4 4 4 4 4 4	Drotal Hedge Amortization to be Removed  Droment of Cost of Preferred Stock  Preferred Stock  1 0% Series - 0 - Dividend Rate (p. 250-251. 9.a) 2 0% Series - 0 - Par Value (p. 250-251. 9.c) 3 0% Series - 0 - Shares O/S (p.250-251. 9.e) 4 0% Series - 0 - Monetary Value (Ln 32 * Ln 33) 5 0% Series - 0 - Dividend Amount (Ln 31 * Ln 34) 6 0% Series - 0 - Dividend Rate (p. 250-251. 10.a) 7 0% Series - 0 - Par Value (p. 250-251. 10.c) 8 0% Series - 0 - Shares O/S (p.250-251. 10.e) 9 0% Series - 0 - Dividend Amount (Ln 37 * Ln 38) 0 0% Series - 0 - Dividend Amount (Ln 36 * Ln 39) 1 0% Series - 0 - Dividend Rate (p. 250-251.) 2 0% Series - 0 - Par Value (p. 250-251.) 3 0% Series - 0 - Par Value (p. 250-251.) 3 0% Series - 0 - Shares O/S (p.250-251.)	\$ - - - - 0.00%	\$ - - - 0.00% \$ - - - 0.00%	Average - - -	
26 27 28 29 30 <b>Develop</b> 3 3 3 3 3 3 3 4 4 4 4 4 4 4 4 4	Drotal Hedge Amortization to be Removed  Droment of Cost of Preferred Stock  Preferred Stock  1 0% Series - 0 - Dividend Rate (p. 250-251. 9.a)  2 0% Series - 0 - Par Value (p. 250-251. 9.c)  3 0% Series - 0 - Shares O/S (p.250-251. 9.e)  4 0% Series - 0 - Monetary Value (Ln 32 * Ln 33)  5 0% Series - 0 - Dividend Amount (Ln 31 * Ln 34)  5 0% Series - 0 - Dividend Rate (p. 250-251. 10.a)  7 0% Series - 0 - Par Value (p. 250-251. 10.c)  3 0% Series - 0 - Shares O/S (p.250-251. 10.e)  9 0% Series - 0 - Monetary Value (Ln 37 * Ln 38)  0 0% Series - 0 - Dividend Amount (Ln 36 * Ln 39)  1 0% Series - 0 - Dividend Rate (p. 250-251.)  2 0% Series - 0 - Par Value (p. 250-251.)	\$ - - - 0.00% \$ - - - 0.00%	\$ - - - 0.00% \$ - - - 0.00%	Average	
26 27 28 29 30 <b>Develop</b> 33 33 34 36 36 40 44 42 44 44 44 44	Drotal Hedge Amortization to be Removed  Droment of Cost of Preferred Stock  Preferred Stock  1 0% Series - 0 - Dividend Rate (p. 250-251. 9.a) 2 0% Series - 0 - Par Value (p. 250-251. 9.c) 3 0% Series - 0 - Shares O/S (p.250-251. 9.e) 4 0% Series - 0 - Monetary Value (Ln 32 * Ln 33) 5 0% Series - 0 - Dividend Amount (Ln 31 * Ln 34) 6 0% Series - 0 - Dividend Rate (p. 250-251. 10.a) 7 0% Series - 0 - Par Value (p. 250-251. 10.e) 9 0% Series - 0 - Shares O/S (p.250-251. 10.e) 9 0% Series - 0 - Monetary Value (Ln 37 * Ln 38) 0 0% Series - 0 - Dividend Amount (Ln 36 * Ln 39) 1 0% Series - 0 - Dividend Rate (p. 250-251.) 2 0% Series - 0 - Par Value (p. 250-251.) 3 0% Series - 0 - Shares O/S (p.250-251.) 4 0% Series - 0 - Monetary Value (Ln 42 * Ln 43)	\$ - - - 0.00% \$ - - - 0.00%	\$ - - - 0.00% \$ - - - 0.00%	<u>Average</u>	

# AEPTCo subsidiaries in SPP

# Cost of Service Formula Rate Using 2011 FF1 Balances

# Calculation of Post-employment Benefits Other than Pensions Expenses Allocable to Transmission Service Worksheet O - PBOP Support

# AEP OKLAHOMA TRANSMISSION COMPANY, INC

РВОР	(A)	(B)
1	Calculation of PBOP Expenses	
2	AEP TransCo - AEP Service Corp Employees	
3	Total AEP System PBOP expenses	\$72,293,585
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	\$72,293,585
6	Total AEP System Direct Labor Expense	\$1,181,809,072
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	\$0.061
8	Currently Approved PBOP Rate	\$0.094
9	Base PBOP TransCo labor expensed in current year	\$153,468
10	Allowable TransCo PBOP Expense for current year (Line 8 * Line 9)	\$14,426
11	Direct PBOP Expense per Actuarial Report	\$0
12	Additional PBOP Ledger Entry (From Company Records)	\$0
13	Medicare Credit	\$0
14	PBOP Expenses From AEP Affiliates (From Company Records)	\$3,245
15	Actual PBOP Expense (Sum Lines 11-14)	\$3,245
16	PBOP Adjustment Line 10 less Line 15	\$11,181

AEPTCo - SPP Formula Rate SWT Projected TCOS Page: 38 of 69

#### AEP West SPP Member Companies 2012 Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

Line No.							Transmission Amount		
1	REVENUE REQUIREMENT (w/o incentives)	(ln 119)					\$113,636		
0	REVENUE CREDITS	(Note A)	Total	Alle	ocator				
2	Transmission Credits	(Note A) (Worksheet H)		DA	1.00000	•			
٥	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	ą.	-		
5	Total Revenue Credits	(Worksheet H)	<u>-</u> _	DA	1.00000	<u>\$</u>	<u>-</u>		
5	Total Revenue Credits		-			<b>—</b>			
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)					\$113,636		
MEMO: The Carrying Charge Calculations on lines 9 to 14 below is used in calculating project revenue requirements billed on SPP Schedule 11. The total non-incentive revenue requirements for these projects shown on line 7 is included in the total on line 6.									
7	Revenue Requirement for SPP BPU Regional Facilities ( (Worksheet F)	w/o incentives)	-	DA	1.00000	\$	-		
8	NET PLANT CARRYING CHARGE (w/o incentives	s) (Note B)	(using SWEPCO FCRs	er Note 1 of W	orksheet B)				
9	Annual Rate	(In 1/ (Sum of Ins 46, 47, 48, 49, 51)) x 100%					19.13%		
10	Monthly Rate	(ln 9 / 12)					1.59%		
11	NET PLANT CARRYING CHARGE ON LINE 9, W/O DE	PRECIATION (w/o incentives) (Note B)							
12	Annual Rate	((ln 1 - ln 94 - ln 95) / (Sum of lns 46, 47, 48, 49, 51)) x	100%				15.62%		
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O IN	NCOME TAXES, RETURN (Note B)							
14	Annual Rate	((ln 1 - ln 94 - ln 95 - ln 116 - ln 117) / (Sum of lns 46, 4	7, 48, 49, 51)) x 100%				5.63%		
15	ADDITIONAL REVENUE REQUIREMENT for projects w	/ incentive ROE's (Note C) (Worksheet F)					-		

AEPTCo - SPP Formula Rate SWT Projected TCOS Page: 39 of 69

#### AEP West SPP Member Companies 2012 Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

(1) (2) (3) (4) (5)

	RATE BASE CALCULATION	Data Sources (See "General Notes")	"General Notes") TO Total		ocator_	Total <u>Transmission</u>	
Line	CDOCC DI ANT IN CEDVICE		NOTE D				
No.	GROSS PLANT IN SERVICE						
16 17	Line Deliberately Left Blank						
17	Line Deliberately Left Blank	(Worksheet A In 3.C &					
18	Transmission	Hist. Template Ln 183)	0	DA		0	
	Logo: Transmission ADO (Enter Negative)		U	TP	1.00000		
19 20	Less: Transmission ARO (Enter Negative) Plus: Transmission Plant-in-Service Additions (Wo	(Worksheet A In 4.C)		DA	1.00000	-	
21	Plus: Additional Trans Plant on Transferred Assets		-	TP	1.00000	-	
22	Line Deliberately Left Blank	(Worksheet B)	-	ir-	1.00000	-	
23	Line Deliberately Left Blank						
24	General Plant	(Worksheet A In 7.C)	_	W/S	1.00000	_	
25	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)		W/S	1.00000		
26	Intangible Plant	(Worksheet A In 9.C)		W/S	1.00000		
27	TOTAL GROSS PLANT	(sum Ins 16 to 26)	0	*****	1.00000	0	
21	TOTAL CROSS LETUT	(50111115 10 to 20)	· ·			ŭ	
28	ACCUMULATED DEPRECIATION AND AMORTIZAT	TION					
29	Line Deliberately Left Blank	1014					
30	Line Deliberately Left Blank						
00	zino Bollboratory Zont Blank						
0.4	Transmission	(Worksheet A In 14.C &	-	TP1=	0.00000		
31		28.C)			0.00000	-	
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.00000	-	
33	Plus: Transmission Plant-in-Service Additions (Wo		-	DA	1.00000	-	
34	Plus: Additional Projected Deprec on Transferred A		-	DA	1.00000	-	
35	Plus: Additional Transmission Depreciation for 201		-	TP1	0.00000	-	
36	Plus: Additional General & Intangible Depreciation		-	W/S	1.00000	-	
37	Plus: Additional Accum Deprec on Transferred Ass	sets (Worksheet B)	-	DA	1.00000	-	
38	Line Deliberately Left Blank						
39	Line Deliberately Left Blank						
40	General Plant	(Worksheet A In 18.C)	-	W/S	1.00000	-	
41	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	1.00000	-	
42	Intangible Plant	(Worksheet A In 20.C)	<del>_</del>	W/S	1.00000		
43	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 29 to 42)	-			-	
44	NET DI ANT IN CEDVICE						
44	NET PLANT IN SERVICE						
45 46	Line Deliberately Left Blank	(le 40 : le 40   le 24   le 20)				0	
	Transmission	(ln 18 + ln 19 - ln 31 - ln 32)	0			0	
47 48	Plus: Transmission Plant-in-Service Additions (In 2		-			-	
49	Plus: Additional Trans Plant on Transferred Assets					-	
50	Plus: Additional Transmission Depreciation for 201 Plus: Additional General & Intangible Depreciation		-			-	
51	Plus: Additional Accum Deprec on Transferred Ass		-			-	
52	Line Deliberately Left Blank	sets (Worksheet B) (-III 37)				-	
53	General Plant	(ln 24 + ln 25 - ln 40 - ln 41)					
54	Intangible Plant	(ln 26 - ln 42)					
55	TOTAL NET PLANT IN SERVICE	(sum Ins 45 to 54)	0				
55	TOTAL NET PLANT IN SERVICE	(Sulli IIIS 45 to 54)	U			0	
56	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)					
57	Account No. 281.1 (enter negative)	272-273.8.k		NA			
57 58	Account No. 281.1 (enter negative) Account No. 282.1 (enter negative)	(Worksheet C, In 1.C & In 3.J)		DA		-	
59	Account No. 283.1 (enter negative)	(Worksheet C, In 1.C & In 3.3)	(25.810)	DA		-	
60	Account No. 190.1	(Worksheet C, In 10.C & Ln 12.J) (Worksheet C, In 19.C & Ln 21.J)	(25,819) 9	DA		-	
61	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)		DA			
62	TOTAL ADJUSTMENTS	(sum Ins 57 to 61)	(25,810)	DA			
02	TOTAL ADJUSTMENTS	(Sulli liis 37 to 01)	(23,010)			-	
63	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	_	DA			
03	FLAINT FILLED FOR FOTORE OSE	(Worksheet A III 29.C & III 30.C)	-	DA		-	
63a	REGULATORY ASSETS	(Worksheet A In NOTE 1 . (C))	_	DA	1.00000	_	
ooa	NEGOLATORT AGGETO	(WORKSHEEL A III NOTE 1: (O))	_	DA	1.00000	_	
64	WORKING CAPITAL	(Note F)					
65	Cash Working Capital	(1/8 * In 80) (Note G)	23			23	
66	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP	1.00000	-	
67	A&G Materials & Supplies	(Worksheet D, In 3.(D))	_	W/S	1.00000	-	
68	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	1.00000	-	
69	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	-	W/S	1.00000	-	
70	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.5)	-	GP(h)	1.00000	-	
71	Prepayments (Account 165) - Gross Flant Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA	1.00000	-	
72	Prepayments (Account 165) - Transmission Only Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	- -	NA NA	0.00000	-	
73	TOTAL WORKING CAPITAL	(sum Ins 65 to 72)	23		0.0000	23	
, ,		(55111110 55 to 12)	20			23	
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7 (B))	-	DA	1.00000	_	
, ,	Coaboriono i on concincionion	(.toto : i) (violitoricot E, iii i (D))		571	1.00000	_	
75	RATE BASE (sum Ins 55, 62, 63, 73, 74)		(25,787)			23	
. •	(22, 02, 00, 10, 1)		(20,.0.)				

REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX

122

AEPTCo - SPP Formula Rate SWT Projected TCOS Page: 40 of 69

113,636

#### AEP West SPP Member Companies 2012 Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

		AEP SOUTHWESTERN TRANS	SMISSION COMPANY, INC.			
	(1)	(2)	(3)		(4)	(5)
	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Alle	ocator_	Total <u>Transmission</u>
Line No.	OPERATION & MAINTENANCE EXPENSE					
76	Transmission	224 442 5	182			
76 77	Less: Total Account 561	321.112.b (Note I) 321.84-92.b	182			
77 78	Less: Account 565	(Note J) 321.94-92.b	-			
79	Less: expenses 100% assigned to TO billed custom		\$0			
80	Total O&M Allocable to Transmission	(Ins 76 - 77 - 78 - 79)	182	TP	1.00000	182
81	Administrative and General	323.197.b (Note K)	80,163			
82	Less: Acct. 924, Property Insurance	323.185.b	-			
83	Acct. 928, Reg. Com. Exp.	323.189.b	_			
84	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-			
85	Acct. 930.2, Misc. Gen. Exp.	323.192.b	-			
86	Balance of A & G	(In 81 - sum In 82 to In 85)	80,163	W/S	1.00000	80,163
87	Plus: Acct. 924, Property Insurance	(In 82)	-	GP(h)	1.00000	
88	Acct. 928 - Transmission Specific	Worksheet J In 5.(E) (Note L)	_	TP	1.00000	-
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 19.(E) (Note L)	_	TP	1.00000	-
90	Acct 930.2 - Misc Gen. Exp Trans	Worksheet J In 25.(E) (Note L)	_	DA	1.00000	-
90a	PBOP Adjustment	(Worksheet O In 16.D)	3,429	DA	1.00000	3,429
91	A & G Subtotal	(sum Ins 86 to 90 less In 90a)	83,592			83,592
92	TOTAL O & M EXPENSE	(ln 80 + ln 91)	83,774			83,774
93	DEPRECIATION AND AMORTIZATION EXPENSE					
94	Transmission	336.7.f	-	TP	1.00000	-
95	Plus: Transmission Plant-in-Service Additions (Work		-	DA	1.00000	-
95a	Plus: Formation Costs Amortization	(Worksheet A In 37.E)	29,507	DA	1.00000	29,507
96	General	336.10.f	-	W/S	1.00000	-
97	Intangible	336.1.f	<u>-</u> _	W/S	1.00000	<u> </u>
98	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 94 to 97)	29,507			29,507
99 100	TAXES OTHER THAN INCOME Labor Related	(Note N)				
101	Payroll	Worksheet L, Col. D	-	W/S	1.00000	-
102	Plant Related	·				
103	Property	Worksheet L, Col. C	-	GP(h)	1.00000	-
104	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000	-
105	Other	Worksheet L, Col. E	57	GP(h)	1.00000	57
106	TOTAL OTHER TAXES	(sum Ins 101 to 105)	57			57
107	INCOME TAXES	(Note O)				
108	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		38.64%			
109	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		41.94%			
110	where WCLTD=(In 161) and WACC = (In 164)					
111	and FIT, SIT & p are as given in Note O.					
112	GRCF=1 / (1 - T) = (from In 108)		1.6297			
113	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-			
114	Income Tax Calculation	(ln 109 * ln 117)	(945)	ND/b)	4.00000	1
115	ITC adjustment	(ln 112 * ln 113)	-	NP(h)	1.00000	<del>-</del>
116	TOTAL INCOME TAXES	(sum Ins 114 to 115)	(945)			1
117	RETURN ON RATE BASE (Rate Base*WACC)	(In 75 * In 164)	(2,254)			2
118	INTEREST ON IPP CONTRIBUTION FOR CONST. (N	ote E) (Worksheet E, In 2)	-	DA	1.00000	-
119 120	REVENUE REQUIREMENT BEFORE TEXAS GROSS (sum ins 92, 98, 106, 116, 117, 118)	MARGIN TAX	110,139			113,341
121	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		286	DA		295

110,425

AEPTCo - SPP Formula Rate SWT Projected TCOS Page: 41 of 69

#### AEP West SPP Member Companies 2012 Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

## SUPPORTING CALCULATIONS

Total transmission plant   (in 18, 19, 20, 21)	In									
Less transmission plant excluded from SPP Tariff (Note C)	No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF								
Less transmission plant included in OATT Ancillary Services (Worksheet Al. in 23, Col. (Ci) (Note R)		The second secon								0
Transmission plant included in SPP Tariff   (in 123 - in 124 - in 125)   TP=   1.00										-
Percent of transmission plant in SPP Tariff   (in 128 / lin 123)   Direct Payroli   AEP Service Corp.   Total				ol. (C)) (Note R)					_	
WAGE'S & SALARY ALLOCATOR (WIS)   (Note S)   Direct Payroll   Payroll Billed from AEP Service Corp.   Total   Transmission   Transmission   Transmission   Transmission   SA 22 th   SA 2	126	Transmission plant included in SPP Tariff	(In 123 - In 124 - In 125)							0
WAGE'S & SALARY ALLOCATOR (WIS)	127	Percent of transmission plant in SPP Tariff	(In 126 / In 123)						TP=	1.00000
WAGE'S & SALARY ALLOCATOR (WIS)					Pavr	oll Billed from				
Line Deliborately Left Blank   354.21.b   0   18.871   18.871   TP   1.00000   18.871   18.871   TP   1.00000   18.871   18.871   TP   1.00000   18.871   18.871   TP   1.000000   18.871   TP   1.000000   TP   TP   1.000000   TP   TP   TP   1.000000   TP   TP   TP   TP   TP   TP   T	128	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll			Total			
Regional Market Expenses   354.22.b   0   0   - NA   0.000000			,	,						
132   Line Deliberately Left Blank   354.24,25,26,b   0   0   0   - NA   0.0000     134   Total   Transmission related amount   STAND ALONE (Note T)     135   Transmission related amount   Wilson   STAND ALONE (Note T)     136   WEIGHTED AVERAGE COST OF CAPITAL (WACC)   Long Term Interest (Worksheet M. In. 20, col. (D))     139   Development of Common Stock   Proprietary Capital (112, 16.)     140   Less Preferred Stock (In 147)   Less Preferred Stock (In 147)     141   Long Term Debt (Worksheet M. In. 20, col. (B))   S   Capital Structure Percentages   Cost     142   Long Term Debt (Worksheet M. In. 20, col. (B))   - 0.00%   0.00%   0.00%     143   Capital Structure Percentages   Cost   Wacce   0.00%     144   Common Stock (In 140 - In 141 - In 142 - In 143)   Capital Structure Percentages   Cost   Wacce   0.00%     145   Capital Structure Percentages   Cost   Wacce   0.00%   0.00%   0.00%     146   Common Stock (In 140 - In 141 - In 142 - In 143)   Capital Structure Percentages   Cost   Wacce   0.00%     147   Preferred Stock (Worksheet M. In. 20, col. (B))   - 0.00%   0.00%   0.00%   0.00%     148   Common Stock (In 140 - In 141 - In 142 - In 143)   Capital Structure Percentages   Cost   Wacce   0.00%   0.00%   0.00%     148   Common Stock (In 140 - In 141 - In 142 - In 143)   0.00%   0.00%   0.00%   0.00%     149   Total (sum Ins 146 to 148)   0.00%   0.00%   0.00%   0.00%   0.00%     140   Capital Structure Equity Limit (Note U)   50.0%   0.00%   0.00%   0.00%   0.00%     150   Capital Structure Equity Limit (Note U)   50.0%   0.00%	130	Transmission	354.21.b		0	18,871	18,871	TP	1.00000	18,871
133   Other (Excludes A&G)   354.24.25.26.b   0   0   - NA   0.00000	131	Regional Market Expenses	354.22.b		0	0	-	NA	0.00000	-
Total	132	Line Deliberately Left Blank								
Transmission related amount   STAND ALONE (Note T)   WEIGHTED AVERAGE COST OF CAPITAL (WACC)   Long Term Interest (Worksheet M, In. 20, col. (D))   Preferred Stock Dividends (Worksheet M, In. 26, col. (D))   S   S	133	Other (Excludes A&G)	354.24,25,26.b		0	0	-	NA	0.00000	-
STAND ALONE [Note T]	134	Total	(sum Ins 129 to 133)		0	18,871	18,871			18,871
Section   Sect	135	Transmission related amount							W/S=	1.00000
Section   Sect		STAND ALONE (Note T)								
137	136									\$
Preferred Stock (Worksheet M, In. 26, col. (D)		WEIGHTED AVEITIGE GOOT OF GAT TIME (WAGO)	Long Term Interest (Worksh	neet M In 20 col (D)	۸				_	
139   Development of Common Stock:   Less Preferred Stock (ln 147)   Less Preferred Stock (ln 147)   Less Account 216 1 (112.15.c)   Less Account 216 1 (112.15.c)   Less Account 216 1 (112.15.c)   Less Account 219 1 (112										-
Proprietary Capital (112.16.c)		Development of Common St			00 (2))					
Less Preferred Stock (In 147) 142		Borolopinon or common or		c)						(199,080)
Less Account 216.1 (1/12.12 c)   Less Account 219.1 (1/12.15 c)										(,,
144   Common Stock (In 140 - In 141 - In 142 - In 143)   Capital Structure Percentages   Cost   (198,	142									-
Actual   Capital Structure Percentages   Cost   Weighted	143		Less Account 219.1 (112.15	5.c)						-
Sample   S	144		Common Stock (In 140 - In	141 - In 142 - In 143)					_	(199,080)
146					Cap					
147   Preferred Stock (Worksheet M, In. 26, col. (B))			\$					_	(Note T)	
148   Common Stock (In 144) (Note U)			-						-	0.0000
Total (sum ins 146 to 148)   Total (sum ins 146 to 163)   Total (sum ins 161 to 163)   Total (sum ins			-						-	0.0000
Capital Structure Equity Limit (Note U)   50.0%     SOUTHWESTERN ELECTRIC POWER COMPANY (Note T)   NOTE: All WACC related entries below sourced from SWEPCO's FF1 or Template   S						0.00%	0.00%			0.0000
SOUTHWESTERN ELECTRIC POWER COMPANY (Note T)   NOTE: All WACC related entries below sourced from SWEPCO's FF1 or Template	149	Total (sum Ins 146 to 148)	-							0.0000
Second   S	150	Capital Structure Equity Limit (Note U)	50.0%						0.0%	
Second   S										
Long Term Interest (Worksheet M, In. 20, col. (D))   152	454		iote i)	NOTE: All WACC rel	ated entrie	es pelow source	a trom SWEP	UU'S FF	-1 or Template	•
Preferred Stock Dividends (Worksheet M, In. 26, col. (D))   154		WEIGHTED AVERAGE COST OF CAPITAL (WACC)	1 T l-tt 0Ml						_	
Development of Common Stock:   Proprietary Capital (112.16.c)   1,813,365,										102,426,827
155   Proprietary Capital (112.16.c)   1,813,365, 156   Less Preferred Stock (in 162)   1,813,365, 157   Less Account 216.1 (112.12.c)   16,684, 158   Less Account 219.1 (112.15.c)   (26,817, 159   Less Account 219.1 (112.15.c)   (26,817, 159,149,149,149,149,149,149,149,149,149,14		Davidenment of Common Ct		vvorksneet ivi, in. 26,	COI. (D))					-
Less Preferred Stock (In 162)   Less Account 216.1 (112.12.c)   Less Account 219.1 (112.15.c)   Less Account 219.1 (112.15.c		Development of Common St		0)						1 913 365 524
157   Less Account 216.1 (112.12.c)   16,684,   (26,817,   158   Less Account 219.1 (112.15.c)   Less Account 219.1 (112.15.c)   (26,817,   159   Less Account 219.1 (112.15.c)   (26,										1,013,303,324
158   Less Account 219.1 (112.15.c)   (26,817, 159   Common Stock (ln 155 - ln 156 - ln 157 - ln 158)   Common Stock (ln 155 - ln 156 - ln 157 - ln 158)   Capital Structure Percentages   Cost   (Note T)   Weighted										16 684 505
159   Common Stock (In 155 - In 156 - In 157 - In 158)										(26,817,142)
160         \$         Actual         Cap Limit         Cost (Note T)         Weighted           161         Long Term Debt (Worksheet M, In. 20, col. (B))         1,685,200,000         48.03%         0.00%         0.0608         0.0           162         Preferred Stock (Worksheet M, In. 26, col. (B))         -         0.00%         0.00%         -         0.1           163         Common Stock (In 159) (Note U)         1,823,498,071         51.97%         0.00%         11.2%         0.0           164         Total (sum Ins 161 to 163)         3,508,698,071         WACC=         0.0									_	
160         \$         Actual         Cap Limit         (Note T)         Weighted           161         Long Term Debt (Worksheet M, In. 20, col. (B))         1,685,200,000         48.03%         0.00%         0.0608         0.0           162         Preferred Stock (Worksheet M, In. 26, col. (B))         -         0.00%         -         0.0           163         Common Stock (In 159) (Note U)         1,823,498,071         51.97%         0.00%         11.2%         0.0           164         Total (sum Ins 161 to 163)         3,508,698,071         WACC=         0.0	100		Common Stock (iii 155 - iii	100 111 107 - 111 100)	Car	nital Structure P	ercentages		Cost	1,020,700,071
161     Long Term Debt (Worksheet M, In. 20, col. (B))     1,685,200,000     48.03%     0.00%     0.0608     0.1       162     Preferred Stock (Worksheet M, In. 26, col. (B))     -     0.00%     0.00%     -     0.0       163     Common Stock (In 159) (Note U)     1,823,498,071     51.97%     0.00%     11.2%     0.1       164     Total (sum Ins 161 to 163)     3,508,698,071     WACC=     0.0	160		\$		<u> </u>					Weighted
162     Preferred Stock (Worksheet M, In. 26, col. (B))     -     0.00%     0.00%     -     0.1       163     Common Stock (In 159) (Note U)     1,823,498,071     51.97%     0.00%     11.2%     0.1       164     Total (sum ins 161 to 163)     3,508,698,071     WACC=     0.1		Long Term Debt (Worksheet M. In. 20. col. (R))						_		0.0292
163     Common Stock (In 159) (Note U)     1,823,498,071     51.97%     0.00%     11.2%     0.1       164     Total (sum Ins 161 to 163)     3,508,698,071     WACC=     0.1			1,000,200,000						-	0.0000
164 Total (sum Ins 161 to 163) 3,508,698,071 WACC= 0.0			1.823.498.071						11.2%	0.0582
165 Capital Structure Equity Limit (Note U) 52.5%						22.70	2.2070			0.0874
	165	Capital Structure Equity Limit (Note U)	52.5%							

AEPTCo - SPP Formula Rate SWT Projected TCOS Page: 42 of 69

# AEP West SPP Member Companies 2012 Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

<u>Letter</u> <u>Notes</u>

General Notes: a) References to data from FERC Form 1 are indicated as: page#.line#.col.#

- b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting workpapers rather than using the allocations above.
- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the projected revenue requirement for each project, based on an FCR rate caclulated from inputs on the Historic TCOS. Line 15 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- E The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations.

  The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the
  utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be
  taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet B.
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 80.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 74 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 118.
- Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other then the W/S allocator. Full documentation must be provided.
- Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p =
  "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a
  work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that
  elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce
  rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f)
  (In 108) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.

Inputs Required: FIT = 35.00%SIT = 5.60% (State Income Tax Rate or Composite SIT. Worksheet K))
p = 0.00% (percent of federal income tax deductible for state purposes)

- P Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Q Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- R Memoves transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- T The Capital Structure of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. will be based on the Capital Structure of SWEPCO until AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS.

  Long Term Debt cost rate = long-term interest (ln 152) / long term debt (ln 161). Preferred Stock cost rate = preferred dividends (ln 153) / preferred outstanding (ln 162).
  - Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 50% of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.'s Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEPTCo - SPP Formula Rate SWT Historic TCOS Page: 43 of 69

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

Line No.						Tr	ansmission Amount		
166	REVENUE REQUIREMENT (w/o incentives)	(In 284)					\$113,636		
			Total	Allo	ocator				
167	REVENUE CREDITS	(Note A)							
168	Transmission Credits	(Worksheet H)	-	DA	1.00000	\$	-		
169	Assoc. Business Development	(Worksheet H)		DA	1.00000	\$			
170	Total Revenue Credits		-			\$	-		
171	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 170)				\$	113,636		
МЕМО	MEMO: The Carrying Charge Calculations on lines 174 to 179 below is used in calculating project revenue requirements billed on SPP Schedule 11. The total non-incentive revenue requirements for these projects shown on line is included in the total on line 171.								
172	Revenue Requirement for SPP BPU Regional Facilities (Worksheet F)	w/o incentives)	-	DA	1.00000	\$	-		
173	NET PLANT CARRYING CHARGE (w/o incentives	s) (Note B)							
174	Annual Rate	(In 166/ In 211 x 100%)					0.00%		
175	Monthly Rate	(In 174 / 12)					0.00%		
176	NET PLANT CARRYING CHARGE ON LINE 174, W/O	DEPRECIATION (w/o incentives) (Note B)							
177	Annual Rate	( (In 166 - In 259) / In 211 x 100%)					0.00%		
		(( )							
178	NET PLANT CARRYING CHARGE ON LINE 176, W/O	INCOME TAXES, RETURN (Note B)							
179	Annual Rate	( (In 166 - In 259 - In 281 - In 282) / In 211 x 100%	6)				0.00%		
180	ADDITIONAL REVENUE REQUIREMENT for projects w	/ incentive ROE's (Note C) (Worksheet F)					-		

AEPTCo - SPP Formula Rate SWT Historic TCOS Page: 44 of 69

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

	(1)	(2)	(3)	(4)		(5)
	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total	Allo	cator	Total Transmission
Line No.	GROSS PLANT IN SERVICE		NOTE D			
181 182	Line Deliberately Left Blank Line Deliberately Left Blank					
	Transmission	(Worksheet A In 3.C & Ln	_	DA		0
183 184	Less: Transmission ARO (Enter Negative)	291) (Worksheet A In 4.C)	0	TP	1.00000	_
185	Plus: Transmission Plant-in-Service Additions (Work		N/A	NA	0.00000	N/A
186	Plus: Additional Trans Plant on Transferred Assets (		N/A	NA	0.00000	N/A
187	Line Deliberately Left Blank	,	<u> </u>			
188	Line Deliberately Left Blank	an 1 1 1 1 1 7 0)		14//0	4 00000	
189 190	General Plant Less: General Plant ARO (Enter Negative)	(Worksheet A In 7.C) (Worksheet A In 8.C)	-	W/S W/S	1.00000 1.00000	-
191	Intangible Plant	(Worksheet A In 9.C)	-	W/S	1.00000	-
192	TOTAL GROSS PLANT	(sum Ins 181 to 191)	0	GP(h)= GTD=	1.000000 1.00000	0
193	ACCUMULATED DEPRECIATION AND AMORTIZATION	DN		G1D=	1.00000	
194 195	Line Deliberately Left Blank Line Deliberately Left Blank					
193	Line Deliberately Left Blank	(Worksheet A In 14.C &				
196	Transmission	28.C)	-	TP1=	0.00000	-
197	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)		TP1=	0.00000	-
198	Plus: Transmission Plant-in-Service Additions (Work		N/A	DA	1.00000	N/A
199	Plus: Additional Projected Deprec on Transferred As Plus: Additional Transmission Depreciation for 2012		N/A	DA TP1	1.00000	N/A N/A
200 201	Plus: Additional Transmission Depreciation for 2012  Plus: Additional General & Intangible Depreciation for		N/A N/A	W/S	0.00000 1.00000	N/A N/A
202	Plus: Additional Accum Deprec on Transferred Asset		N/A	DA	1.00000	N/A
203	Line Deliberately Left Blank	(	1201			1411
204	Line Deliberately Left Blank					
205 206	General Plant Less: General Plant ARO (Enter Negative)	(Worksheet A In 18.C) (Worksheet A In 19.C)	-	W/S W/S	1.00000 1.00000	-
207	Intangible Plant	(Worksheet A In 19.C)	-	W/S	1.00000	-
208	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 194 to 207)	<del>-</del>		1.0000	-
209	NET PLANT IN SERVICE					
210	Line Deliberately Left Blank					
211	Transmission	(In 183 + In 184 - In 196 - In 197)	0			0.001
212	Plus: Transmission Plant-in-Service Additions (In 18		N/A			N/A
213 214	Plus: Additional Trans Plant on Transferred Assets ( Plus: Additional Transmission Depreciation for 2012		N/A N/A			N/A N/A
215	Plus: Additional General & Intangible Depreciation for		N/A			N/A
216	Plus: Additional Accum Deprec on Transferred Asse		N/A			N/A
217	Line Deliberately Left Blank					
218	General Plant	(ln 189 + ln 190 - ln 205 - ln 206)	-			-
219 220	Intangible Plant TOTAL NET PLANT IN SERVICE	(In 191 - In 207) (sum Ins 210 to 219)	- 0	NP(h)=	1.000000	
220	TOTAL NETT LANT IN GENVIOL	(30111113 210 to 213)	· ·	NI (II)=	1.000000	Ü
221	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)				
222	Account No. 281.1 (enter negative)	272-273.8.k	-	NA		-
223	Account No. 282.1 (enter negative)	(Worksheet C, In 1.C & In 3.J)	(05.040)	DA		-
224 225	Account No. 283.1 (enter negative) Account No. 190.1	(Worksheet C, In 10.C & Ln 12.J) (Worksheet C, In 19.C & Ln 21.J)	(25,819) 9	DA DA		-
226	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	- -	DA		-
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	(25,810)			-
228	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	-	DA		-
228a	REGULATORY ASSETS	(Worksheet A In 41.(C))	-	DA		-
229	WORKING CAPITAL	(Note F)				
230	Cash Working Capital	(1/8 * In 245) (Note G)	23			23
231	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP	1.00000	-
232 233	A&G Materials & Supplies Stores Expense	(Worksheet D, In 3.(D))	-	W/S GP(h)	1.00000 1.00000	-
233 234	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 4.(D)) (Worksheet D, In 5.G)	- -	GP(n) W/S	1.00000	-
235	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	-	GP(h)	1.00000	-
236	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA	1.00000	-
237	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)		NA	0.00000	-
238	TOTAL WORKING CAPITAL	(sum Ins 230 to 237)	23			23
239	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	-	DA	1.00000	-
240	RATE BASE (sum Ins 220, 227, 228, 238, 239)		(25,787)			23

AEPTCo - SPP Formula Rate SWT Historic TCOS Page: 45 of 69

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

	(1)	(2)	(3)	(4)	(5)
	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocato	Total <u>Transmission</u>
Line No.	OPERATION & MAINTENANCE EXPENSE				
241	Transmission	321.112.b	182		
242	Less: Total Account 561	(Note I) 321.84-92.b			
243	Less: Account 565	(Note J) 321.96.b	-		
244	Less: expenses 100% assigned to TO billed custome		<u> </u>		
245	Total O&M Allocable to Transmission	(Ins 241 - 242 - 243 - 244)	182	TP 1	1.00000 182
0.40	Administrative and Oscarel	000 407 h (NI-t- IC)	00.400		
246 247	Administrative and General Less: Acct. 924, Property Insurance	323.197.b (Note K) 323.185.b	80,163		
247	Acct. 924, Froperty Insulance Acct. 928, Reg. Com. Exp.	323.189.b			
249	Acct. 930.1, Gen. Advert. Exp.	323.191.b			
250	Acct. 930.2, Misc. Gen. Exp.	323.192.b			
251	Balance of A & G	(In 246 - sum In 247 to In 250)	80,163	W/S 1	1.00000 80,163
252	Plus: Acct. 924, Property Insurance	(In 247)	-		1.00000 -
253	Acct. 928 - Transmission Specific	Worksheet J In 5.(E) (Note L)	-	TP 1	1.00000 -
254	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 19.(E) (Note L)	-		1.00000 -
255	Acct 930.2 - Misc Gen. Exp Trans	Worksheet J In 25.(E) (Note L)	-		1.00000 -
255a	PBOP Adjustment	(Worksheet O In 16.D)	3,429	DA 1	1.00000 3,429
256	A & G Subtotal	(sum Ins 251 to 255 less In 255a)	83,592		83,592
257	TOTAL O & M EXPENSE	(In 245 + In 256)	83,774		83,774
258	DEPRECIATION AND AMORTIZATION EXPENSE				
259	Transmission	336.7.f	-	TP 1	1.00000 -
260	Plus: Transmission Plant-in-Service Additions (Work	sheet B)	N/A		N/A
260a	Plus: Formation Costs Amortization	(Worksheet A In 35.C)	29,507	DA 1	1.00000 29,507
261	General	336.10.f	-		1.00000 -
262	Intangible	336.1.f	-	W/S 1	1.00000
263	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 259 to 262)	29,507		29,507
264	TAXES OTHER THAN INCOME	(Note N)			
265	Labor Related	,			
266	Payroll	Worksheet L, Col. D	-	W/S 1	1.00000 -
267	Plant Related				
268	Property	Worksheet L, Col. C	-		1.00000 -
269	Gross Receipts/Sales & Use	Worksheet L, Col. F	-		.00000 -
270	Other	Worksheet L, Col. E	57	GP(h)	1.00000 57
271	TOTAL OTHER TAXES	(sum Ins 266 to 270)	57		57
272	INCOME TAXES	(Note O)			
273	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		38.64%		
274	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		41.94%		
275	where WCLTD=(In 326) and WACC = (In 329)				
276	and FIT, SIT & p are as given in Note O.				
277 278	GRCF=1 / (1 - T) = (from In 273)	(FF1 = 111 l= 10 a)	1.6297		
2/0	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
279	Income Tax Calculation	(In 274 * In 282)	(945)		1
280	ITC adjustment	(In 277 * In 278)	<u>-</u> _	NP(h)	1.00000
281	TOTAL INCOME TAXES	(sum Ins 279 to 280)	(945)		1
282	RETURN ON RATE BASE (Rate Base*WACC)	(In 240 * In 329)	(2,254)		2
283	INTEREST ON IPP CONTRIBUTION FOR CONST. (No	ote E) (Worksheet E, In 2)	-	DA 1	1.00000 -
284	REVENUE REQUIREMENT BEFORE TEXAS GROSS	MARGIN TAX	110,139		113,341
285	(sum Ins 257, 263, 271, 281, 282, 283)				, ,
600	TEVAS ODOGO MADOINITAY (N. 1. B) (N. 1. L.		222	D.	
286	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		286	DA	295
287	REVENUE REQUIREMENT INCLUDING GROSS MAR	GIN TAX	110,425		113,636

AEPTCo - SPP Formula Rate SWT Historic TCOS Page: 46 of 69

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

# SUPPORTING CALCULATIONS

In								
No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF							
288	Total transmission plant	(ln 183)						0
289	Less transmission plant excluded from SPP Tariff (Note							-
290	Less transmission plant included in OATT Ancillary Ser		Col. (C)) (Note R)				_	-
291	Transmission plant included in SPP Tariff	(In 288 - In 289 - In 290)						0
292	Percent of transmission plant in SPP Tariff	(In 291 / In 288)					TP=	1.00000
				Payroll Billed from				
293	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	AEP Service Corp.	Total			
294	Line Deliberately Left Blank	054.041		40.074	40.074	TD	4 00000	10.071
295	Transmission	354.21.b		18,871	18,871	TP	1.00000	18,871
296	Regional Market Expenses	354.22.b			-	NA	0.00000	-
297	Line Deliberately Left Blank	0540405004					0.00000	
298	Other (Excludes A&G)	354.24,25,26.b			-	NA	0.00000	<del></del>
299	Total	(sum Ins 294 to 298)	0	18,871	18,871			18,871
300	Transmission related amount						W/S=	1.00000
	STAND ALONE (Note T)							
301	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
302	WEIGHTED AVEILAGE GOOT OF GAI TIAL (WAGO)	Long Term Interest (Work	sheet M In 20 col (D))				_	Ψ
303		Preferred Stock Dividends		ol (D))				-
304	Development of Common Stoo		(VVOIKSHEEL IVI, III. 20, CC	JI. (D))				-
305	Development of Common Stot	Proprietary Capital (112.1)	6.0)					(199,080)
306		Less Preferred Stock (In 3						(199,000)
307		Less Account 216.1 (112.						
308		Less Account 219.1 (112.						
309		Common Stock (In 305 - In					_	(199,080)
303		Common Stock (iii 303 - ii	1 300 - 111 307 - 111 300)	Capital Structure F	ercentages		Cost	(133,000)
310		\$		Actual	Cap Limit		(Note T)	Weighted
311	Long Term Debt (Worksheet M, In. 20, col. (B))	- V	•	0.00%	0.00%		(Note 1)	0.0000
312	Preferred Stock (Worksheet M, In. 26, col. (B))	-		0.00%	0.00%		-	0.0000
313	Common Stock (In 309) (Note U)	(199.080)		0.00%	0.00%		11.2%	0.0000
314	Total (sum lns 311 to 313)	(199,080)		0.0076	0.0076		WACC=	0.0000
314	Total (sullins 311 to 313)	(199,000)					WACC-	0.0000
315	Capital Structure Equity Limit (Note U)	50.0%						
	SOUTHWESTERN ELECTRIC POWER COMPANY (No	te T)	NOTE: All WACC relate	ted entries below soul	ced from SWEI	PCO's FI	F1 or Template	
316	WEIGHTED AVERAGE COST OF CAPITAL (WACC)						•	\$
317	,	Long Term Interest (SWE	FR Worksheet M, In. 21,	col. (D))				102,426,827
318		Preferred Stock Dividends						
319	Development of Common Stor		•	, ,				
320	·	Proprietary Capital (112.1	6.c)					1,813,365,524
321		Less Preferred Stock (In 3	27)					-
322		Less Account 216.1 (112.	12.c)					16,684,595
323		Less Account 219.1 (112.)	15.c)					(26,817,142)
324		Common Stock (In 320 - In					_	1.823.498.071
				Capital Structure F	ercentages		Cost	.,==,.==,:'
325		\$		Actual	Cap Limit		(Note T)	Weighted
326	Long Term Debt (SWEPCO WS-M, In. 21, col. (B))	1,685,200,000		48.03%	0.00%		0.0608	0.0292
327	Preferred Stock (SWEPCO WS-M, In. 25, col. (B))	.,555,250,000		0.00%	0.00%		-	0.0000
328	Common Stock (In 324) (Note U)	1,823,498,071		51.97%	0.00%		11.2%	0.0582
329	Total (sum Ins 326 to 328)	3,508,698,071		23.70	2.2370		WACC=	0.0874
		0,000,000,011					50=	0.0014
330	Capital Structure Equity Limit (Note U for SWEPCO)	52.5%						
		02.070						

AEPTCo - SPP Formula Rate SWT Historic TCOS Page: 47 of 69

# AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

#### AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

<u>Letter</u> <u>Notes</u>

General Notes: a) References to data from FERC Form 1 are indicated as: page#.line#.col.#

- b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting workpapers rather than using the allocations above.
- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the projected revenue requirement for each project, based on an FCR rate caclulated from inputs on this TCOS. Line 180 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- E The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations.

  The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the
  utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be
  taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet B.
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 245.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 239 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 283.
- I Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other then the W/S allocator. Full documentation must be provided.
- Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p =
  "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a
  work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that
  elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce
  rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f)
  (In 273) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.

Inputs Required: FIT = 35.00%
SIT = 5.60% (State Income Tax Rate or Composite SIT. Worksheet K)
p = 0.00% (percent of federal income tax deductible for state purposes)

- P Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Q Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- T The Capital Structure of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. will be based on the Capital Structure of SWEPCO until AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS.

  Long Term Debt cost rate = long-term interest (ln 317) / long term debt (ln 326). Preferred Stock cost rate = preferred dividends (ln 318) / preferred outstanding (ln 327).
  - Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 50% of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.'s Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEPTCo - SPP Formula Rate SWT True-UP TCOS Page: 48 of 69

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

Line No.						ansmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 106)	Total	ΔΙΙ	ocator	\$104,031
2	REVENUE CREDITS	(Note A)	Total			
3	Transmission Credits	(Worksheet H)	-	DA	1.00000	\$ -
4	Assoc. Business Development	(Worksheet H)	<del>-</del> _	DA	1.00000	\$ <u> </u>
5	Total Revenue Credits		-			\$ -
6	REVENUE REQUIREMENT For All Company Facilities	(in 1 less in 2)				\$104,031
МЕМО	D: The Carrying Charge Calculations on lines 9 to 14 be revenue requirement	elow is used in calculating project revenue requireme s for these projects shown on line 7 is included in the		n-incentive		
7	Trued-Up Revenue Requirement for SPP BPU Regional G)	Facilities (w/o incentives) (Worksheet	-	DA	1.00000	\$ -
8	NET PLANT CARRYING CHARGE (w/o incentives) (Not	e B)				
9	Annual Rate	(ln 1/ ln 39 x 100)				0%
10	Monthly Rate	(ln 9 / 12)				0.00%
11	NET PLANT CARRYING CHARGE ON LINE 9, W/O DE	PRECIATION (w/o incentives) (Note B)				
12	Annual Rate	( (ln 1 - ln 82) / ln 39 x 100)				0.00%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O IN	COME TAXES, RETURN (Note B)				
14	Annual Rate	( (ln 1 - ln 82 - ln 103 - ln 104) / ln 39 x 100)				0.00%
15	ADDITIONAL REVENUE REQUIREMENT for projects we	incentive ROE's (Note C) (Worksheet G)				_

AEPTCo - SPP Formula Rate SWT True-UP TCOS Page: 49 of 69

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

	(1)	(2)	(3)	(4)		(5)
	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total	Allo	ocator	Total Transmission
Line			NOTE D			
No.	GROSS PLANT IN SERVICE					
16	Line Deliberately Left Blank					
17 18	Line Deliberately Left Blank Transmission	(Worksheet A In 3.E & Ln 114)	0	DA		0
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E)	U	TP	1.00000	U
20	Line Deliberately Left Blank	(Worksheet A III 4.L)	-	"	1.00000	-
21	Line Deliberately Left Blank					
22	General Plant	(Worksheet A In 7.E)	-	W/S	1.00000	_
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	<u>-</u>	W/S	1.00000	-
24	Intangible Plant	(Worksheet A In 9.E)	1	W/S	1.00000	1
25	TOTAL GROSS PLANT	(sum Ins 16 to 24)	1	GP(TU)= GTD=	1.00000 1.000000	1
26	ACCUMULATED DEPRECIATION AND AMORTIZATIO	N		GID=	1.0000000	
27	Line Deliberately Left Blank					
28	Line Deliberately Left Blank					
29	Transmission	(Worksheet A In 14.E & 28.E)	-	TP1=	0.00000	-
30	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	0.00000	-
31 32	Line Deliberately Left Blank Line Deliberately Left Blank					
33	General Plant	(Worksheet A In 18.E)		W/S	1.00000	
34	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	<u>-</u>	W/S	1.00000	_
35	Intangible Plant	(Worksheet A In 20.E)	_	W/S	1.00000	_
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	-			-
37	NET PLANT IN SERVICE					
38	Line Deliberately Left Blank					
39	Transmission	(In 18 + In 19 - In 29 - In 30)	0			0
40	Line Deliberately Left Blank					
41	General Plant	(ln 22 + ln 23 - ln 33 - ln 34)	- 1			-
42 43	Intangible Plant TOTAL NET PLANT IN SERVICE	(In 24 - In 35) (sum Ins 38 to 42)	<u> </u>	NP(TU)=	1.00000	1
43	TOTAL NET PLANT IN SERVICE	(Sulli IIIS 30 to 42)	'	NF(10)=	1.00000	'
44	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)				
45	Account No. 281.1 (enter negative)	272-273.8.k	-	NA		-
46	Account No. 282.1 (enter negative)	(Worksheet C, In 7.C & In 9.J)	-	DA		-
47	Account No. 283.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	(30,982)	DA		(18,073)
48	Account No. 190.1	(Worksheet C, In 25.C & Ln 27.J)	5	DA		=
49	Account No. 255 (enter negative)	(Worksheet C, In 34.C & Ln 36.J)	(00.070)	DA		- (40.070)
50	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	(30,978)			(18,073)
51	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	-	DA		-
51a	REGULATORY ASSETS	(Worksheet A In 38. (C))	88,522	DA		88,522
52	WORKING CAPITAL	(Note F)				
53	Cash Working Capital	(1/8 * In 68) (Note G)	23			23
54	Transmission Materials & Supplies	(Worksheet D, In 2.(F))	<del>-</del>	TP	1.00000	-
55	A&G Materials & Supplies	(Worksheet D, In 3.(F))	-	W/S	1.00000	-
56	Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	1.00000	-
57	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 7.G)	-	W/S	1.00000	-
58	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 7.F)	-	GP(TU)	1.00000	-
59 60	Prepayments (Account 165) - Transmission Only Prepayments (Account 165) - Unallocable	(Worksheet D, In 7.E) (Worksheet D, In 7.D)	-	DA NA	1.00000 0.00000	-
61	TOTAL WORKING CAPITAL	(sum Ins 53 to 60)	23	INA	0.00000	23
		,	23			23
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	-	DA	1.00000	-
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		(30,954)			(18,049)

(1)

AEPTCo - SPP Formula Rate SWT True-UP TCOS Page: 50 of 69

(5)

(4)

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

(2)

	(1)	(2)	(0)	(-	')	(0)
	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	<u>TO Total</u>	Alloc	cator	Total <u>Transmission</u>
Line						
No.	OPERATION & MAINTENANCE EXPENSE					
64	Transmission	321.112.b	182			
65	Less: Total Account 561	(Note I) 322.84-92.b	=			
66	Less: Account 565	(Note J) 322.96.b				
67	Less: expenses 100% assigned to TO billed customers		<u> </u>			
68	Total O&M Allocable to Transmission	(Ins 64 - 65 - 66 - 67)	182	TP	1.00000	182
69	Administrative and General	323.197.b (Note K)	80,163			
70	Less: Acct. 924, Property Insurance	323.185.b	-			
71	Acct. 928, Reg. Com. Exp.	322.189.b	-			
72	Acct. 930.1, Gen. Advert. Exp.	322.191.b	-			
73	Acct. 930.2, Misc. Gen. Exp.	322.192.b				
74	Balance of A & G	(In 69 - sum In 70 to In 73)	80,163	W/S	1.00000	80,163
75	Plus: Acct. 924, Property Insurance	(In 70)	-	GP(TU)	1.00000	-
76	Acct. 928 - Transmission Specific	Worksheet J In 5.(E) (Note L)	-	TP	1.00000	-
77	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 19.(E) (Note L)	-	GP(TU)	1.00000	-
78	Acct 930.2 - Misc Gen. Exp Trans	Worksheet J In 25.(E) (Note L)	-	DA	1.00000	-
78a	PBOP Adjustment	(Worksheet O In 16.D)	3,429	DA	1.00000	3,429
79	A & G Subtotal	(sum Ins 74 to 78 less In 78a)	83,592			83,592
80	TOTAL O & M EXPENSE	(In 68 + In 79)	83,774			83,774
81	DEPRECIATION AND AMORTIZATION EXPENSE					
82	Transmission	336.7.f	_	TP	1.00000	_
83	General	336.10.f	_	W/S	1.00000	_
84a	Plus: Formation Costs Amortization	(Worksheet A In 35.E)	22,131	*****	1.00000	22,131
84	Intangible	336.1.f	-	W/S	1.00000	-
85	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 82 to 84)	22,131			22,131
86	TAXES OTHER THAN INCOME	(Note N)				
87	Labor Related	Wadahari Oal D		14//0	4 00000	
88	Payroll	Worksheet L, Col. D	-	W/S	1.00000	-
89 90	Plant Related	Worksheet L, Col. C		GP(TU)	1.00000	
90	Property	Worksheet L. Col. F	-			-
91	Gross Receipts/Sales & Use Other	Worksheet L, Col. F Worksheet L, Col. E	- 57	NA GP(TU)	0.00000 1.00000	- 57
93	TOTAL OTHER TAXES		57	GF(10)	1.00000	57
93	TOTAL OTHER TAXES	(sum Ins 88 to 92)	57			57
94	INCOME TAXES	(Note O)				
95	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		38.64%			
96	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		41.31%			
97	where WCLTD=(In 148) and WACC = (In 151)					
98	and FIT, SIT & p are as given in Note O.					
99	GRCF=1 / (1 - T) = (from In 95)		1.6297			
100	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-			
101	Income Tax Calculation	(In 96 * In 104)	(1,103)			(643)
102	ITC adjustment	(In 99 * In 100)		NP(TU)	1.00000	
103	TOTAL INCOME TAXES	(sum Ins 101 to 102)	(1,103)			(643)
104	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 151)	(2,670)			(1,557)
105	INTEREST ON IPP CONTRIBUTION FOR CONST. (N	ote E) (Worksheet E, In 2)	-	DA	1.00000	-
106	REVENUE REQUIREMENT BEFORE TEXAS GROSS	MARGIN TAX	102,188			103,761
107	(sum Ins 80, 85, 93, 103, 104, 105)					
108	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		266	DA		270
109	REVENUE REQUIREMENT INCLUDING GROSS MAR	RGIN TAX	102,454			104,031

AEPTCo - SPP Formula Rate SWT True-UP TCOS Page: 51 of 69

#### AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

 ${\sf AEP} \; {\sf SOUTHWESTERN} \; {\sf TRANSMISSION} \; {\sf COMPANY}, \; {\sf INC}.$ 

# SUPPORTING CALCULATIONS

.In									
No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF								_
110	Total transmission plant	(ln 18)							0
111									-
112	Less transmission plant included in OATT Ancillary Ser		ote R)						
113	Transmission plant included in SPP Tariff	(In 110 - In 111 - In 112)							0
114	Percent of transmission plant in SPP Tariff	(ln 113 / ln 110)						TP=	1.00000
					Payroll Billed from				
115	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll		AEP Service Corp.	Total			
116	Line Deliberately Left Blank	(,							
117	Transmission	354.21.b		0	18,871	18,871	TP	1.00000	18,871
118	Regional Market Expenses	354.22.b		0	0	-	NA	0.0000	-
119	Line Deliberately Left Blank	001.22.0		·	·			0.0000	
120	Other (Excludes A&G)	0		0	0	_	NA	0.0000	_
121	Total	(sum Ins 116 to 120)		0	18,871	18,871	INA	0.00000	18.871
121	Total	(Sulli IIIS 116 to 120)		U	10,071	10,071			10,071
122	Transmission related amount							W/S=	1.00000
	STAND ALONE (Note T)								
123	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
124	Long Term Interest	Long Term Interest (Worksheet N, In.	18 col (E))					_	
125	Preferred Dividends	Preferred Stock Dividends (Workshee							_
126	Development of Common Stock:	Treferred Glock Dividends (Workshee	Ct 14, III. 47, COI. (L))						Average
127	Proprietary Capital	(Worksheet N, In. 1, col. (E))						_	(145,738)
128	Less Preferred Stock (In 134)								(145,736)
120	Less Account 216.1	(Worksheet N, In. 2, col. (E))							-
		(Worksheet N, In. 3, col. (E))							-
130	Less Account 219	(Worksheet N, In. 4, col. (E))						_	
404									
131	Common Stock	(In 142 - In 143 - In 144 - In 145)			Canital Structure B	larcantagae		Cost	(145,738)
	Common Stock	,			Capital Structure P			Cost (Note S)	, , ,
132		(In 142 - In 143 - In 144 - In 145)  2012 Avg Balances		_	Actual	Cap Limit		(Note S)	Weighted
132 133	Avg Long Term Debt (Worksheet N, In. 10, col. (E))	,		_	Actual 0.00%	Cap Limit 0.00%		(Note S) 0.00%	Weighted 0.0000
132 133 134	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E))	2012 Avg Balances		_	Actual 0.00% 0.00%	Cap Limit 0.00% 0.00%		(Note S) 0.00% 0.00%	Weighted 0.0000 0.0000
132 133 134 135	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U)	2012 Avg Balances - (145,738)		_	Actual 0.00%	Cap Limit 0.00%		(Note S) 0.00% 0.00% 11.20%	Weighted  0.0000 0.0000 0.0000
132 133 134	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E))	2012 Avg Balances		_	Actual 0.00% 0.00%	Cap Limit 0.00% 0.00%		(Note S) 0.00% 0.00%	Weighted 0.0000 0.0000
132 133 134 135	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U)	2012 Avg Balances - (145,738)	•	_	Actual 0.00% 0.00%	Cap Limit 0.00% 0.00%		(Note S) 0.00% 0.00% 11.20%	Weighted  0.0000 0.0000 0.0000
132 133 134 135 136	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135) Capital Structure Equity Limit (Note U) SOUTHWESTERN ELECTRIC POWER COMPANY (Note Company)	2012 Avg Balances (145,738) (145,738)		<u> </u>	Actual 0.00% 0.00%	Cap Limit 0.00% 0.00% 0.00%	s FF1 o	(Note S) 0.00% 0.00% 11.20% WACC=	Weighted  0.0000 0.0000 0.0000
132 133 134 135 136	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135) Capital Structure Equity Limit (Note U)	2012 Avg Balances (145,738) (145,738)		<u> </u>	Actual 0.00% 0.00% 0.00% 0.00%	Cap Limit 0.00% 0.00% 0.00%	s FF1 oi	(Note S) 0.00% 0.00% 11.20% WACC=	Weighted  0.0000 0.0000 0.0000
132 133 134 135 136	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135) Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (No WEIGHTED AVERAGE COST OF CAPITAL (WACC)	2012 Avg Balances (145,738) (145,738) 50.0%	NOTE: All WACC re		Actual 0.00% 0.00% 0.00% 0.00%	Cap Limit 0.00% 0.00% 0.00%	s FF1 o	(Note S) 0.00% 0.00% 11.20% WACC=	Weighted 0.0000 0.0000 0.0000 0.0000
132 133 134 135 136 137	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135) Capital Structure Equity Limit (Note U) SOUTHWESTERN ELECTRIC POWER COMPANY (Note Company)	2012 Avg Balances  (145,738) (145,738)  50.0%  te T)  Long Term Interest (SWE FR Works)	NOTE: All WACC reneet M, In. 21, col. (D)		Actual  0.00% 0.00% 0.00% 0.00%	Cap Limit 0.00% 0.00% 0.00%	s FF1 o	(Note S) 0.00% 0.00% 11.20% WACC=	Weighted 0.0000 0.0000 0.0000 0.0000
132 133 134 135 136 137	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135)  Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (Note U) WEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends	2012 Avg Balances (145,738) (145,738) 50.0%	NOTE: All WACC reneet M, In. 21, col. (D)		Actual  0.00% 0.00% 0.00% 0.00%	Cap Limit 0.00% 0.00% 0.00%	s FF1 oi	(Note S) 0.00% 0.00% 11.20% WACC=	Weighted 0.0000 0.0000 0.0000 0.0000 \$ \$ 102,426,827
132 133 134 135 136 137	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135)  Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (Note U) WEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends Development of Common Stock:	2012 Avg Balances  (145,738) (145,738) (145,738)  50.0%  tet T)  Long Term Interest (SWE FR Workst Preferred Stock Dividends (SWE FR	NOTE: All WACC reneet M, In. 21, col. (D)		Actual  0.00% 0.00% 0.00% 0.00%	Cap Limit 0.00% 0.00% 0.00%	s FF1 o	(Note S) 0.00% 0.00% 11.20% WACC=	Weighted 0.0000 0.0000 0.0000 0.0000 \$ 102,426,827 Average
132 133 134 135 136 137	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135) Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends Development of Common Stock: Proprietary Capital	2012 Avg Balances  (145,738)  (145,738)  50.0%  tet T)  Long Term Interest (SWE FR Worksh Preferred Stock Dividends (SWE FR (SWE Worksheet N, In. 1, col. (E))	NOTE: All WACC reneet M, In. 21, col. (D)		Actual  0.00% 0.00% 0.00% 0.00%	Cap Limit 0.00% 0.00% 0.00%	s FF1 oi	(Note S) 0.00% 0.00% 11.20% WACC=	Weighted 0.0000 0.0000 0.0000 0.0000 \$ 102,426,827 Average 1,742,524,800
132 133 134 135 136 137 138 139 140 141 142 143	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135)  Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (Note U) WEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends Development of Common Stock: Proprietary Capital Less Preferred Stock (In 149)	2012 Avg Balances  (145,738) (145,738) (145,738)  50.0%  tet T)  Long Term Interest (SWE FR Worksh Preferred Stock Dividends (SWE FR  (SWE Worksheet N, In. 1, col. (E)) (SWE Worksheet N, In. 2, col. (E))	NOTE: All WACC reneet M, In. 21, col. (D)		Actual  0.00% 0.00% 0.00% 0.00%	Cap Limit 0.00% 0.00% 0.00%	s FF1 oi	(Note S) 0.00% 0.00% 11.20% WACC=	Weighted 0.0000 0.0000 0.0000 0.0000 \$ 102,426,827 Average 1,742,524,800 2,347,900
132 133 134 135 136 137 138 139 140 141 142 143	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135)  Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends Development of Common Stock: Proprietary Capital Less Preferred Stock (In 149) Less Account 216.1	2012 Avg Balances  (145,738) (145,738) (145,738)  50.0%  tet T)  Long Term Interest (SWE FR Worksh Preferred Slock Dividends (SWE FR (SWE Worksheet N, In. 1, col. (E)) (SWE Worksheet N, In. 2, col. (E)) (SWE Worksheet N, In. 3, col. (E))	NOTE: All WACC reneet M, In. 21, col. (D)		Actual  0.00% 0.00% 0.00% 0.00%	Cap Limit 0.00% 0.00% 0.00%	s FF1 oi	(Note S) 0.00% 0.00% 11.20% WACC=	Weighted 0.0000 0.0000 0.0000 0.0000  \$ 102,426,827 Average 1,742,524,800 2,347,900 15,311,449
132 133 134 135 136 137 138 139 140 141 142 143 144 145	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135) Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends Development of Common Stock: Proprietary Capital Less Preferred Stock (In 149) Less Account 216.1 Less Account 219	2012 Avg Balances  (145,738)  (145,738)  50.0%  tet T)  Long Term Interest (SWE FR Worksh Preferred Stock Dividends (SWE FR  (SWE Worksheet N, In. 1, col. (E)) (SWE Worksheet N, In. 2, col. (E)) (SWE Worksheet N, In. 3, col. (E)) (SWE Worksheet N, In. 4, col. (E)) (SWE Worksheet N, In. 4, col. (E))	NOTE: All WACC reneet M, In. 21, col. (D)		Actual  0.00% 0.00% 0.00% 0.00%	Cap Limit 0.00% 0.00% 0.00%	s FF1 oi	(Note S) 0.00% 0.00% 11.20% WACC=	\$ 102,426,827 Average 1,742,524,800 2,347,900 15,311,449 (19,654,296)
132 133 134 135 136 137 138 139 140 141 142 143	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135)  Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends Development of Common Stock: Proprietary Capital Less Preferred Stock (In 149) Less Account 216.1	2012 Avg Balances  (145,738) (145,738) (145,738)  50.0%  tet T)  Long Term Interest (SWE FR Worksh Preferred Slock Dividends (SWE FR (SWE Worksheet N, In. 1, col. (E)) (SWE Worksheet N, In. 2, col. (E)) (SWE Worksheet N, In. 3, col. (E))	NOTE: All WACC reneet M, In. 21, col. (D)		Actual  0.00% 0.00% 0.00% 0.00%	Cap Limit  0.00% 0.00% 0.00% 0.00%	s FF1 oi	(Note S) 0.00% 0.00% 11.20% WACC=	Weighted 0.0000 0.0000 0.0000 0.0000  \$ 102,426,827 Average 1,742,524,800 2,347,900 15,311,449
132 133 134 135 136 137 138 139 140 141 142 143 144 145	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135) Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends Development of Common Stock: Proprietary Capital Less Preferred Stock (In 149) Less Account 216.1 Less Account 219	2012 Avg Balances  (145,738) (145,738) (145,738)  50.0%  tet T)  Long Term Interest (SWE FR Worksh Preferred Stock Dividends (SWE FR (SWE Worksheet N, In. 2, col. (E)) (SWE Worksheet N, In. 3, col. (E)) (SWE Worksheet N, In. 4, col. (E)) (SWE Worksheet N, In. 4, col. (E)) (In 142 - In 143 - In 144 - In 145)	NOTE: All WACC reneet M, In. 21, col. (D)		Actual  0.00% 0.00% 0.00% 0.00%	Cap Limit  0.00% 0.00% 0.00% 0.00%	s FF1 oi	(Note S) 0.00% 0.00% 11.20% WACC=	\$ 102,426,827 Average 1,742,524,800 2,347,900 15,311,449 (19,654,296) 1,744,519,746
132 133 134 135 136 137 138 139 140 141 142 143 144 145 146	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135) Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends Development of Common Stock: Proprietary Capital Less Preferred Stock (In 149) Less Account 216.1 Less Account 219 Common Stock	2012 Avg Balances  (145,738) (145,738) (145,738)  50.0%  tet T)  Long Term Interest (SWE FR Worksh Preferred Stock Dividends (SWE FR  (SWE Worksheet N, In. 1, col. (E)) (SWE Worksheet N, In. 2, col. (E)) (SWE Worksheet N, In. 3, col. (E)) (SWE Worksheet N, In. 4, col. (E)) (In 142 - In 143 - In 144 - In 145)  2012 Avg Balances	NOTE: All WACC reneet M, In. 21, col. (D) Worksheet M, In. 25, o		Actual  0.00% 0.00% 0.00% 0.00%	Cap Limit  0.00% 0.00% 0.00% 0.00%	s FF1 oi	(Note S)  0.00% 0.00% 11.20% WACC=  **Template*  Cost (Note S)	\$ 102,426,827 Average 1,742,524,800 2,347,900 15,311,449 (19,654,296) 1,744,519,746 Weighted
132 133 134 135 136 137 138 139 140 141 142 143 144 145 146	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135)  Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (Note U) EVEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends Development of Common Stock: Proprietary Capital Less Preferred Stock (In 149) Less Account 219 Common Stock  Avg Long Term Debt (SWE WS-N, In. 10, col. (E))	2012 Avg Balances  (145,738) (145,738) (145,738) (145,738)  50.0%  tet T)  Long Term Interest (SWE FR Workst Preferred Stock Dividends (SWE FR (SWE Worksheet N, In. 1, col. (E)) (SWE Worksheet N, In. 2, col. (E)) (SWE Worksheet N, In. 4, col. (E)) (SWE Worksheet N, In. 144 - In 145) 2012 Avg Balances	NOTE: All WACC reneet M, In. 21, col. (D) Worksheet M, In. 25, o		Actual  0.00% 0.00% 0.00% 0.00%  centries below sourced  Capital Structure P Actual 49.40%	Cap Limit  0.00% 0.00% 0.00% 0.00%	s FF1 o	(Note S)  0.00% 0.00% 11.20% WACC=  Template  Cost (Note S) 6.00%	\$ 102,426,827 Average 1,742,524,800 2,347,900 15,311,449 (19,654,296) 1,744,519,746 Weighted 0.0297
132 133 134 135 136 137 138 139 140 141 142 143 144 145 146	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135)  Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (No WEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends Development of Common Stock: Proprietary Capital Less Preferred Stock (In 149) Less Account 216.1 Less Account 219 Common Stock  Avg Long Term Debt (SWE WS-N, In. 10, col. (E)) Avg Preferred Stock (SWE WS-N, In. 146, col. (E))	2012 Avg Balances  (145,738) (145,738) (145,738)  50.0%  tet T)  Long Term Interest (SWE FR Worksh Preferred Stock Dividends (SWE FR Workshet N, In. 2, col. (E)) (SWE Worksheet N, In. 2, col. (E)) (SWE Worksheet N, In. 3, col. (E)) (SWE Worksheet N, In. 4, col. (E)) (In 142 - In 143 - In 144 - In 145)  2012 Avg Balances  1,705,767,500 2,347,900	NOTE: All WACC reneet M, In. 21, col. (D) Worksheet M, In. 25, o		Actual  0.00% 0.00% 0.00% 0.00%  centries below sourced  Capital Structure P Actual  49.40% 0.07%	Cap Limit  0.00% 0.00% 0.00% 0.00% 0.00%	s FF1 oi	(Note S) 0.00% 0.00% 11.20% WACC=  **Template*  Cost (Note S) 6.00% 0.00%	\$ 102,426,827 Average 1,742,524,800 2,347,900 15,311,449 (19,654,296) 1,744,519,746 Weighted 0.0297 0.0000
132 133 134 135 136 137 138 139 140 141 142 143 144 145 146	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135) Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (Note WEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends Development of Common Stock: Proprietary Capital Less Preferred Stock (In 149) Less Account 219 Common Stock  Avg Long Term Debt (SWE WS-N, In. 10, col. (E)) Avg Preferred Stock (SWE WS-N, In. 46, col. (E)) Avg Common Stock (In 146) (Note U)	2012 Avg Balances  (145,738) (145,738) (145,738) 50.0%  tet T)  Long Term Interest (SWE FR Workst Preferred Stock Dividends (SWE FR Workst Preferred Stock Dividends (SWE FR Worksheet N, In. 1, col. (E)) (SWE Worksheet N, In. 2, col. (E)) (SWE Worksheet N, In. 3, col. (E)) (SWE Worksheet N, In. 4, col. (E)) (In 142 - In 143 - In 144 - In 145)  2012 Avg Balances  1,705,767,500 2,347,900 1,744,519,746	NOTE: All WACC reneet M, In. 21, col. (D) Worksheet M, In. 25, o		Actual  0.00% 0.00% 0.00% 0.00%  centries below sourced  Capital Structure P Actual 49.40%	Cap Limit  0.00% 0.00% 0.00% 0.00%	6 FF1 ol	(Note S)  0.00% 0.00% 11.20% WACC=  r Template  Cost (Note S) 6.00% 0.00% 11.20%	\$ 102,426,827 Average 1,742,524,800 2,347,900 15,311,449 (19,654,296) 1,744,519,746 Weighted 0.0297 0.0000 0.0566
132 133 134 135 136 137 138 139 140 141 142 143 144 145 146	Avg Long Term Debt (Worksheet N, In. 10, col. (E)) Avg Preferred Stock (Worksheet N, In. 46, col. (E)) Avg Common Stock (In 131) (Note U) Total (sum Ins 133 to 135)  Capital Structure Equity Limit (Note U)  SOUTHWESTERN ELECTRIC POWER COMPANY (No WEIGHTED AVERAGE COST OF CAPITAL (WACC) Long Term Interest Preferred Dividends Development of Common Stock: Proprietary Capital Less Preferred Stock (In 149) Less Account 216.1 Less Account 219 Common Stock  Avg Long Term Debt (SWE WS-N, In. 10, col. (E)) Avg Preferred Stock (SWE WS-N, In. 146, col. (E))	2012 Avg Balances  (145,738) (145,738) (145,738)  50.0%  tet T)  Long Term Interest (SWE FR Worksh Preferred Stock Dividends (SWE FR Workshet N, In. 2, col. (E)) (SWE Worksheet N, In. 2, col. (E)) (SWE Worksheet N, In. 3, col. (E)) (SWE Worksheet N, In. 4, col. (E)) (In 142 - In 143 - In 144 - In 145)  2012 Avg Balances  1,705,767,500 2,347,900	NOTE: All WACC reneet M, In. 21, col. (D) Worksheet M, In. 25, o		Actual  0.00% 0.00% 0.00% 0.00%  centries below sourced  Capital Structure P Actual  49.40% 0.07%	Cap Limit  0.00% 0.00% 0.00% 0.00% 0.00%	s FF1 oi	(Note S) 0.00% 0.00% 11.20% WACC=  **Template*  Cost (Note S) 6.00% 0.00%	\$ 102,426,827 Average 1,742,524,800 2,347,900 15,311,449 (19,654,296) 1,744,519,746 Weighted 0.0297 0.0000

AEPTCo - SPP Formula Rate SWT True-UP TCOS Page: 52 of 69

AEP West SPP Member Companies Transmission Cost of Service Formula Rate Utilizing Actual Cost Data for 2011 with Average Rateba

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Letter

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Notes

General Notes: a) References to data from FERC Form 1 are indicated as: page#.line#.col.#

- b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting workpapers rather than using the allocations above.
- The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- В The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- С This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the trued-up revenue requirement for each project, based on an FCR rate caclulated from inputs on this TCOS. Line 15 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by Е prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 68.
- Н Consistent with Paragraph 657 of Order 2003-A, the amount on line 62 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 105.
- Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue
- Κ General Plant and Administrative & General expenses may be functionalized based on allocators other then the W/S allocator. Full documentation must be provided.
- Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges 1 shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- М The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- 0 The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f)

(In 95) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0. Inputs Required:

SIT= 5.60% (State Income Tax Rate or Composite SIT. Worksheet K) 0.00% (percent of federal income tax deductible for state purposes)

- Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- O Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- R Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- s Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- The Capital Structure of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. will be based on the Capital Structure of SWEPCO until AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS. Long Term Debt cost rate = long-term interest (in 139) / long term debt (in 148). Preferred Stock cost rate = preferred dividends (in 140) / preferred outstanding (in 149). Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 50% of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.'s Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEPTCo - SPP Formula Rate SWT WS A - RB Support Page: 53 of 69

#### AEP West SPP Member Companies 2012 Cost of Service Formula Rate Worksheet A - Detail Plant Balances AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Marche   Part   Reservation   Estate   Estate		(A)	(B)	(C)	(D)	(E)	
Line Deliberative Left Blank   2		Rate Base Item & Supporting Balance	Source of Data				
Line Deliberately Left Blank	NOTE: Fun	ctional ARO investment and accumulated depreciation	balances shown below are included in the total fun	nctional balances shown	here.		
Transmission Asset Retirement Obligation							
Transmission Asset Retirement Obligation	2	Line Deliberately Left Blank					
Elino Deliboratoly Left Blank	3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	0	0	0	
FF1, page 207 Cot(g) & pg. 206 Cot. (b), in 69	4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	-	-	-	
PFI, page 207 Cot (g) & pg. 208 Cot (b), in 99	5	Line Deliberately Left Blank					
	6	Line Deliberately Left Blank					
Part   Intangible Plant In Service   FF1, page 205 Col (g) R pg 204 Col (b), In 5   2   1	7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 99	-	-	-	
Total Aroperty Investment Balance   (Sum of Lines: 3, 7, 9)   0   2   1	8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	-	-	-	
Total ARO Balance (included in total on line 10)	9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 5	-	2	1	
12   Line Deliberately Left Blank	10	Total Property Investment Balance	(Sum of Lines: 3, 7, 9)	0	2	1	
12   Line Deliberately Left Blank	11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 8)	-	-	-	
Transmission Accumulated Depreciation							
15   Transmission ARO Accumulated Depreciation   Company Records	13	Line Deliberately Left Blank					
	14	Transmission Accumulated Depreciation	FF1, page 219, ln 25, Col. (b)	-	-	-	
17   Line Deliberately Left Blank	15	Transmission ARO Accumulated Depreciation	Company Records	-		-	
18   General Accumulated Depreciation   FF1, page 219, in 28, Col. (b)	16	Line Deliberately Left Blank					
19   General ARO Accumulated Depreciation   FF1, page 200, in 21, Col. (b)	17	Line Deliberately Left Blank					
Transmission Accumulated Depreciation (Line 24 Above)   -   -   -   -	18	General Accumulated Depreciation	FF1, page 219, ln 28, Col. (b)	-	-	-	
Total Accumulated Depreciation or Amortization   (Sum of Lines: 14, 18, 20)	19	General ARO Accumulated Depreciation	Company Records	-	-	-	
Company Records   Company Re	20	Intangible Accumulated Amortization	FF1, page 200, ln 21, Col. (b)	-	-	-	
Company Records   Company Re	21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 18, 20)	-	-	-	
Company Records   -   -   -   -   -   -   -   -   -	22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 19)	-	-	-	
Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation   Cline 14 Above			Company Records	-	-	-	
Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation           26         Transmission Accumulated Depreciation         (Line 14 Above)         -         -         -           27         Less: GSU Accumulated Depreciation         (Line 24 Above)         -         -         -           28         Subtotal of Transmission Net of GSU         (Line 26 - Line 27)         -         -         -           Plant Held For Future Use           29         Plant Held For Future Use         FF1, page 214, ln 47, Col. (d)         -         -         -         -           30         Transmission Plant Held For Future         Company Records         -         -         -         -           Regulatory Assets and Liabilities Approved for Recovery In Ratebase           Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.           31         Regulatory Asset (Note 1)         103,276         118,029         110,653           32         Amortization in Months         42         48         45           33         Monthly Amortization in Months         42         48         45           34         Months in 2011 to be amortized         12         6         9           34 <td>24</td> <td>GSU Accumulated Depreciation</td> <td>Company Records</td> <td>-</td> <td>-</td> <td>-</td>	24	GSU Accumulated Depreciation	Company Records	-	-	-	
Cline 14 Above	25	GSU Net Balance	(Line 23 - Line 24)	-	-	-	
Less: GSU Accumulated Depreciation (Line 24 Above)							
Plant Held For Future Use   Plant Held For Future Use   FF1, page 214, in 47, Col. (d)   -   -   -   -   -							
Plant Held For Future Use		·	_				
29         Plant Held For Future Use         FF1, page 214, In 47, Col. (d)         -         -         -           30         Transmission Plant Held For Future         Company Records         -         -         -         -           Regulatory Assets and Liabilities Approved for Recovery In Ratebase           Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.           31         Regulatory Asset (Note 1)         103,276         118,029         110,653           32         Amortization in Months         42         48         45           33         Monthly Amortization         (line 31 / line 32)         2,459         2,459         2,459           34         Months in 2011 to be amortized         12         6         9           35         Amortization Expense in 2011 Year         (line 33 X line 34)         29,507         14,754         22,131           36         Months in 2012 to be amortized         12         12         12         12           37         Amortization Expense in 2012 Year         (line 33 X line 36)         29,507         29,507         29,507           38         Balance of Regulatory Asset         (line 31 + line 38)/2         88,522         110,653         399,587			(2.1.0 20 2.1.0 2.7)				
30         Transmission Plant Held For Future         Company Records         -         -         -         -           Regulatory Assets and Liabilities Approved for Recovery In Ratebases           Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.           31         Regulatory Asset (Note 1)         103,276         118,029         110,653           32         Amortization in Months         42         48         45           33         Monthy Amortization Expense in 2011 Vear         (line 31 / line 32)         2,459         2,459         2,459           34         Months in 2011 to be amortized         12         6         9           35         Amortization Expense in 2011 Year         (line 33 X line 34)         29,507         14,754         22,131           36         Months in 2012 to be amortized         12         12         12         12           37         Amortization Expense in 2012 Year         (line 33 X line 36)         29,507         29,507         29,507           38         Balance of Regulatory Asset         (line 31 + line 38)/2         88,522         110,653         39,587           40         Unamortized Balance of Regulatory Asset at YE 2011 (Note 1)         73,768         103,276			FF1, page 214, In 47, Col. (d)	_	_	_	
Regulatory Assets and Liabilities Approved for Recovery In Ratebase           Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.         103,276         118,029         110,653           32         Amortization in Months         42         48         45           33         Monthly Amortization         (line 31 / line 32)         2,459         2,459         2,459           34         Months in 2011 to be amortized         12         6         9           35         Amortization Expense in 2011 Year         (line 33 X line 34)         29,507         14,754         22,131           36         Months in 2012 to be amortized         12         12         12         12           37         Amortization Expense in 2012 Year         (line 33 X line 36)         29,507         29,507         29,507           38         Balance of Regulatory Asset         (line 31 - line 35)         73,768         103,276         88,522           39         Average Balance of Regulatory Asset         (line 31 + line 38)/2         88,522         110,653         99,587           40         Unamortized Balance of Regulatory Asset at YE 2011 (Note 1)         73,768         103,276         88,522		<u> </u>		-		-	
Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.   31   Regulatory Asset (Note 1)   103,276   118,029   110,653     32   Amortization in Months   42   48   45     33   Monthly Amortization   (line 31 / line 32)   2,459   2,459   2,459     34   Months in 2011 to be amortized   12   6   9     35   Amortization Expense in 2011 Year   (line 33 X line 34)   29,507   14,754   22,131     36   Months in 2012 to be amortized   12   12   12   12     37   Amortization Expense in 2012 Year   (line 33 X line 36)   29,507   29,507   29,507     38   Balance of Regulatory Asset   (line 31 - line 35)   73,768   103,276   88,522     39   Average Balance of Regulatory Asset   (line 31 + line 38)/2   88,522   110,653   99,587     40   Unamortized Balance of Regulatory Asset at YE 2011 (Note 1)   73,768   103,276   88,522							
32     Amortization in Months     42     48     45       33     Monthly Amortization     (line 31 / line 32)     2,459     2,459     2,459       34     Months in 2011 to be amortized     12     6     9       35     Amortization Expense in 2011 Year     (line 33 X line 34)     29,507     14,754     22,131       36     Months in 2012 to be amortized     12     12     12     12       37     Amortization Expense in 2012 Year     (line 33 X line 36)     29,507     29,507     29,507       38     Balance of Regulatory Asset     (line 31 + line 35)     73,768     103,276     88,522       39     Average Balance of Regulatory Asset     (line 31 + line 38)/2     88,522     110,653     99,587       40     Unamortized Balance of Regulatory Asset at YE 2011 (Note 1)     73,768     103,276     88,522	31		ded in ratebase pursuant to a 205 filing with the FERC.	103.276	118.029	110.653	
34     Months in 2011 to be amortized     12     6     9       35     Amortization Expense in 2011 Year     (line 33 X line 34)     29,507     14,754     22,131       36     Months in 2012 to be amortized     12     12     12     12       37     Amortization Expense in 2012 Year     (line 33 X line 36)     29,507     29,507     29,507       38     Balance of Regulatory Asset     (line 31 - line 35)     73,768     103,276     88,522       39     Average Balance of Regulatory Asset     (line 31 + line 38)/2     88,522     110,653     99,587       40     Unamortized Balance of Regulatory Asset at YE 2011 (Note 1)     73,768     103,276     88,522	32	Amortization in Months		42	48	45	
35         Amortization Expense in 2011 Year         (line 33 X line 34)         29,507         14,754         22,131           36         Months in 2012 to be amortized         12         12         12         12           37         Amortization Expense in 2012 Year         (line 33 X line 36)         29,507         29,507         29,507         29,507         29,507           38         Balance of Regulatory Asset         (line 31 - line 35)         73,768         103,276         88,522           39         Average Balance of Regulatory Asset         (line 31 + line 38)/2         88,522         110,653         99,587           40         Unamortized Balance of Regulatory Asset at YE 2011 (Note 1)         73,768         103,276         88,522			(line 31 / line 32)				
36         Months in 2012 to be amortized         12         12         12         12           37         Amortization Expense in 2012 Year         (line 33 X line 36)         29,507         29,507         29,507         329,507         38         Balance of Regulatory Asset         (line 31 - line 35)         73,768         103,276         88,522           39         Average Balance of Regulatory Asset         (line 31 + line 38)/2         88,522         110,653         99,587           40         Unamortized Balance of Regulatory Asset at YE 2011 (Note 1)         73,768         103,276         88,522			(line 33 X line 34)				
38       Balance of Regulatory Asset       (line 31 - line 35)       73,768       103,276       88,522         39       Average Balance of Regulatory Asset       (line 31 + line 38)/2       88,522       110,653       99,587         40       Unamortized Balance of Regulatory Asset at YE 2011 (Note 1)       73,768       103,276       88,522		· ·		12	12	12	
39         Average Balance of Regulatory Asset         (line 31 + line 38)/2         88,522         110,653         99,587           40         Unamortized Balance of Regulatory Asset at YE 2011 (Note 1)         73,768         103,276         88,522							
40 Unamortized Balance of Regulatory Asset at YE 2011 (Note 1) 73,768 103,276 88,522							
		0 ,					
			v /				

NOTE 1 Formation costs through 6/30/2010 are includable at 50% with 48 month amortization and no return on the unamortized balance. The balance on line 41 may not include unamortized formation costs.

AEPTCo - SPP Formula Rate SWT WS B Projected Plant Page: 54 of 69

AEP West SPP Member Companies
2012 Cost of Service Formula Rate Projected on 2011 FF1 Balances
Worksheet B - Projected Transmission Plant in Service Additions

# AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

# I. Calculation of Composite Depreciation Rate

	STAND ALONE (Note 1)	
1	Transmission Plant @ Beginning of Historic Period (2011) (P.206, In 58,(b)):	-
2	Transmission Plant @ End of Historic Period (2011) (P.207, In 58,(g)):	-
3		-
4	Average Balance of Transmission Investment	-
5	Annual Depreciation Expense, Historic TCOS, In 259	-
6	Composite Depreciation Rate	0.00%
7	Average Depreciable Life (Years)	0
	SOUTHWESTERN ELECTRIC POWER COMPANY (Note 1)	
8	Transmission Plant @ Beginning of Historic Period (2011) (P.206, In 58,(b)):	943,219,585
9	Transmission Plant @ End of Historic Period (2011) (P.207, In 58,(g)):	988,029,328
10		1,931,248,913
11	Average Balance of Transmission Investment	965,624,457
12	Annual Depreciation Expense, SWEPCO Historic TCOS, In 246	23,038,927
13	Composite Depreciation Rate	2.39%
14	Average Depreciable Life (Years)	42

# II. Calculation of Property Placed in Service by Month and the Related Depreciation Expense

			Composite Annual					
	Month in		Depreciation	Annual			No. Months	
15	Service	Capitalized Balance	Rate	Depreciation	n M	lonthly Depreciation	Depreciation	
16	January		2.39%	\$ -	\$	-	11	
17	February		2.39%	\$ -	\$	-	10	
18	March		2.39%	\$ -	\$	-	9	
19	April		2.39%	\$ -	\$	-	8	
20	May		2.39%	\$ -	\$	-	7	
21	June		2.39%	\$ -	\$	-	6	
22	July		2.39%	\$ -	\$	-	5	
23	August		2.39%	\$ -	\$	-	4	
24	September		2.39%	\$ -	\$	-	3	
25	October		2.39%	\$ -	\$	-	2	
26	November		2.39%	\$ -	\$	-	1	
27	December		2.39%	\$ -	\$	-	0	
28	Investment	\$ -				Depr	eciation Expense	
III. Pla	nt Transferred							
29		\$ -	<== This input a	rea is for origi	nal co	ost plant		
30		\$ -	<== This input a	rea is for accu	ımula	ted depreciation that m	ay be associated with capital	
31 (Ln '	14 * Ln 29)	\$ -	•			pact if a company had a Depreciation Expense	assets transferred from a subsidia	ıry.

Note 1: Until AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. establishes Transmission plant in service the carrying charge will be calculated as in the Operating Company formula approved in Docket No. ER07-1069. The calculation for AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. is based on Plant Balances and Depreciation Expense for SWEPCO and shown on lines 8 through 14.

AEPTCo - SPP Formula Rate SWT WS C RB Tax Page: 55 of 69

## AEP West SPP Member Companies 2012 Cost of Service Formula Rate Worksheet C - ADIT Balances used in Projection & True-Up AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line		(B)	(C)	(E)	(F) 100% Transmission	(G) PTD Plant	(H) Transmission	(I) Labor	(J) Total Included in Ratebase
No.	Acc. No.	<u>Description</u>	YE Balance	Exclusions *	Related	Related	Plant Related	Related	(E)+(F)+(G)+(H)
	1 282.1 2 282.1 3 282.1	Account 282 - Form-1 page 274-275, Ln 2 Col. (k)  282 Balance to Use in Projection  2011 Year End Tax Deferrals - Ws C-1  Transmission Allocator from Historic TCOS [GP or W/S]  Allocated Total	-	0.0000 <u>%</u>	100.0000 <u>-</u> 100.0000 <u>%</u> 0	- 100.0000 <u>%</u> 0	100.0000 <u>-</u> 100.0000 <u>%</u> 0		0
	4 282.1 5 282.1	282 Balance to Use in True-Up 2011 Year End Tax Deferrals - Ws C-1 2010 Year End Tax Deferrals - Ws C-2	- -	Ī	- -	-	- -		
	6 7 8 9	Subtotal Average Balance Transmission Allocator from True-Up TCOS [GP or W/S] Allocated Total	0	0 0.0000% 0	0 100.0000 <u>%</u> 0	0 100.0000% 0	0 100.0000% 0	0 100.0000% 0	0
	10 283.1 11 283.1 12 283.1	Account 283 - Form-1 page 276-277, Ln 9, Col (k)  283 Balance to Use in Projection  2011 Year End Tax Deferrals - Ws C-1  Transmission Allocator from Historic TCOS [GP or W/S]  Allocated Total	(25,819)	(25,819) 0.0000% 0	100.0000 <u>%</u> 0	100.0000 <u>-</u> 100.0000 <u>%</u> 0	100.0000 <u>%</u> 0	100.0000% 0	0
	13 283.1 14 283.1	283 Balance to Use in True-Up 2011 Year End Tax Deferrals - Ws C-1 2010 Year End Tax Deferrals - Ws C-2	(25,819) (36,146)	(25,819)	(36,146)	- -	- -		
	15 16 17 18	Subtotal Average Balance Transmission Allocator from True-Up TCOS [GP or W/S] Allocated Total	(61,965) (30,982)	(25,819) (12,909) <u>0.0000%</u> 0	(36,146) (18,073) <u>100.0000%</u> (18,073)	0 100.0000% 0	0 100.0000 <u>%</u>	0 100.0000% 0 [	(18,073)
		Account 190 - Form-1 page 234, Ln 8, Col. ( c) 190 Balance to Use in Projection							
	19 190.1 20 190.1 21 190.1	2011 Year End Tax Deferrals - Ws C-1 Transmission Allocator from Historic TCOS [GP or W/S] Allocated Total	9	9 <u>0.0000%</u> 0	100.0000 <u>%</u> 0	100.0000% 0	100.0000 <u>%</u> 0	100.0000% 0	0
	22 190.1 23 190.1	190 Balance to Use in True-Up 2011 Year End Tax Deferrals - Ws C-1 2010 Year End Tax Deferrals - Ws C-2	9 -	9 -	- -	-	- -	-	
	24 25 26 27	Subtotal Average Balance Transmission Allocator from True-Up TCOS [GP or W/S] Allocated Total	9 5	9 5 <u>0.0000%</u> 0	- 0 <u>100.0000%</u> 0	0 100.0000% 0	- 0 <u>100.0000%</u> 0	0 100.0000% 0	0
		Account 255 - Form-1 page 266-267			Ir	Pre 1971 ITC			
	28 255 29 255 30 255	255 Balance to Use in Projection  Acc Defrd ITC - Federal - 12/31/2011 (FF1 p. 267, Ln 2.h)  Transmission Allocator from Historic TCOS [GP or W/S]  Allocated Total	-	<u>N/A</u>	N/A	Base - 100.0000% 0	<u>N/A</u>	<u>N/A</u> [	0
	31 255 32 255	255 Balance to Use in True-Up Acc Defrd ITC - Federal - 12/31/2011 (FF1 p. 267, Ln 2.h) Acc Defrd ITC - Federal - 12/31/2010 (FF1 p. 266, Ln 2.b)	-			- -			
	33 34 35 36	Subtotal Average Balance Transmission Allocator from True-Up TCOS [GP or W/S] Allocated Total	0	<u>N/A</u>	<u>N/A</u>	0 100.0000% 0	<u>N/A</u>	<u>N/A</u>	0

<sup>\*</sup> Exclusions: Non-utility, fuel supply, off-system sales and other items as specified related to costs not included in rates.

AEPTCo - SPP Formula Rate SWT WS C-1 DFIT WP 12-31-11 Page: 56 of 69

# Worksheet C-1 - ADIT & ITC Details

# SOUTHWESTERN TRANSMISSION COMPANY DETAIL OF DEFERRED INCOME TAX BALANCES AS OF DECEMBER 31, 2011

#### **Allocation Method**

							cation ivietnod		
Account	Line #	Description	Balance		Exclusions	100% Transmission	PTD Plant	T&D	Labor
2821001 2821001 2821001									
2821001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	0		0	0	0	0	0
2831001 2831001 2831001	664J	REG ASSET-TRANSCO PRE-FORMATION COSTS	(25,819)	E	(25,819)				
2024002									
2831002									
2831		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(25,819)		(25,819)	0	0	0	0
1901001 1901001	011C	NOL & TAX CREDIT C/F - DEF TAX ASSET-MJE	9	Е	9				
1901001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	9		9	0	0	0	0

AEPTCo - SPP Formula Rate SWT WS C-2 DFIT WP 12-31-10 Page: 57 of 69

# Worksheet C-2 - ADIT & ITC Details

# SOUTHWESTERN TRANSMISSION COMPANY DETAIL OF DEFERRED INCOME TAX BALANCES AS OF DECEMBER 31, 2010

#### **Allocation Method**

							cation Method		
						100%			
Account	Line #	Description	Balance		Exclusions	Transmission	PTD Plant	T&D	Labor
2821001 2821001									
2821001									
2821001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	0		0	0	0	0	0
2831001 2831001 2831001	664J	REG ASSET - PRE-FORMATION COSTS	(36,146)	Т		(36,146)			
2831002	DSIT	DEFERRED STATE INCOME TAX	0	Т		0			
			•	•		•			
2831		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(36,146)		0	(36,146)	0	0	0
1901001 1901001									
1901001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	0		0	0	0	0	0

AEPTCo - SPP Formula Rate SWT WS D Working Capital Page: 58 of 69

#### AEP West SPP Member Companies 2012 Cost of Service Formula Rate Worksheet D - Working Capital Rate Base Adjustments AEP SOUTHWESTERN TRANSMISSION COMPANY, INC

					NSMISSION COMPA				
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(1)
			<u>Materia</u>	ls & Supplies					
<u>Line</u> Number			<u>Source</u>	Balance @ December 31, 2011	Balance @ December 31, 2010	Average Balance for Rate Year 2011			
1		Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c & b)	0	0				
3		General Materials & Supplies	FF1, p. 227, In 6, Coi. (c & b)	0		-			
4		Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c & b		0	-			
		,	7, 7, 7, 7, 7, 7, 7, 7, 7, 7, 7, 7, 7, 7						
			<u>Prepayment</u>	Balance Summa	ary 100%			Total Included	
			Average of YE Balance	Excludable <u>Balances</u>	Transmission Related	Plant <u>Related</u>	Labor <u>Related</u>	in Rate Base (E)+(F)+(G)	
5		Totals as of December 31, 2011	0	0	0	0	(	0 0	
6 7		Totals as of December 31, 2010  Average Balance	0	0	0	0	(	0 0	:
Prepayments Account 165 - Balance @ 12/31/2011									
8	Acc. No.	<u>Description</u>	2011 <u>YE Balance</u>	Excludable Balances	100% Transmission <u>Related</u>	Plant <u>Related</u>	Labor <u>Related</u>	Total Included in Rate Base (E)+(F)+(G)	
9 10 11 12 13 14 15 16 17			0 0 0 0 0 0 0	0 0 0 0 0 0		0	(		Plant & Labor Allocable Policies Prepaid Facility Fee on 1.5B Securitization Prepaid Royalty Payments to Coal Leaseholders AR Factoring - Excluded because it is retail. Prefunded Pension Expense Non-Cash Offset Excludable from Rate Base SFAS 158 Offset
		Subtotal - Form 1, p 111.57.c		0	0			0 0	•
19	Acc. No.	<u>Description</u>	Prepayments Account 165 - 2010 YE Balance			Plant <u>Related</u>	Labor <u>Related</u>	Total Included in Rate Base (E)+(F)+(G)	
20 21 22 23 24 25 26 27 28 29			0 0 0 0 0 0 0	0 0 0 0		0 0		0	Non-Cash Offset Excludable from Rate Base
30		Subtotal - Form 1, p 111.57.d						-	

AEPTCo - SPP Formula Rate SWT WS E IPP Credits Page: 59 of 69

# AEP West SPP Member Companies 2012 Cost of Service Formula Rate Worksheet E - IPP Credits AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

<u>Line</u> Number	(A) <u>Description</u>	(B) <u>2011</u>
1	Net Funds from IPP Customers @ 12/31/2010 (2011 FORM 1, P269, (B))	
2	Interest Accrual (company records)	
3	Revenue Credits to Generators (company records)	
4 5 6	Other Adjustments (company records) Accounting Adjustment	
7	Net Funds from IPP Customers 12/31/2011 (2011 FORM 1, P269, (F))	-
8	Average Balance for 2011 ((ln 1 + ln 7) / 2)	

#### I. Calculate Return and Income Taxes with 0 basis point ROE increase for Projects Qualified

#### A. Determine 'R' with hypothetical 0 basis point increase in ROE for Identified Projects

ROE w/o incentives (Project	ted TCOS, In 163)		11.20%	
Project ROE Incentive Adder	r (Enter as whole n	umber)	0 basis points	
ROE with additional 0 basis	point incentive		11.20% <==Incentive R	OE Cannot Exceed 12.45%
Determine R (cost of long to	erm debt, cost of p	referred stock and perce	nt is from SWEPCO Projected TCOS, I	ns 148 through 150)
	%	Cost	Weighted cost	
Long Term Debt	48.03%	0.0608	0.0292	
Preferred Stock	0.00%	0.0000	0.0000	
Common Stock	51.97%	0.1120	0.0582	

#### B. Determine Return using 'R' with hypothetical 0 basis point ROE increase for Identified Projects.

Rate Base (Projected TCOS, In 75)	23
R (from A. above)	0.0874
Return (Rate Base x R)	2

#### C. Determine Income Taxes using Return with hypothetical 0 basis point ROE increase for Identified Projects.

Return (from B. above)	2
Tax Rate (Projected TCOS, In 108)	38.64%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	41.94%
Income Tax Calculation (Return x EIT)	1
ITC Adjustment (Projected TCOS, In 115)	
Income Taxes	1

# II. Calculate Net Plant Carrying Charge Rate (Fixed Charge Rate or FCR) with hypothetical 0 basis point ROE increase.

#### A. Determine Net Revenue Requirement less return and Income Taxes.

Net Revenue Requirement (Projected TCOS, In 122)	113,636
Return (Projected TCOS, In 117)	2
Income Taxes (Projected TCOS, In 116)	1
Gross Margin Taxes (Projected TCOS, In 121)	295
Net Pevenue Requirement Less Return and Tayes	113 338

#### B. Determine Net Revenue Requirement with hypothetical 0 basis point increase in ROE.

Net Revenue Requirement, Less Return and Taxes	113,338
Return (from I.B. above)	2
Income Taxes (from I.C. above)	1
Net Revenue Requirement, with 0 Basis Point ROE increase	113,341
Gross Margin Tax with 0 Basis Point ROE Increase (II C. below)	295
Revenue Requirement w/ Gross Margin Taxes	113,636
Less: Depreciation (Projected TCOS, In 94)	
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	113,636

#### C. Determine Gross Margin Tax with hypothetical 0 basis point increase in ROE.

Net Revenue Requirement before Gross Margin Taxes, with 0	113,341
Basis Point ROE increase (II B. above)	
Apportionment Factor to Texas (Worksheet K, In 12)	37.02%
Apportioned Texas Revenues	41,960
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	29,372
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	294
Gross-up Required for Gross Margin Tax Expense	1
otal Additional Gross Margin Tax Revenue Requirement	295

#### D. Determine FCR with hypothetical 0 basis point ROE increase.

Net Transmission Plant (Projected TCOS, Ins 46, 47, 48, 49, 51)  Net Revenue Requirement, with 0 Basis Point ROE increase  FCR with 0 Basis Point increase in ROE	0 113,341 0.00%
Net Rev. Req, w / 0 Basis Point ROE increase, less Dep. FCR with 0 Basis Point ROE increase, less Depreciation FCR less Depreciation (Projected TCOS, In 12)	113,636 0.00% <u>15.62%</u>
	-15 62%

#### Incremental FCR with 0 Basis Point ROE increase, less Depreciation

# III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58) Transmission Plant @ End of Period (P.207, In 58)	943,219,585 <==From In 988,029,328 <==From In	
	1,931,248,913	Note 1: Until AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. establishes Transmission plant in
Transmission Plant Average Balance for 2011	965,624,457	service the depreciation expense component of the carrying charge will be calculated as in the Operating
Annual Depreciation Expense (Projected TCOS, In 94)	23,038,927	Company formula approved in Docket No. ER07-1069. The calculation for AEP SOUTHWESTERN
Composite Depreciation Rate	2.39%	TRANSMISSION COMPANY, INC. is based on Plant Balances and Depreciation Expense for SWEPCO and
Depreciable Life for Composite Depreciation Rate	41.91	shown on lines 8 through 14 of Worksheet B.
Nearest whole year	42	-

AEPTCo - SPP Formula Rate SWT WS F BPU ATRR Projected Page: 60 of 69

SUMMARY OF PROJECT REQUIREMENTS	TED ANNUA	L BASE PLAN AND	NON-BASE PLAN	RE	/ENUE	
REGUIREMENTO		Rev Require	W Incentives		Incentiv	e Amounts
PROJECTED YEAR	2012		-	_	\$	-

**Note:** Review formulas in summary to ensure the proper year's revenue requirement is being accumulated for each project from the tables below.

NOTE: PART IV --- BPU Project Tables are contained in separate \*.xls file

#### AEP West SPP Member Companies

2012 Cost of Service Formula Rate Projected on 2011 FF1 Balances

Worksheet G - Calculation of TRUED-UP Annual Revenue Requirement for BPU and Special-billed Projects
Based on a Carrying Charge Derived from Trued-Up 2011 Data

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

#### I. Calculate Return and Income Taxes with 0 basis point ROE increase for Projects Qualified for Incentive.

#### A. Determine 'R' with hypothetical 0 basis point increase in ROE for Identified Projects

ROE w/o incentives (True-	-Up TCOS, In 150	0)	11.20%	
Project ROE Incentive Add	ler (Enter as whol	le number)	0 basis points	
ROE with additional 0 basi				E Cannot Exceed 12.45%
Determine R (cost of long	term debt, cost of	of preferred stock and pe	ercent is from SWEPCO True-Up TCOS,	Ins 147 through 149)
	%	Cost	Weighted cost	
Long Term Debt	49.40%	0.0600	0.0297	
Preferred Stock	0.07%	0.0000	0.0000	
Common Stock	50.53%	0.1120	0.0566	

#### B. Determine Return using 'R' with hypothetical 0 basis point ROE increase for Identified Projects.

Rate Base (True-Up TCOS, In 63)	(18,049)
R (fom A. above)	0.0863
Return (Rate Base x R)	(1,557)

#### C. Determine Income Taxes using Return with hypothetical 0 basis point ROE increase for Identified Projects.

Return (from B. above)	(1,557)
Tax Rate (True-Up TCOS, In 95)	38.64%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	41.31%
Income Tax Calculation (Return x EIT)	(643)
ITC Adjustment (True-Up TCOS, In 102)	-
Income Taxes	(643)

#### Calculate Net Plant Carrying Charge Rate (Fixed Charge Rate or FCR) with hypothetical 0 basis point ROE increase.

#### A. Determine Net Revenue Requirement less return and Income Taxes.

Net Revenue Requirement (True-Up TCOS, In 109)	104,031
Return (True-Up TCOS, In 104)	(1,557)
Income Taxes (True-Up TCOS, In 103)	(643)
Gross Margin Taxes (True-Up TCOS, In 108)	270
Net Revenue Requirement, Less Return and Taxes	105 961

#### B. Determine Net Revenue Requirement with hypothetical 0 basis point increase in ROE.

Net Revenue Requirement, Less Return and Taxes	105,961
Return (from I.B. above)	(1,557)
Income Taxes (from I.C. above)	(643)
Net Revenue Requirement, with 0 Basis Point ROE increase	103,761
Gross Margin Tax with Basis Point ROE Increase (II C. below)	270
Revenue Requirement w/ Gross Margin Taxes	104,031
Less: Depreciation (True-Up TCOS, In 82)	
Net Rev. Reg. w/0 Basis Point ROF increase. less Depreciation	104 031

#### C. Determine Gross Margin Tax with hypothetical 0.112 basis point increase in ROE.

Net Revenue Requirement before Gross Margin Taxes, with 0	103,761
Basis Point ROE increase (II B. above)	
Apportionment Factor to Texas (Worksheet K, In 12)	37.02%
Apportioned Texas Revenues	38,413
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	26,889
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	269
Gross-up Required for Gross Margin Tax Expense	1
tal Additional Gross Margin Tax Revenue Requirement	270

#### D. Determine FCR with hypothetical 0 basis point ROE increase.

Net Transmission Plant (True-Up TCOS, In 39)	0
Net Revenue Requirement, with 0 Basis Point ROE increase	104,031
FCR with 0 Basis Point increase in ROE	10403095603.60%
Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	104,031
FCR with 0 Basis Point ROE increase, less Depreciation	10403095603.60%
FCR less Depreciation (True-Up TCOS, In 12)	0.00%
Incremental ECD with A Basis Point POE increase Jacs Depreciation	10/03005603 60%

#### III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	943,219,585	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	988,029,328	<==From Input on Worksheet B
	1,931,248,913	<del>-</del>
Transmission Plant Average Balance for 2011	965,624,457	
Annual Depreciation Expense (True-Up TCOS, In 82)	23,038,927	Note 1: Until AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. establishes Transmission plant in
Composite Depreciation Rate	2.39%	service the depreciation expense component of the carrying charge will be calculated as in the Operating
Depreciable Life for Composite Depreciation Rate	41.91	Company formula approved in Docket No. ER07-1069. The calculation for AEP SOUTHWESTERN
Round to nearest whole year	42	TRANSMISSION COMPANY, INC. is based on Plant Balances and Depreciation Expense for SWEPCO and
		shown on lines 8 through 14 of Worksheet B.

AEPTCo - SPP Formula Rate SWT WS G BPU ATRR True-up Page: 61 of 69

	Rev Require		W Incent	ives	Incentive	Amounts
TRUE-UP YEAR 2011						
∑ Prior Year Projected (WS-F)	\$	-	\$		\$	-
∑ Prior Year True-Up (WS-G)	\$	-	\$		\$	-
True-up Adjustment For 20	11	-		-		-

Note: Review formulas in summary to ensure the proper year's revenue requirement is being accumulated for each project from the tables below.

NOTE: PART IV --- BPU Project Tables are contained in separate \*.xls file

AEPTCo - SPP Formula Rate SWT WS H Rev Credits Page: 62 of 69

AEP West SPP Member Companies
Cost of Service Formula Rate Using 2011 FF1 Balances
Worksheet H - Revenue Credits for Historic Period
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

# Revenue Credits for

venu	e Credits for								
		Total Company	Non- Transmission	Transmission					
I.	Account 450, Forfeited Discounts		-	-					
II.	Account 451, Miscellaneous Service Revenues		0	0					
III.	Account 454, Rent from Electric Property  1 Account 4540001 - Rent from Elect Property-Aff 2 Account 4540002 - Rent from Elect Property - Non-Aff		0	0					
	3 Account 4540003 - Rent from Elect Property - ABD - Aff 4 Account 4540004 - Rent from Elect Property - ABD - Non-Aff 5 Total Rents from Electirc Property	0	0	0					
	( Revenue related to transmission facilities for pole attachments, rentals, etc. Provide data sources and explanations in Section VIII, Notes below )								
IV.	Account 4560015, Revenues from Associated Business Development  1 Account 4560015, Revenues from Associated Business Development			0					
v.	Total Other Operating Revenues To Reduce Revenue Requirement			0					
VI.	Account 456.1, Revenues from Transmission of Electricity of Others			141,472					
	( Provide data sources and any detailed explanations necessary in Section VIII Notes below )  Less:								
	1 Transmission Direct Assignment Revenue (if costs not in the ARR) 2 Sponsored Upgrade Revenue 3 Credits against Transmission Service Revenue related to Generation Interconnections 4 Revenue for GFA's (Relative to SPP OATT) Associated with Load Included in the Divisor 5 Network Service Revenue (SPP Schedule 9) Associated with Load included in the Divisor 6 Revenue Associated with Transmission Plant Excluded From SPP Tariff 7 Other Non-Transmission Revenue								
	8 Revenue from SPP Ancillary Services Provided 9 Base Plan Revenue (from SPP) 10 Flow Through of ERCOT Ancillary Charges 11 Other								
	Net Transm	ission Credi	ts	\$0					
VII.	Total Worksheet A Revenue Credits			\$0					

# VIII. Data Sources:

Data for this worksheet came from the FERC Form 1 and the Company's General Ledger.

AEPTCo - SPP Formula Rate SWT WS I Exp Adj Page: 63 of 69

# AEP West SPP Member Companies Cost of Service Formula Rate Using 2011 FF1 Balances Worksheet I - Supporting Transmission Expense Adjustments AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

1	Other Expenses		
2	Direct Assignment Charge		\$0
3	Sponsored Upgrades Charge		\$0
4	Firm and Non-Firm Point-To-Point Charges		\$0
5	Base Plan Charges		\$0
6	Schedule 9 Charges		\$0
7	SPP Schedule 12 - FERC Assessment		\$0
8	SPP Schedule 1-A		\$0
9	SPP Annual Assessment		\$0
10	Ancillary Services Expenses		\$0
11	Other		\$0
12	Other		\$0
13	Other		\$0
14	Total	( sum of lines 2 through 13 )	\$0

Adjustment to charges that are booked to transmission accounts that are the responsibility of the TO's LSE.

NOTE: Exclusion of Accounts 561 and 565 from O&M Expense in the TCOS templates eliminates the need to use this worksheet.

AEPTCo - SPP Formula Rate SWT WS J Misc Exp Page: 64 of 69

AEP West SPP Member Companies
Cost of Service Formula Rate Using 2011 FF1 Balances
Worksheet J - Allocation of Specific O&M or A&G Expenses
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

<u>Line</u> <u>Number</u>	(A)  FERC  Acct No.		(B) <u>Description</u>	(C) <u>2011</u> <u>Expense</u>	(D)  100%  Non-Transmission	(E) 100% Transmission Specific	(F) <u>Explanation</u>
1 2 3 4			Account 928				
5		Total	Account 930.1	0	-	-	•
6 7 8 9 10 11 12 13 14 15 16 17							
19		Total		0	-	-	
20 21 22 23 24			Account 930.2		_	0	
25		Total	-	0	-	-	

AEP West SPP Member Companies
Cost of Service Formula Rate Using 2011 FF1 Balances
Worksheet K - Development of Composite State Income Tax Rate
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

#### I. DEVELOPMENT OF COMPOSITE STATE INCOME TAX RATES FOR 2011

State Income Tax Rate - Louisiana Apportionment Factor Effective Louisiana State Income Tax Rate  8.00% 31.0000%	
State Income Tax Rate - Arkansas Apportionment Factor Effective Arkansas State Income Tax Rate  6.50% 48.0000%	
State Income Tax Rate - Oklahoma Note 1 Apportionment Factor Effective State Income Tax Rate	0.0000%
State Income Tax Rate - Ohio Apportionment Factor Tax Phase-out Factor Effective State Income Tax Rate	0.0000%
State Income Tax Rate - Nebraska Apportionment Factor Effective Nebraska State Income Tax Rate	0.0000%
Total Effective State Income Tax Rate	5.6000%

Note 1 --- The Oklahoma State Income Tax Rate of 6% is reduced to 5.66% due to the deductibility of Oklahoma State Income Taxes on the Oklahoma State Income Tax Return.

Note 2 --- The Ohio State Income Tax is being phased-out over a 5 year period and is being replaced with a Commercial Activities Tax. The taxable portion of income is 40% in 2007.

#### II. CALCULATION OF TEXAS GROSS MARGIN TAX

	<u>Projected</u>		<u>His</u>	<u>Historic</u>		<u>etual</u>
Line # REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX (In 117 of Template)	Total Company 110,139	Trans. Only 113,341	Total Company 110,139	Trans. Only 113,341	Total Company 102,188	Trans. Only 103,761
1 Apportionment Factor to Texas (In12)	37.02%	37.02%	37.02%	37.02%	37.02%	37.02%
2 Apportioned Texas Revenues	\$40,774	\$41,960	\$40,774	\$41,960	\$37,831	\$38,413
3 Taxable Percentage of Revenue (70%)	70%	70%	70%	70%	70%	70%
4 Taxable, Apportioned Margin	28,542	29,372	28,542	29,372	26,482	26,889
5 Texas Gross Margin Tax Rate (1%)	1%	1%	1%	1%	1%	1%
6 Texas Gross Margin Tax Expense	285	294	285	294	265	269
7 Gross-up Required for Texas Gross Margin Expense ((ln 6 * ln 3 * ln 1)/(1- ln 5) * ln 5)	1	1	1	1	1	1
8 Total Additional Gross Margin Tax Revenue Requirement	286	295	286	295	266	270

9 WHOLESALE LOAD ALLOCATOR (For Use in Gross Margin Tax Allocator)

10 Texas Jurisdictional Load
11 Total Load
12 Allocation Percentage (In 10 / In 11)
37.02%

AEPTCo - SPP Formula Rate SWT WS L Other Taxes Page: 66 of 69

# AEP West SPP Member Companies Cost of Service Formula Rate Using 2011 FF1 Balances Worksheet L - Taxes Other than Income AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

# HISTORIC PERIOD EXPENSE (2011) - TO BE USED ON TRUE-UP TEMPLATE

	(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Account	Total Company	Property	Labor	Other	Non-Allocable
1	Revenue Taxes					
2						-
3	Real Estate and Personal Property Taxes					
4			-			
5			-			
6 7			-			
,						
8	Payroll Taxes					
9 10				-		
11				- -		
12 13	Line Deliberately Left Blank					
13						-
• • •						
15	Miscellaneous Taxes					
16 17	Federal Excise Tax Franchise Tax	57			57	-
18	Sales/Use	57			-	
19					-	
20					-	
21 22					-	
23					_	
24					-	
25					-	
26 27					-	
28					_	_
29						-
30						-
31						-
32	Total Taxes by Allocable Basis	57			57	
	(Total Company Amount Ties to FFI p.114, Ln 14,(c))	57				

AEPTCo - SPP Formula Rate SWT WS M Cost of Debt Page: 67 of 69

# AEP West SPP Member Companies Cost of Service Formula Rate Using 2011 FF1 Balances

# Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2011 AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

(A)	(B)	(C)	(D)	(E)
<u>Issuance</u>	Principle Amount FF1.p. 257.x (h)	Interest Rate	Annual Expense	<u>Notes</u>
Long Term Debt (FF1.p. 256-257.h)				
1 <u>Bonds - Acc 221</u> 2 3			- -	0
4 Reacquired Bonds - Total Account 222				
5			-	0
6 7			-	0
8 Advances from Assoc Companies				
9			-	0
10 11			- -	0
12 Other Long Term Debt - Acc 224			-	0
13 14			-	0
15			-	0
Issuance Discount, Premium, & Expenses:				
16 Amort of Debt Discount and Expenses 17 Less: Amor of Debt Premiums	FF1.p. 117.63.c FF1.p. 117.65.c			0
Degenuized Debts	·			
Reacquired Debt: 18 Amortization of Loss	FF1.p. 117.64.c		-	
19 Less: Amortization of Gain	FF1.p. 117.66.c		-	
20 Total Interest on Long Term Debt	-	0.00%	-	
Preferred Stock (FF1.p. 250-251)	Preferred Balance Outstanding			
21 22			-	
23			-	
24 25			- -	
26 Dividends on Preferred Stock		0.00%		
20 Dividends on Fiction of Other		0.0070		

# AEP West SPP Member Companies Cost of Service Formula Rate Using 2011 FF1 Balances AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

# Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2010 and 12/31/2011

	Balances At 12/31/2	2010 and 12/31/201	1		
(A)	(B)	(C)	(D)	(E)	
<u>Line</u>		Balances @ 12/31/2011	Balances @ 12/31/2010	Average	
<u>Develop</u>	oment of Average Balance of Common Equity		_		
	Total Proprietary Capital (p. 112.16.c&d) 2 Less Preferred Stock from Ln 46 below	(199,080) 0	(92,396)	(145,738)	
3	B Less Account 216.1 (p. 112.12.c&d) Less Account 219.1 (p. 112.15.c&d)	0	0	-	
5	Average Balance of Common Equity	(199,080)	(92,396)	(145,738)	
Develop	nment of Cost of Long Term Debt Based on A	verage Outstanding B	<u>alance</u>		
	B Bonds (221) (p. 112.18.c&d) 7 Less: Reacquired Bonds (222) (p. 112.19.c&d)	-	-	-	
8	3 Advances from Assoc. Companies (223) (p112.20.c&d)	-	-	-	
	O Senior Unsecured Notes (224) (p. 112.21.c&d) O Total Average Debt	-	-	<u> </u>	
	•				
	Annual Interest Expense for 2011  Coupon Interest on Long Term Debt (256-257.33.i)			-	
	Less: Total Hedge Gain/Expense Accumulated from p 250 Form 1 included in Ln 12 and shown in Ln Development of	, , ,			
	B below.  R Amort of Debt Discount & Expense (428) (p. 117.63.c)			-	
15	5 Amort of Loss on Reacquired Debt (428.1) (p. 117.64.c)			-	
	6 Less: Amort of Premium on Debt (429) (p. 117.65.c)  Less: Amort of Gain on Reacquired Debt (429.1) (p. 117.	66.c)		1	
18	3 Total Interest Expense (Ln 12 - Ln 13 + Ln 14 + Ln 15 -	- Ln 16 - Ln 17)	_	-	
19	Average Cost of Debt for 2012 (Ln 18/Ln 10)			0.00%	
	CALCULATION OF HEDGE GAINS/LOSSES TO BE EX				
20	AEP SWTCo may not include costs or gains related	to interest nedging activiti	es.	Amortization	Period
	HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257	Total Hedge (Gain)/Loss for 2012	Remaining Unamortized Balance	Beginning	Ending
21		(Gaiii)/LOSS for 2012	Dalance	0	Cilding
22 23				0	C
24				0	(
25				0	C
26 27				0	(
28				0	(
29				0	C
30	Total Hedge Amortization to be Removed	-			
<u>Develop</u>	ment of Cost of Preferred Stock				
	Preferred Stock			<u>Average</u>	
	0% Series - 0 - Dividend Rate (p. 250-251. 10.a)	0.00%	0.00%	<del></del>	
	2 0% Series - 0 - Par Value (p. 250-251. 10.c) 8 0% Series - 0 - Shares O/S (p.250-251. 10.e)	0 -	-		

Preferred Stock				Average
31 0% Series - 0 - Dividend Rate (p. 250-251. 10.a)		0.00%	0.00%	<u> </u>
32 0% Series - 0 - Par Value (p. 250-251. 10.c)		0	0	
33 0% Series - 0 - Shares O/S (p.250-251. 10.e)		-	-	
34 0% Series - 0 - Monetary Value (Ln 32 * Ln 33)		-	-	-
35 0% Series - 0 - Dividend Amount (Ln 31 * Ln 34)		-	-	-
36 0% Series - 0 - Dividend Rate (p. 250-251, 9.a)		0.00%	0.00%	
37 0% Series - 0 - Par Value (p. 250-251, 9.c)	S	- \$	-	
38 0% Series - 0 - Shares O/S (p.250-251, 9.e)	•	_ *	_	
39 0% Series - 0 - Monetary Value (Ln 37 * Ln 38)		-	-	-
40 0% Series - 0 - Dividend Amount (Ln 36 * Ln 39)		-	-	-
41 0% Series - 0 - Dividend Rate (p. 250-251. 8.a)		0.00%	0.00%	
42 0% Series - 0 - Par Value (p. 250-251. 8.c)	\$	- \$	-	
43 0% Series - 0 - Shares O/S (p.250-251. 8.e)		-	-	
44 0% Series - 0 - Monetary Value (Ln 42 * Ln 43)		-	-	-
45 0% Series - 0 - Dividend Amount (Ln 41 * Ln 44)		-	-	-
46 Balance of Preferred Stock (Lns 34, 39, 44)		_	_	_
47 Dividens on Preferred Stock (Lns 35, 40, 45)		-	-	-
48 Average Cost of Preferred Stock (Ln 47/46)		0.00%	0.00%	0.00%

# AEPTCo subsidiaries in SPP

# Cost of Service Formula Rate Using 2011 FF1 Balances

# Calculation of Post-employment Benefits Other than Pensions Expenses Allocable to Transmission Service Worksheet O - PBOP Support

PBOP	(A)	(B)
1	Calculation of PBOP Expenses	
2	AEP TransCo - AEP Service Corp Employees	
3	Total AEP System PBOP expenses	\$72,293,585
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	\$72,293,585
6	Total AEP System Direct Labor Expense	\$1,181,809,072
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	\$0.061
8	Currently Approved PBOP Rate	\$0.094
9	Base PBOP TransCo labor expensed in current year	\$59,434
10	Allowable TransCo PBOP Expense for current year (Line 8 * Line 9)	\$5,587
11	Direct PBOP Expense per Actuarial Report	\$0
12	Additional PBOP Ledger Entry (From Company Records)	\$0
13	Medicare Credit	\$0
14	PBOP Expenses From AEP Affiliates (From Company Records)	\$2,158
15	Actual PBOP Expense (Sum Lines 11-14)	\$2,158
16	PBOP Adjustment Line 10 less Line 15	\$3,429