

AEP Transmission Formula Rate Template
 Utilizing FERC Form 1 Data
 For rates effective July 1, 2016

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)	\$65,470,116	\$136,455
2	LESS: REVENUE CREDITS	(TCOS Line 5)	\$1,793,628	\$5,682
3	CURRENT YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(TCOS Line 6)	\$63,676,488	\$130,773
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(TCOS Line 7)	13,475,209	-
6	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet F)	-	-
7	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet F)	-	-
8	SUBTOTAL		13,475,209	-
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	50,201,279	130,773
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)	\$50,201,279	\$130,773
12	2015 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	8,211	8,211	8,211
13	AEP Monthly NITS Rate in \$/MW - Month	(Line 11 / Line 12) / 12	\$509.49	\$1.33
B. Point-to-Point Service				
14	Annual Point-to-Point Rate in \$/MW - Year	(Line 11 / Line 12)	\$6,113.91	\$15.93
15	Monthly Point-to-Point Rate in \$/MW - Month	(Line 14 / 12)	\$509.49	\$1.33
16	Weekly Point-to-Point Rate in \$/MW - Weekly	(Line 14 / 52)	\$117.58	\$0.31
17	Daily On-Peak Point-to-Point Rate in \$/MW - Day	(Line 14 / 260)	\$23.52	\$0.06
18	Daily Off-Peak Point-to-Point Rate in \$/MW - Day	(Line 14 / 365)	\$16.75	\$0.04
19	Hourly On-Peak Point-to-Point Rate in \$/MW - Hour	(Line 14 / 4160)	\$1.47	\$0.00
20	Hourly Off-Peak Point-to-Point Rate in \$/MW - Hour	(Line 14 / 8760)	\$0.70	\$0.00

AEP Transmission Formula Rate Template
 Utilizing FERC Form 1 Data
 For rates effective July 1, 2016

SPP SCHEDULE 1 AEP Revenue Requirements

<u>Line No.</u>			OKTCo Annual Revenue Requirement	SWTCo Annual Revenue Requirement
A. <u>Schedule 1 ARR For 2016 Projected Year</u>				
1	Total Load Dispatch & Scheduling (Account 561) (TCOS Line 77)		\$52,177	\$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)	\$52,177	\$0
5	Less: PTP Service Credit (prior year Sched 1 revenue from PTP transactions)		\$0	\$0
6	PROJECTED ZONAL ARR FOR 2016	(Line 4 - Line 5)	\$0	\$0
B. <u>Schedule 1 Projected 7/1/2016 Rate Calculations</u>				
7	2015 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	8,211	8,211	8,211
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

AEP Transmission Formula Rate Template
Calculation of True-Up Rate For Schedule 9
For Calendar Year 2015

SPP Zone 1 Trued-Up AEP Revenue Requirements

Line No.			OKTCO Annual Revenue Requirement	SWTCO Annual Revenue Requirement
A. Network Service				
1	TRUE-UP YEAR 2015 REVENUE REQUIREMENT (w/o incentives)	(True-Up TCOS Line 1)	\$50,287,062	\$137,807
2	LESS: REVENUE CREDITS	(True-Up TCOS Line 5)	\$1,793,628	\$5,682
3	TRUE-UP YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(True-Up TCOS Line 6)	\$48,493,434	\$132,125
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(True-Up TCOS Line 7)	13,185,393	-
6	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-
7	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-
8	SUBTOTAL		13,185,393	-
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	35,308,041	132,125
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(True-Up TCOS Line 15)	-	-
11	TRUED-UP ZONAL ATRR (W/ INCENTIVES) FOR 2015	(Line 9 + Line 10)	35,308,041	132,125
12	2015 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	8,211	8,211	8,211
13	Monthly NITS Rate in \$/MW - Month	(Line 11 / Line 12) /12	358.34	1.34

AEP Transmission Formula Rate Template
 Calculation of Schedule 11 Revenue Requirements For AEP Transmission Projects
 For Calendar Year 2015 and Projected Year 2016

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

Note: Some project's final true-up cost may not meet SPP's \$100,000 threshold for socialization. In that case a true-up of the prior 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)	(I)	(J)	(K) = (I) - (J)	(L)	(M)	(N) = (L)-(M)	(O)	(P) = (H)+(K)+(N)+(O)	(Q) = (G) + (P)
Projected ARR For 2016 From WS-F							True-Up ARR CY2015 From Worksheet G (includes adjustment for SPP Collections)									Total ADJUSTED Revenue Requirement Effective 7/1/2016
Line No.	Sheet Name	Owner	Year in Service	Base ARR			Base ARR			Incentive ARR			INTEREST Adjustment	Total Adjustments (True-Up, Billing, & Interest)	Effective 7/1/2016	
				Base ARR (WS-F)	Incentive	Total	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				Change
1	OKT.001	OKT	Snyder 138 kV Terminal Addition	2010	84,948	-	84,948	8,439	95,308	77,283	18,024	-	-	2,479	28,943	113,891
2	OKT.002	OKT	Coffeyville T to Dearing 138 kV Rebuild - 1.1 miles	2010	114,496	-	114,496	11,649	128,938	104,554	24,385	-	-	3,375	39,408	153,904
3	OKT.003	OKT	Tulsa Power Station Reactor	2011	72,978	-	72,978	7,330	80,710	65,447	15,264	-	-	2,116	24,710	97,688
4	OKT.004	OKT	Bartlesville SE to Coffeyville T Rebuild	2011	1,305,682	-	1,305,682	39,434	1,552,001	1,258,490	293,511	-	-	31,188	364,133	1,669,816
5	OKT.005	OKT	Install 345kV terminal at Valliant***	2012	-	-	-	-	-	-	-	-	-	-	-	-
6	OKT.006	OKT	Canadian River - McAlester City 138 kV Line Conversion	2013	3,542,256	-	3,542,256	186,480	4,279,364	3,470,059	809,305	-	-	93,279	1,089,063	4,631,320
7	OKT.007	OKT	Cornville Station Conversion	2014	1,260,843	-	1,260,843	68,297	1,119,866	908,079	211,787	-	-	26,236	306,320	1,567,163
8	OKT.008	OKT	Coweta 69 kV Capacitor	2014	231,618	-	231,618	145,196	173,631	140,794	32,837	-	-	16,677	194,709	426,328
9	OKT.009	OKT	Prattville-Bluebell 138 kV	2015	1,060,998	-	1,060,998	(12,001)	578,000	468,690	109,310	-	-	9,115	106,424	1,167,422
10	OKT.010	OKT	Wapanucka Customer Connection	2013	883,444	-	883,444	88,415	841,053	681,995	159,058	-	-	23,182	270,655	1,154,099
11	OKT.011	OKT	Grady Customer Connection	2014	2,512,365	-	2,512,365	255,022	2,255,402	1,828,865	426,537	-	-	63,844	745,403	3,257,768
12	OKT.012	OKT	Darlington-Red Rock 138 kV line	2013	1,622,010	-	1,622,010	162,428	1,544,167	1,252,137	292,030	-	-	42,571	497,029	2,119,039
13	OKT.013	OKT	Ellis 138 kV	2013	500,108	-	500,108	50,081	476,107	386,066	90,040	-	-	13,126	153,247	653,355
14	OKT.014	OKT	Valliant-NW Texarkana 345 kV	2016	283,462	-	283,462	-	-	-	-	-	-	-	-	283,462
OKT Total					13,475,209	-	13,475,209	1,010,768	13,124,547	10,642,458	2,482,089	-	-	327,188	3,820,045	17,295,254
14	SWT.001	SWT			-	-	-	-	-	-	-	-	-	-	-	-
SWT Total					-	-	-	-	-	-	-	-	-	-	-	-

*<\$100K investment *** Project became BPU ineligible (see Project's Notes)

AEP West (SPP Zone-1)
Network Load for January Through December, 2015
Based on West Zone-SPP Monthly Transmission System Firm Peak Demands [1] for the Twelve Months Ended December 31, 2015

Historical Combined Load Worksheet (SPP Zone - 1)

Line No.	Peak Day Peak Hour	1/8/2015	2/27/2015	3/6/2015	4/7/2015	5/27/2015	6/24/2015	7/29/2015	8/7/2015	9/8/2015	10/15/2015	11/23/2015	12/18/2015	12 Month Average MW	LRS
SPP Load Responsibility		800	800	800	1700	1700	1700	1700	1600	1500	1700	800	800		
1	PSO (2)	3,016	2,790	2,517	2,592	2,879	3,811	4,055	4,199	3,776	2,996	2,192	2,442	3,105.4	37.8%
2	SWEPCO (2)	3,257	2,984	3,011	2,401	2,827	3,436	3,776	3,765	3,462	2,872	2,378	2,436	3,050.4	37.2%
3	AECC (3)	526	565	498	309	498	563	640	619	494	375	399	425	492.6	6.0%
4	AECC-MISO	318	196	168	111	103	189	205	241	225	193	140	173	188.5	2.3%
5	WFEC (3)	35	34	33	21	26	30	36	37	34	27	31	30	31.2	0.38%
6	OMPA (3)	94	85	77	89	91	137	155	156	143	112	69	77	107.1	1.3%
7	OG&E (3)	20	19	22	21	8	9	12	11	14	13	13	13	14.6	0.18%
8	NTEC (3)	849	736	780	378	467	635	695	702	603	466	572	570	621.1	7.6%
9	ETEC (3)	108	85	91	48	59	80	92	91	77	61	75	75	78.5	1.0%
10	TEXLA (3)	121	106	109	80	70	103	113	109	96	37	84	86	92.8	1.1%
11	Greenbelt (3)	8	7	6	7	4	7	14	12	12	8	4	7	8.0	0.10%
12	Lighthouse (3)	2	2	1	1	1	1	3	3	2	1	1	2	1.7	0.02%
13	Bentonville, AR (3)	112	102	95	87	115	144	153	153	141	106	81	92	115.1	1.4%
14	Prescott, AR (Entergy) (3)	11	12	13	12	12	13	14	15	14	12	12	12	12.7	0.15%
15	Minden, LA (Entergy) (3)	25	23	23	22	26	35	39	39	36	27	18	19	27.7	0.34%
16	Hope, AR (3)	46	43	45	40	44	58	56	61	57	45	39	39	47.8	0.58%
17	SWEPCO-Valley (6)	180	158	161	81	94	140	149	149	125	105	122	118	131.8	1.61%
18	Coffeyville, KS (3)	105	82	101	86	108	107	31	41	94	63	90	96	83.7	1.0%
19 Zone 1 - System Firm Peak Demands		8,833	8,029	7,751	6,386	7,432	9,498	10,238	10,403	9,405	7,519	6,320	6,712	8,211	
Supporting Data															
20	PSO: PSO Native Load (2)	2,974	2,750	2,488	2,578	2,855	3,775	4,015	4,164	3,749	2,979	2,174	2,428		
21	KAMO	39	36	30	22	28	41	43	41	32	25	26	29		
22	GRDA load on PSO	16	14	11	5	7	11	12	12	10	7	8	0		
23	PSO load on WFEC	-6	-6	-6	-6	-6	-6	-6	-6	-6	-6	-6	-6		
24	Allen Holdenville	-7	-4	-6	-7	-5	-10	-9	-12	-9	-9	-10	-9		
25	PSO Load Responsibility	3016	2790	2517	2592	2879	3811	4055	4199	3776	2996	2192	2442		
26	SWEPCO: SWEPCO Native Load (2) (5)	3,437	3,142	3,172	2,481	2,916	3,576	3,925	3,914	3,587	2,977	2,500	2,554		
27	Dolet Hills Aux. Load (4)	0	0	0	1	5	0	0	0	0	0	0	0		
28	SWEPCO-Valley (6)	-180	-158	-161	-81	-94	-140	-149	-149	-125	-105	-122	-118		
29	VEMCO (SPA Hydro Replacement) (7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
30	SWEPCO Load Responsibility	3257	2984	3011	2401	2827	3436	3776	3765	3462	2872	2378	2436		

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) Includes SWEPCO-Valley (formerly VEMCO) load connected to Entergy/CLECO system. SWEPCO purchased VEMCO Oct. 1, 2010.
- (6) Effective Jan 1, 2015, the entire SWEPCO Valley load (formerly VEMCO) power supply is supplied from SWEPCO's SPP fleet and listed separately on OATT customer list for reporting purposes.
- (7) included in SWEPCO-Valley.

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 119)				65,470,116
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	1,793,628	DA	1.00000	1,793,628
4	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	-
5	Total Revenue Credits		1,793,628			1,793,628
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 5)				63,676,488

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 (w/o incentives) (Worksheet F)		13,475,209	DA	1.00000	13,475,209
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
9	Annual Rate	(ln 1 / (Sum of lns 46, 47, 48, 49, 51)) x 100%				12.42%
10	Monthly Rate	(ln 9 / 12)				1.03%
11	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DEPRECIATION (w/o incentives) (Note B)					
12	Annual Rate	((ln 1 - ln 94 - ln 95) / (Sum of lns 46, 47, 48, 49, 51)) x 100%				10.79%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((ln 1 - ln 94 - ln 95 - ln 116 - ln 117) / (Sum of lns 46, 47, 48, 49, 51)) x 100%				1.66%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)					0.00%

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.	(1) <u>RATE BASE CALCULATION</u>	(2) <u>Data Sources</u> <u>(See "General Notes")</u>	(3) <u>TO Total</u> <u>NOTE D</u>	(4) <u>Allocator</u>	(5) <u>Total</u> <u>Transmission</u>
16	GROSS PLANT IN SERVICE				
17	<i>Line Deliberately Left Blank</i>				
18	Transmission	(Worksheet A In 3.C & Hist. Template Ln 183)	440,281,744	DA	440,281,744
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 1.00000	-
20	Plus: Transmission Plant-in-Service Additions (Worksheet B)		113,005,329	DA 1.00000	113,005,329
21	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		-	TP 1.00000	-
22	<i>Line Deliberately Left Blank</i>				
23	<i>Line Deliberately Left Blank</i>				
24	General Plant	(Worksheet A In 7.C)	-	W/S 0.99847	-
25	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S 0.99847	-
26	Intangible Plant	(Worksheet A In 9.C)	2,489,437	W/S 0.99847	2,485,622
27	TOTAL GROSS PLANT	(sum lns 16 to 26)	555,776,510		555,772,695
28	ACCUMULATED DEPRECIATION AND AMORTIZATION				
29	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
30	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
31	Transmission	(Worksheet A In 14.C & 28.C)	17,365,983	TP1= 1.00000	17,365,983
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 1.00000	-
33	Plus: Transmission Plant-in-Service Additions (Worksheet B)		437,093	DA 1.00000	437,093
34	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		-	DA 1.00000	-
35	Plus: Additional Transmission Depreciation for 2016 (In 94)		8,143,315	TP1 1.00000	8,143,315
36	Plus: Additional General & Intangible Depreciation for (In 96+In 97)		391,955	W/S 0.99847	391,354
37	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		-	DA 1.00000	-
38	<i>Line Deliberately Left Blank</i>				
39	<i>Line Deliberately Left Blank</i>				
40	General Plant	(Worksheet A In 18.C)	-	W/S 0.99847	-
41	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S 0.99847	-
42	Intangible Plant	(Worksheet A In 20.C)	763,558	W/S 0.99847	762,388
43	TOTAL ACCUMULATED DEPRECIATION	(sum lns 29 to 42)	27,101,904		27,100,133
44	NET PLANT IN SERVICE				
45	<i>Line Deliberately Left Blank</i>				
46	Transmission	(ln 18 + ln 19 - ln 31 - ln 32)	422,915,761		422,915,761
47	Plus: Transmission Plant-in-Service Additions (ln 20 - ln 33)		112,568,236		112,568,236
48	Plus: Additional Trans Plant on Transferred Assets (ln 21 - ln 34)		-		-
49	Plus: Additional Transmission Depreciation for 2016 (-ln 35)		(8,143,315)		(8,143,315)
50	Plus: Additional General & Intangible Depreciation for 2016 (-ln 36)		(391,955)		(391,354)
51	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-ln 37)		-		-
52	<i>Line Deliberately Left Blank</i>				
53	General Plant	(ln 24 + ln 25 - ln 40 - ln 41)	-		-
54	Intangible Plant	(ln 26 - ln 42)	1,725,879		1,723,234
55	TOTAL NET PLANT IN SERVICE	(sum lns 45 to 54)	528,674,606		528,672,562
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, ln 1.C & ln 3.J)	(85,517,575)	DA	(85,514,036)
59	Account No. 283.1 (enter negative)	(Worksheet C, ln 10.C & ln 12.J)	(19,395,717)	DA	(15,518,351)
60	Account No. 190.1	(Worksheet C, ln 19.C & ln 21.J)	16,529,862	DA	5,431,423
61	Account No. 255 (enter negative)	(Worksheet C, ln 28.C & ln 30.J)	-	DA	-
62	TOTAL ADJUSTMENTS	(sum lns 57 to 61)	(88,383,431)		(95,600,964)
63	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & ln 30.C)	-	DA	-
63a	REGULATORY ASSETS	(Worksheet A In NOTE 1 . (C))	-	DA	-
64	WORKING CAPITAL	(Note F)			
65	Cash Working Capital	(1/8 * ln 80) (Note G)	314,584		314,584
66	Transmission Materials & Supplies	(Worksheet D, ln 2.(D))	-	TP 1.00000	-
67	A&G Materials & Supplies	(Worksheet D, ln 3.(D))	-	W/S 0.99847	-
68	Stores Expense	(Worksheet D, ln 4.(D))	-	GP(h) 1.00000	-
69	Prepayments (Account 165) - Labor Allocated	(Worksheet D, ln 5.G)	-	W/S 0.99847	-
70	Prepayments (Account 165) - Gross Plant	(Worksheet D, ln 5.F)	56,307	GP(h) 1.00000	56,307
71	Prepayments (Account 165) - Transmission Only	(Worksheet D, ln 5.E)	17,800	DA 1.00000	17,800
72	Prepayments (Account 165) - Unallocable	(Worksheet D, ln 5.D)	-	NA 0.00000	-
73	TOTAL WORKING CAPITAL	(sum lns 65 to 72)	388,691		388,691
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, ln 7.(B))	-	DA 1.00000	-
75	RATE BASE (sum lns 55, 62, 63, 73, 74)		440,679,867		433,460,289

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
76	OPERATION & MAINTENANCE EXPENSE				
76	Transmission	321.112.b	2,568,852		
77	Less: Total Account 561	(Note I) 321.84-92.b	52,177		
78	Less: Account 565	(Note J) 321.96.b	-		
79	Less: expenses 100% assigned to TO billed customers	(Worksheet I, ln 14)	-		
80	Total O&M Allocable to Transmission	(lns 76 - 77 - 78 - 79)	<u>2,516,675</u>	TP 1.00000	2,516,675
81	Administrative and General	323.197.b (Note K)	1,596,498		
82	Less: Acct. 924, Property Insurance	323.185.b	87,696		
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	39,614		
86	Balance of A & G	(ln 81 - sum ln 82 to ln 85)	1,469,188	W/S 1.00000	1,469,188
87	Plus: Acct. 924, Property Insurance	(ln 82)	87,696	GP(h) 1.00000	87,696
88	Acct. 928 - Transmission Specific	Worksheet J ln 9.(E) (Note L)	-	TP 1.00000	-
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J ln 26.(E) (Note L)	-	TP 1.00000	-
90	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J ln 32.(E) (Note L)	-	DA 1.00000	-
90a	PBOP Adjustment	Worksheet O ln 16.B	149,931	DA 1.00000	149,931
91	A & G Subtotal	(sum lns 86 to 90 less ln 90a)	<u>1,706,815</u>		<u>1,706,815</u>
92	TOTAL O & M EXPENSE	(ln 80 + ln 91)	4,223,490		4,223,490
93	DEPRECIATION AND AMORTIZATION EXPENSE				
94	Transmission	336.7.f	8,143,315	TP 1.00000	8,143,315
95	Plus: Transmission Plant-in-Service Additions (Worksheet B)	(Worksheet A ln 39.C)	437,093	DA 1.00000	437,093
95a	Plus: Formation Costs Amortization	(Worksheet A ln 39.C)	-	DA 1.00000	-
96	General	336.10.f	-	W/S 1.00000	-
97	Intangible	336.1.f	391,955	W/S 1.00000	391,955
98	TOTAL DEPRECIATION AND AMORTIZATION	(sum lns 94 to 97)	<u>8,972,363</u>		<u>8,972,363</u>
99	TAXES OTHER THAN INCOME	(Note N)			
100	Labor Related				
101	Payroll	Worksheet L, Col. D	-	W/S 1.00000	-
102	Plant Related				
103	Property	Worksheet L, Col. C	4,142,000	GP(h) 1.00000	4,142,000
104	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA 0.00000	-
105	Other	Worksheet L, Col. E	20,373	GP(h) 1.00000	20,373
106	TOTAL OTHER TAXES	(sum lns 101 to 105)	<u>4,162,373</u>		<u>4,162,373</u>
107	INCOME TAXES	(Note O)			
108	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		38.68%		
109	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		46.68%		
110	where WCLTD=(ln 146) and WACC = (ln 149)				
111	and FIT, SIT & p are as given in Note O.				
112	$GRCF=1 / (1 - T) =$ (from ln 108)		1.6308		
113	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
114	Income Tax Calculation	(ln 109 * ln 117)	15,566,008		15,310,993
115	ITC adjustment	(ln 112 * ln 113)	-	NP(h) 1.00000	-
116	TOTAL INCOME TAXES	(sum lns 114 to 115)	<u>15,566,008</u>		<u>15,310,993</u>
117	RETURN ON RATE BASE (Rate Base*WACC)	(ln 75 * ln 149)	33,347,219		32,800,897
118	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		-	DA 1.00000	-
119	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		<u>66,271,452</u>		<u>65,470,116</u>
120	(sum lns 92, 98, 106, 116, 117, 118)				
121	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	-
122	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		<u>66,271,452</u>		<u>65,470,116</u>

AEP West SPP Member Companies
2016 Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

AEP OKLAHOMA TRANSMISSION COMPANY, INC

SUPPORTING CALCULATIONS

In										
<u>No.</u>	<u>TRANSMISSION PLANT INCLUDED IN SPP TARIFF</u>									
123	Total transmission plant	(In 18, 19, 20, 21)								553,287,073
124	Less transmission plant excluded from SPP Tariff	(Note Q)								-
125	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note R)								-
126	Transmission plant included in SPP Tariff	(In 123 - In 124 - In 125)								<u>553,287,073</u>
127	Percent of transmission plant in SPP Tariff	(In 126 / In 123)							TP=	1.0000
128	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
129	<i>Line Deliberately Left Blank</i>									
130	Transmission	354.21.b	0	669,060	669,060	TP	1.00000			669,060
131	Regional Market Expenses	354.22.b	0	-	-	NA	0.00000			-
132	<i>Line Deliberately Left Blank</i>									
133	Other (Excludes A&G)	354.24,25,26.b	0	1,027	1,027	NA	0.00000			-
134	Total	(sum Ins 129 to 133)	<u>0</u>	<u>670,087</u>	<u>670,087</u>					<u>669,060</u>
135	Transmission related amount								W/S=	0.9985
	STAND ALONE (Note T)									
136	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
137		Long Term Interest (Worksheet M, In. 24, col. (D))								8,069,540
138		Preferred Stock Dividends (Worksheet M, In. 30, col. (D))								-
139		Development of Common Stock:								
140		Proprietary Capital (112.16.c)								213,669,471
141		Less Preferred Stock (In 147)								-
142		Less Account 216.1 (112.12.c)								-
143		Less Account 219.1 (112.15.c)								-
144		Common Stock (In 140 - In 141 - In 142 - In 143)								<u>213,669,471</u>
			Capital Structure Percentages				Cost			
145		\$	Actual	Cap Limit			(Note T)		Weighted	
146	Long Term Debt (Worksheet M, In. 24, col. (B))	205,100,000	48.98%	0.500			3.93%		1.97%	
147	Preferred Stock (Worksheet M, In. 30, col. (B))	-	0.00%	-			-		0.00%	
148	Common Stock (In 144) (Note U)	213,669,471	51.02%	0.500			11.2%		5.60%	
149	Total (sum Ins 146 to 148)	<u>418,769,471</u>							WACC=	7.57%
150	Capital Structure Equity Limit (Note U)	50.0%								
	PUBLIC SERVICE COMPANY OF OKLAHOMA (Note T)									
151	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
152		Long Term Interest (PSO FR Worksheet M, In. 17, col. (D))								61,279,457
153		Preferred Stock Dividends (PSO FR Worksheet M, In. 21, col. (D))								-
154		Development of Common Stock:								
155		Proprietary Capital (112.16.c)								1,119,986,871
156		Less Preferred Stock (In 162)								-
157		Less Account 216.1 (112.12.c)								-
158		Less Account 219.1 (112.15.c)								4,184,017
159		Common Stock (In 155 - In 156 - In 157 - In 158)								<u>1,115,802,854</u>
			Capital Structure Percentages				Cost			
160		\$	Actual	Cap Limit			(Note T)		Weighted	
161	Long Term Debt (257.33.h)	1,293,562,544	53.69%	-			4.74%		2.54%	
162	Preferred Stock (251.f)	-	0.00%	-			-		0.00%	
163	Common Stock (In 159) (Note U)	1,115,802,854	46.31%	-			11.2%		5.19%	
164	Total (sum Ins 161 to 163)	<u>2,409,365,398</u>							WACC=	7.73%
165	Capital Structure Equity Limit (Note U)	52.5%								

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

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.

- 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 calculated 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.
- 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 than the W/S allocator. Full documentation must be provided.
- 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.
- 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= | 5.66% (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.
- T 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 (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.
- U 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.

AEP TRANSMISSION HOLDING COMPANY
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.			Total	Allocator	Transmission Amount
166	REVENUE REQUIREMENT (w/o incentives)	(In 284)			53,486,119
167	REVENUE CREDITS	(Note A)			
168	Transmission Credits	(Worksheet H)	1,793,628	DA 1.00000	1,793,628
169	Assoc. Business Development	(Worksheet H)	-	DA 1.00000	-
170	Total Revenue Credits		1,793,628		1,793,628
171	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 170)			51,692,491
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 172 is included in the total on line 171.					
172	Revenue Requirement for SPP BPU Regional Facilities (w/o incentives)	(Worksheet F)	13,475,209	DA 1.00000	13,475,209
173	NET PLANT CARRYING CHARGE	(w/o incentives) (Note B)			
174	Annual Rate	(In 166/ In 211 x 100%)			12.65%
175	Monthly Rate	(In 174 / 12)			1.05%
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%)			10.72%
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%)			2.08%
180	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)				0.00%

AEP TRANSMISSION HOLDING COMPANY
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

	(1)	(2)	(3)	(4)	(5)
	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total NOTE D	Allocator	Total Transmission
Line No.	GROSS PLANT IN SERVICE				
181	<i>Line Deliberately Left Blank</i>				
182	<i>Line Deliberately Left Blank</i>				
183	Transmission	(Worksheet A In 3.C & Ln 291)	440,281,744	DA	440,281,744
184	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 1.00000	-
185	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	NA 0.00000	N/A
186	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		N/A	NA 0.00000	N/A
187	<i>Line Deliberately Left Blank</i>				
188	<i>Line Deliberately Left Blank</i>				
189	General Plant	(Worksheet A In 7.C)	-	W/S 1.00000	-
190	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S 1.00000	-
191	Intangible Plant	(Worksheet A In 9.C)	2,489,437	W/S 1.00000	2,489,437
192	TOTAL GROSS PLANT	(sum Ins 181 to 191)	442,771,181	GP(h)= 1.00000 GTD= 1.00000	442,771,181
193	ACCUMULATED DEPRECIATION AND AMORTIZATION				
194	<i>Line Deliberately Left Blank</i>				
195	<i>Line Deliberately Left Blank</i>				
196	Transmission	(Worksheet A In 14.C & 28.C)	17,365,983	TP1= 1.00000	17,365,983
197	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 1.00000	-
198	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	DA 1.00000	N/A
199	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		N/A	DA 1.00000	N/A
200	Plus: Additional Transmission Depreciation for 2016 (In 259)		N/A	TP1 1.00000	N/A
201	Plus: Additional General & Intangible Depreciation for 2016 (In 261+In 262)		N/A	W/S 1.00000	N/A
202	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		N/A	DA 1.00000	N/A
203	<i>Line Deliberately Left Blank</i>				
204	<i>Line Deliberately Left Blank</i>				
205	General Plant	(Worksheet A In 18.C)	-	W/S 1.00000	-
206	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S 1.00000	-
207	Intangible Plant	(Worksheet A In 20.C)	763,558	W/S 1.00000	763,558
208	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 194 to 207)	18,129,541		18,129,541
209	NET PLANT IN SERVICE				
210	<i>Line Deliberately Left Blank</i>				
211	Transmission	(In 183 + In 184 - In 196 - In 197)	422,915,761		422,915,761
212	Plus: Transmission Plant-in-Service Additions (In 185 - In 198)		N/A		N/A
213	Plus: Additional Trans Plant on Transferred Assets (In 186 - In 199)		N/A		N/A
214	Plus: Additional Transmission Depreciation for 2016 (-In 200)		N/A		N/A
215	Plus: Additional General & Intangible Depreciation for 2016 (-In 201)		N/A		N/A
216	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 202)		N/A		N/A
217	<i>Line Deliberately Left Blank</i>				
218	General Plant	(In 189 + In 190 - In 205 - In 206)	-		-
219	Intangible Plant	(In 191 - In 207)	1,725,879		1,725,879
220	TOTAL NET PLANT IN SERVICE	(sum Ins 210 to 219)	424,641,640	NP(h)= 1.00000	424,641,640
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)	(85,517,575)	DA	(85,514,036)
224	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(19,395,717)	DA	(15,518,351)
225	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	16,529,862	DA	5,431,423
226	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	(88,383,431)		(95,600,964)
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	-
229	WORKING CAPITAL	(Note F)			
230	Cash Working Capital	(1/8 * In 245) (Note G)	314,584		314,584
231	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP 1.00000	-
232	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S 1.00000	-
233	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h) 1.00000	-
234	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	-	W/S 1.00000	-
235	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	56,307	GP(h) 1.00000	56,307
236	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	17,800	DA 1.00000	17,800
237	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	-	NA 0.00000	-
238	TOTAL WORKING CAPITAL	(sum Ins 230 to 237)	388,691		388,691
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)		336,646,900		329,429,367

AEP TRANSMISSION HOLDING COMPANY
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

	(1)	(2)	(3)	(4)	(5)
Line No.	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
	OPERATION & MAINTENANCE EXPENSE				
241	Transmission	321.112.b	2,568,852		
242	Less: Total Account 561	(Note I) 321.84-92.b	52,177		
243	Less: Account 565	(Note J) 321.96.b	-		
244	Less: expenses 100% assigned to TO billed customers (Worksheet I, ln 14)		-		
245	Total O&M Allocable to Transmission	(Ins 241 - 242 - 243 - 244)	2,516,675	TP 1.00000	2,516,675
246	Administrative and General	323.197.b (Note K)	1,596,498		
247	Less: Acct. 924, Property Insurance	323.185.b	87,696		
248	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	39,614		
251	Balance of A & G	(ln 246 - sum ln 247 to ln 250)	1,469,188	W/S 1.00000	1,469,188
252	Plus: Acct. 924, Property Insurance	(ln 247)	87,696	GP(h) 1.00000	87,696
253	Acct. 928 - Transmission Specific	Worksheet J ln 9.(E) (Note L)	-	TP 1.00000	-
254	Acct 930.1 - Only safety related ads -Direct	Worksheet J ln 26.(E) (Note L)	-	TP 1.00000	-
255	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J ln 32.(E) (Note L)	-	DA 1.00000	-
255a	PBOP Adjustment	Worksheet O ln 16.B	149,931	DA 1.00000	149,931
256	A & G Subtotal	(sum Ins 251 to 255 less ln 255a)	1,706,815		1,706,815
257	TOTAL O & M EXPENSE	(ln 245 + ln 256)	4,223,490		4,223,490
258	DEPRECIATION AND AMORTIZATION EXPENSE				
259	Transmission	336.7.f	8,143,315	TP 1.00000	8,143,315
260	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A		N/A
260a	Plus: Formation Costs Amortization	(Worksheet A ln 37.C)	-	DA 1.00000	-
261	General	336.10.f	-	W/S 1.00000	-
262	Intangible	336.1.f	391,955	W/S 1.00000	391,955
263	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 259 to 262)	8,535,270		8,535,270
264	TAXES OTHER THAN INCOME				
265	Labor Related	(Note N)			
266	Payroll	Worksheet L, Col. D	-	W/S 1.00000	-
267	Plant Related				
268	Property	Worksheet L, Col. C	4,142,000	GP(h) 1.00000	4,142,000
269	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA 0.00000	-
270	Other	Worksheet L, Col. E	20,373	GP(h) 1.00000	20,373
271	TOTAL OTHER TAXES	(sum Ins 266 to 270)	4,162,373		4,162,373
272	INCOME TAXES				
273	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.68%		
274	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		46.68%		
275	where WCLTD=(ln 311) and WACC = (ln 314)				
276	and FIT, SIT & p are as given in Note O.				
277	$GRCF=1 / (1 - T) =$ (from ln 273)		1.6308		
278	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
279	Income Tax Calculation	(ln 274 * ln 282)	11,891,281		11,636,339
280	ITC adjustment	(ln 277 * ln 278)	-	NP(h) 1.00000	-
281	TOTAL INCOME TAXES	(sum Ins 279 to 280)	11,891,281		11,636,339
282	RETURN ON RATE BASE (Rate Base*WACC)	(ln 240 * ln 314)	25,474,814.50		24,928,647.82
283	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		-	DA 1.00000	-
284	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		54,287,229		53,486,119
285	(sum Ins 257, 263, 271, 281, 282, 283)				
286	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	-
287	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		54,287,229		53,486,119

AEP TRANSMISSION HOLDING COMPANY
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 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	(In 183)						440,281,744
289	Less transmission plant excluded from SPP Tariff	(Note Q)						-
290	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note R)						-
291	Transmission plant included in SPP Tariff	(In 288 - In 289 - In 290)						440,281,744
292	Percent of transmission plant in SPP Tariff	(In 291 / In 288)					TP=	1.0000
293	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
294	<i>Line Deliberately Left Blank</i>							
295	Transmission	354.21.b	0	669,060	669,060	TP	1.00000	669,060
296	Regional Market Expenses	354.22.b	0	-	-	NA	0.00000	-
297	<i>Line Deliberately Left Blank</i>							
298	Other (Excludes A&G)	354.24,25,26.b	0	1,027	1,027	NA	0.00000	-
299	Total	(sum Ins 294 to 298)	0	670,087	670,087			669,060
300	Transmission related amount						W/S=	0.9985
STAND ALONE (Note T)								
301	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
302		Long Term Interest (Worksheet M, In. 24, col. (D))						8,069,540
303		Preferred Stock Dividends (Worksheet M, In. 30, col. (D))						-
304		Development of Common Stock:						
305		Proprietary Capital (112.16.c)						213,669,471
306		Less Preferred Stock (In 312)						-
307		Less Account 216.1 (112.12.c)						-
308		Less Account 219.1 (112.15.c)						-
309		Common Stock (In 305 - In 306 - In 307 - In 308)						213,669,471
310			Capital Structure Percentages				Cost	
		\$	Actual	Cap Limit			(Note T)	Weighted
311	Long Term Debt (Worksheet M, In. 24, col. (B))	205,100,000	48.98%	0.500			3.93%	1.97%
312	Preferred Stock (Worksheet M, In. 30, col. (B))	-	0.00%	-			-	0.00%
313	Common Stock (In 309) (Note U)	213,669,471	51.02%	0.500			11.2%	5.60%
314	Total (sum Ins 311 to 313)	418,769,471					WACC=	7.57%
315	Capital Structure Equity Limit (Note U)	50.0%						
PUBLIC SERVICE COMPANY OF OKLAHOMA (Note T)								
316	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
317		Long Term Interest (PSO FR Worksheet M, In. 17, col. (D))						61,279,457
318		Preferred Stock Dividends (PSO FR Worksheet M, In. 21, col. (D))						-
319		Development of Common Stock:						
320		Proprietary Capital (112.16.c)						1,119,986,871
321		Less Preferred Stock (In 327)						-
322		Less Account 216.1 (112.12.c)						-
323		Less Account 219.1 (112.15.c)						4,184,017
324		Common Stock (In 320 - In 321 - In 322 - In 323)						1,115,802,854
325			Capital Structure Percentages				Cost	
		\$	Actual	Cap Limit			(Note T)	Weighted
326	Long Term Debt (PSO WS-M, In. 17, col. (B))	1,293,562,544	53.69%	-			4.74%	2.54%
327	Preferred Stock (PSO WS-M, In. 21, col. (B))	-	0.00%	-			-	0.00%
328	Common Stock (In 324) (Note U)	1,115,802,854	46.31%	-			11.2%	5.19%
329	Total (sum Ins 326 to 328)	2,409,365,398					WACC=	7.73%
330	Capital Structure Equity Limit (Note U for PSO)	52.5%						

AEP TRANSMISSION HOLDING COMPANY
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 with Year-End Rate Base 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.

- 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 calculated 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 than the W/S allocator. Full documentation must be provided.
- 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.
- 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.
- T 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 (In 317) / long term debt (In 326). Preferred Stock cost rate = preferred dividends (In 318) / preferred outstanding (In 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.

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 106)				\$50,287,062
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	1,793,628	DA	1.00000	\$ 1,793,628
4	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$ -
5	Total Revenue Credits		1,793,628			\$ 1,793,628
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 5)				\$48,493,434
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	Trued-Up Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet G)		13,185,393	DA	1.00000	\$ 13,185,393
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
9	Annual Rate	(ln 1 / ln 39 x 100%)				13.28%
10	Monthly Rate	(ln 9 / 12)				1.11%
11	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DEPRECIATION (w/o incentives) (Note B)					
12	Annual Rate	((ln 1 - ln 82) / ln 39 x 100%)				11.13%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((ln 1 - ln 82 - ln 103 - ln 104) / ln 39 x 100%)				2.32%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet G)					-

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

	(1)	(2)	(3)	(4)	(5)
	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total NOTE D	Allocator	Total Transmission
Line No.	GROSS PLANT IN SERVICE				
16	<i>Line Deliberately Left Blank</i>				
17	<i>Line Deliberately Left Blank</i>				
18	Transmission	(Worksheet A In 3.E & Ln 113)	391,892,633	DA	391,892,633
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E)	-	TP	-
20	<i>Line Deliberately Left Blank</i>				
21	<i>Line Deliberately Left Blank</i>				
22	General Plant	(Worksheet A In 7.E)	-	W/S	-
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	-	W/S	-
24	Intangible Plant	(Worksheet A In 9.E)	2,030,619	W/S	2,030,619
25	TOTAL GROSS PLANT	(sum Ins 16 to 24)	393,923,252	GP(TU)=	393,923,252
				GTD=	1.00000
26	ACCUMULATED DEPRECIATION AND AMORTIZATION				
27	<i>Line Deliberately Left Blank</i>				
28	<i>Line Deliberately Left Blank</i>				
29	Transmission	(Worksheet A In 14.E & 28.E)	13,342,707	TP1=	13,342,707
30	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	-
31	<i>Line Deliberately Left Blank</i>				
32	<i>Line Deliberately Left Blank</i>				
33	General Plant	(Worksheet A In 18.E)	-	W/S	-
34	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	-	W/S	-
35	Intangible Plant	(Worksheet A In 20.E)	567,581	W/S	567,581
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	13,910,287		13,910,287
37	NET PLANT IN SERVICE				
38	<i>Line Deliberately Left Blank</i>				
39	Transmission	(In 18 + In 19 - In 29 - In 30)	378,549,927		378,549,927
40	<i>Line Deliberately Left Blank</i>				
41	General Plant	(In 22 + In 23 - In 33 - In 34)	-		-
42	Intangible Plant	(In 24 - In 35)	1,463,038		1,463,038
43	TOTAL NET PLANT IN SERVICE	(sum Ins 38 to 42)	380,012,965	NP(TU)=	380,012,965
				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)	(74,439,935)	DA	(74,437,281)
47	Account No. 283.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	(16,954,186)	DA	(13,499,346)
48	Account No. 190.1	(Worksheet C, In 25.C & Ln 27.J)	14,615,686	DA	4,724,771
49	Account No. 255 (enter negative)	(Worksheet C, In 34.C & Ln 36.J)	-	DA	-
50	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	(76,778,436)		(83,211,856)
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	WORKING CAPITAL	(Note F)			
53	Cash Working Capital	(1/8 * In 68) (Note G)	314,584		314,584
54	Transmission Materials & Supplies	(Worksheet D, In 2.(F))	-	TP	-
55	A&G Materials & Supplies	(Worksheet D, In 3.(F))	-	W/S	-
56	Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	-
57	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 7.G)	-	W/S	-
58	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 7.F)	57,862	GP(TU)	57,862
59	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 7.E)	15,650	DA	15,650
60	Prepayments (Account 165) - Unallocable	(Worksheet D, In 7.D)	-	NA	-
61	TOTAL WORKING CAPITAL	(sum Ins 53 to 60)	388,097		388,097
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	-	DA	-
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		303,622,625		297,189,205

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
64	OPERATION & MAINTENANCE EXPENSE				
64	Transmission	321.112.b	2,568,852		
65	Less: Total Account 561	(Note I) 321.84-92.b	52,177		
66	Less: Account 565	(Note J) 321.96.b	-		
67	Less: expenses 100% assigned to TO billed customers (Worksheet I, In 14)		\$0		
68	Total O&M Allocable to Transmission	(Ins 64 - 65 - 66 - 67)	2,516,675	TP	1.00000
69	Administrative and General	323.197.b (Note K)	1,596,498		
70	Less: Acct. 924, Property Insurance	323.185.b	87,696		
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	39,614		
74	Balance of A & G	(In 69 - sum In 70 to In 73)	1,469,188	W/S	1.00000
75	Plus: Acct. 924, Property Insurance	(In 70)	87,696	GP(TU)	1.00000
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	149,931	DA	1.00000
79	A & G Subtotal	(sum Ins 74 to 78 less In 78a)	1,706,815		
80	TOTAL O & M EXPENSE	(In 68 + In 79)	4,223,490		
81	DEPRECIATION AND AMORTIZATION EXPENSE				
82	Transmission	336.7.f	8,143,315	TP	1.00000
83	General	336.10.f	-	W/S	1.00000
83a	Plus: Formation Costs Amortization	(Worksheet A In 37.E)	-	DA	1.00000
84	Intangible	336.1.f	391,955	W/S	1.00000
85	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 82 to 84)	8,535,270		
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	4,142,000	GP(TU)	1.00000
91	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000
92	Other	Worksheet L, Col. E	20,373	GP(TU)	1.00000
93	TOTAL OTHER TAXES	(sum Ins 88 to 92)	4,162,373		
94	INCOME TAXES	(Note O)			
95	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.68%		
96	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		45.90%		
97	where WCLTD=(In 133) and WACC = (In 136)				
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, In 19.c)	-		
101	Income Tax Calculation	(In 96 * In 104)	10,724,774		
102	ITC adjustment	(In 99 * In 100)	-	NP(TU)	1.00000
103	TOTAL INCOME TAXES	(sum Ins 101 to 102)	10,724,774		
104	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 136)	23,363,445.73		
105	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA	1.00000
106	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		51,009,353		
107	(sum Ins 80, 85, 93, 103, 104, 105)				
108	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	
109	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		51,009,353		

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 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)						391,892,633
111	Less transmission plant excluded from SPP Tariff	(Note Q)						-
112	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note R)						-
113	Transmission plant included in SPP Tariff	(In 110 - In 111 - In 112)						391,892,633
114	Percent of transmission plant in SPP Tariff	(In 113 / In 110)					TP=	1.00000
115	WAGES & SALARY ALLOCATOR (W/S)	(Note S)		Direct Payroll	Payroll Billed from AEP Service Corp.	Total		
116	<i>Line Deliberately Left Blank</i>							
117	Transmission	354.21.b	0	669,108	669,108	TP	1.00000	669,108
118	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000	-
119	<i>Line Deliberately Left Blank</i>							
120	Other (Excludes A&G)		0	0	-	NA	0.00000	-
121	Total	(sum Ins 116 to 120)	0	669,108	669,108			669,108
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))						8,069,540
125	Preferred Dividends	Preferred Stock Dividends (Worksheet N, In. 47, col. (E))						-
126	<u>Development of Common Stock:</u>							Average
127	Proprietary Capital	(Worksheet N, In. 1, col. (E))						202,912,017
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)						202,912,017
132		2016 Avg Balances		Capital Structure Percentages			Cost (Note S)	Weighted
133	Avg Long Term Debt (Worksheet N, In. 10, col. (E))	192,600,000		Actual	Cap Limit			
134	Avg Preferred Stock (Worksheet N, In. 46, col. (E))	-		48.70%	50.00%		4.19%	0.0209
135	Avg Common Stock (In 131) (Note U)	202,912,017		0.00%	0.00%		0.00%	0.0000
136	Total (sum Ins 133 to 135)	395,512,017		51.30%	50.00%		11.20%	0.0560
							WACC=	0.0769
137	Capital Structure Equity Limit (Note U)	50.0%						
	PUBLIC SERVICE COMPANY OF OKLAHOMA (Note T)							
138	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
139	Long Term Interest	Long Term Interest (PSO FR Worksheet N, In. 19, col. (E))						61,327,406
140	Preferred Dividends	Preferred Stock Dividends (PSO FR Worksheet N, In. 47, col. (E))						-
141	<u>Development of Common Stock:</u>							Average
142	Proprietary Capital	(PSO Worksheet N, In. 1, col. (E))						1,074,100,599
143	Less Preferred Stock (In 149)	(PSO Worksheet N, In. 2, col. (E))						-
144	Less Account 216.1	(PSO Worksheet N, In. 3, col. (E))						-
145	Less Account 219	(PSO Worksheet N, In. 4, col. (E))						4,563,327
146	Common Stock	(In 142 - In 143 - In 144 - In 145)						1,069,537,272
147		2015 Avg Balances		Capital Structure Percentages			Cost (Note S)	Weighted
148	Avg Long Term Debt (PSO WS-N, In. 10, col. (E))	1,168,776,136		Actual	Cap Limit			
149	Avg Preferred Stock (PSO WS-N, In. 46, col. (E))	-		52.22%	0.00%		5.25%	0.0274
150	Avg Common Stock (In 146) (Note U)	1,069,537,272		0.00%	0.00%		0.00%	0.0000
151	Total (sum Ins 148 to 150)	2,238,313,408		47.78%	0.00%		11.20%	0.0535
							WACC=	0.0809
152	Capital Structure Equity Limit (PSO Note U)	52.5%						

NOTE: All WACC related entries below sourced from PSO's FF1 or Template

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 with Average Ratebase 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 true-up revenue requirement for each project, based on an FCR rate calculated 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.						
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 C.						
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.						
H	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.						
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 than the W/S allocator. Full documentation must be provided.						
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.						
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 95) multiplied by (1/1-T). If the applicable tax rates are zero enter 0. Inputs Required: <table border="0" style="margin-left: 20px;"> <tr> <td>FIT =</td> <td>35.00%</td> </tr> <tr> <td>SIT =</td> <td>5.66% (State Income Tax Rate or Composite SIT. Worksheet K)</td> </tr> <tr> <td>p =</td> <td>0.00% (percent of federal income tax deductible for state purposes)</td> </tr> </table>	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)
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.						
T	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 (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 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.						

AEP West SPP Member Companies
2016 Cost of Service Formula Rate
Worksheet A - Detail Plant Balances
AEP OKLAHOMA TRANSMISSION COMPANY, INC

<u>Line Number</u>	<u>(A) Rate Base Item & Supporting Balance</u>	<u>(B) Source of Data</u>	<u>(C) Balances @ 12/31/2015</u>	<u>(D) Balances 12/31/2014</u>	<u>(E) Average Balance for 2015</u>
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
<u>Plant Investment Balances</u>					
1	Line Deliberately Left Blank				
2	Line Deliberately Left Blank				
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	440,281,744	343,503,522	391,892,633
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	-	-	-
5	Line Deliberately Left Blank				
6	Line Deliberately Left Blank				
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	-	-	-
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	-	-	-
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	2,489,437	1,571,800	2,030,619
10	Total Property Investment Balance	(Sum of Lines: 3, 7, 9)	442,771,181	345,075,322	393,923,252
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 8)	-	-	-
<u>Accumulated Depreciation & Amortization Balances</u>					
12	Line Deliberately Left Blank				
13	Line Deliberately Left Blank				
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	17,365,983	9,319,430	13,342,707
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)	763,558	371,603	567,581
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 18, 20)	18,129,541	9,691,033	13,910,287
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 19)	-	-	-
<u>Generation Step-Up Units</u>					
23	GSU Investment Amount	Company Records	-	-	-
24	GSU Accumulated Depreciation	Company Records	-	-	-
25	GSU Net Balance	(Line 23 - Line 24)	-	-	-
<u>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</u>					
26	Transmission Accumulated Depreciation	(Line 14 Above)	17,365,983	9,319,430	13,342,707
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	-	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	17,365,983	9,319,430	13,342,707
<u>Plant Held For Future Use</u>					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	-	-	-
30	Transmission Plant Held For Future	Company Records	-	-	-
<u>Regulatory Assets and Liabilities Approved for Recovery In Ratebase</u>					
Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FEREC.					
31	Beginning Balance of Regulatory Asset (Note 1)		-	-	0
32	Amortization in Months		-	-	-
33	Monthly Amortization	(line 31 / line 32)	0	0	-
34	Months in 2015 to be amortized		-	-	-
35	Amortization Expense in 2015 Year	(line 33 X line 34)	0	0	-
36	Months in 2016 to be amortized		-	-	-
37	Amortization Expense in 2016 Year	(line 33 X line 36)	0	0	-
38	Ending Balance of Regulatory Asset	(line 31 - line 35)	0	0	-
39	Average Balance of Regulatory Asset	(line 31 + line 38)/2	0	0	-
40	Unamortized Balance of Regulatory Asset at YE 2015 (Note 1)		0	0	-
41	Total Regulatory Deferrals Included in Ratebase		0	0	0

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.

AEP TRANSMISSION HOLDING COMPANY
 2016 Cost of Service Formula Rate Projected on 2015 FF1 Balances
Worksheet B - Projected Transmission Plant in Service Additions
AEP OKLAHOMA TRANSMISSION COMPANY, INC

I. Calculation of Composite Depreciation Rate

<u>STAND ALONE (Note 1)</u>		
1	Transmission Plant @ Beginning of Historic Period (2015) (P.206, In 58,(b)):	343,503,522
2	Transmission Plant @ End of Historic Period (2015) (P.207, In 58,(g)):	440,281,744
3		783,785,266
4	Average Balance of Transmission Investment	391,892,633
5	Annual Depreciation Expense, Historic TCOS, In 259	8,143,315
6	Composite Depreciation Rate	2.08%
7	Average Depreciable Life (Years)	48
 <u>PUBLIC SERVICE COMPANY OF OKLAHOMA (Note 1)</u>		
8	Transmission Plant @ Beginning of Historic Period (2015) (P.206, In 58,(b)):	\$ 788,910,811
9	Transmission Plant @ End of Historic Period (2015) (P.207, In 58,(g)):	\$ 815,430,062
10		1,604,340,873
11	Average Balance of Transmission Investment	802,170,437
12	Annual Depreciation Expense, PSO Historic TCOS, In 246	\$ 15,385,707
13	Composite Depreciation Rate	1.92%
14	Average Depreciable Life (Years)	52

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

15	Month in Service	Capitalized Balance	Composite Annual Depreciation Rate	Annual Depreciation	Monthly Depreciation	No. Months Depreciation	First Year Depreciation Expense
16	January	\$ 1,612,776	2.08%	\$ 33,516	\$ 2,793	11	\$ 30,723
17	February	\$ 2,415,354	2.08%	\$ 50,194	\$ 4,183	10	\$ 41,829
18	March	\$ 10,098,224	2.08%	\$ 209,855	\$ 17,488	9	\$ 157,391
19	April	\$ 1,612,776	2.08%	\$ 33,516	\$ 2,793	8	\$ 22,344
20	May	\$ 8,557,454	2.08%	\$ 177,836	\$ 14,820	7	\$ 103,737
21	June	\$ 1,612,776	2.08%	\$ 33,516	\$ 2,793	6	\$ 16,758
22	July	\$ 1,613,374	2.08%	\$ 33,528	\$ 2,794	5	\$ 13,970
23	August	\$ 1,612,776	2.08%	\$ 33,516	\$ 2,793	4	\$ 11,172
24	September	\$ 5,876,817	2.08%	\$ 122,128	\$ 10,177	3	\$ 30,532
25	October	\$ 1,687,296	2.08%	\$ 35,064	\$ 2,922	2	\$ 5,844
26	November	\$ 1,612,776	2.08%	\$ 33,516	\$ 2,793	1	\$ 2,793
27	December	\$ 74,692,927	2.08%	\$ 1,552,222	\$ 129,352	0	\$ -
28	Investment	\$ 113,005,329			Depreciation Expense		\$ 437,093

III. Plant Transferred

29	\$ -	<== This input area is for original cost plant
30	\$ -	<== This input area is for accumulated depreciation that may be associated with capital expenditures. It would have an impact if a company had assets transferred from a subsidiary.
31 (Ln 14 * Ln 29)	\$ -	<== This input area is for additional Depreciation Expense

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.

AEP TRANSMISSION HOLDING COMPANY
 2016 Cost of Service Formula Rate
Worksheet C - ADIT Balances used in Projection & True-Up
AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.	(A) Acc. No.	(B) Description	(C) YE Balance	(E) Exclusions *	(F) 100% Transmission Related	(G) PTD Plant Related	(H) Transmission Plant Related	(I) Labor Related	(J) Total Included in Rate base (E)+(F)+(G)+(H)
Account 282 - Form-1 page 274-275, Ln 2 Col. (k)									
282 Balance to Use in Projection									
1	282.1	2015 Year End Tax Deferrals - Ws C-1	(85,517,575)	(2,654)	(84,937,377)	-	-	(577,544)	
2	282.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	99.8467%	
3	282.1	Allocated Total		0	(84,937,377)	0	0	(576,659)	(85,514,036)
282 Balance to Use in True-Up									
4	282.1	2015 Year End Tax Deferrals - Ws C-1	(85,517,575)	(2,654)	(84,937,377)	-	-	(577,544)	
5	282.1	2014 Year End Tax Deferrals - Ws C-2	(63,362,295)	(2,654)	(62,981,455)	-	-	(378,186)	
6		Subtotal	(148,879,870)	(5,308)	(147,918,832)	-	-	(955,731)	
7		Average Balance	(74,439,935)	(2,654)	(73,959,416)	0	0	(477,865)	
8		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
9		Allocated Total		0	(73,959,416)	0	0	(477,865)	(74,437,281)
Account 283 - Form-1 page 276-277, Ln 9, Col (k)									
283 Balance to Use in Projection									
10	283.1	2015 Year End Tax Deferrals - Ws C-1	(19,395,717)	(3,877,366)	(15,518,351)	-	-	-	
11	283.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	99.8467%	
12	283.1	Allocated Total		0	(15,518,351)	0	0	0	(15,518,351)
283 Balance to Use in True-Up									
13	283.1	2015 Year End Tax Deferrals - Ws C-1	(19,395,717)	(3,877,366)	(15,518,351)	-	-	-	
14	283.1	2014 Year End Tax Deferrals - Ws C-2	(14,512,655)	(3,032,314)	(11,480,341)	-	-	-	
15		Subtotal	(33,908,373)	(6,909,681)	(26,998,692)	-	-	-	
16		Average Balance	(16,954,186)	(3,454,840)	(13,499,346)	0	0	0	
17		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
18		Allocated Total		0	(13,499,346)	0	0	0	(13,499,346)
Account 190 - Form-1 page 234, Ln 8, Col. (c)									
190 Balance to Use in Projection									
19	190.1	2015 Year End Tax Deferrals - Ws C-1	16,529,862	11,098,439	5,431,423	-	-	-	
20	190.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	99.8467%	
21	190.1	Allocated Total		0	5,431,423	0	0	0	5,431,423
190 Balance to Use in True-Up									
22	190.1	2015 Year End Tax Deferrals - Ws C-1	16,529,862	11,098,439	5,431,423	-	-	-	
23	190.1	2014 Year End Tax Deferrals - Ws C-2	12,701,510	8,683,391	4,018,119	-	-	-	
24		Subtotal	29,231,372	19,781,830	9,449,542	-	-	-	
25		Average Balance	14,615,686	9,890,915	4,724,771	0	0	0	
26		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
27		Allocated Total		0	4,724,771	0	0	0	4,724,771
Account 255 - Form-1 page 266-267									
255 Balance to Use in Projection									
28	255.0	Acc Defrd ITC - Federal - 12/31/2015 (FF1 p. 267, Ln 2.h)	-						
29	255.0	Transmission Allocator from Historic TCOS [GP or W/S]				100.0000%			
30	255.0	Allocated Total		N/A	N/A	0	N/A	N/A	0
255 Balance to Use in True-Up									
31	255.0	Acc Defrd ITC - Federal - 12/31/2015 (FF1 p. 267, Ln 2.h)	-						
32	255.0	Acc Defrd ITC - Federal - 12/31/2014 (FF1 p. 266, Ln 2.b)	-						
33		Subtotal	-						
34		Average Balance	0			0			
35		Transmission Allocator from True-Up TCOS [GP or W/S]				100.0000%			
36		Allocated Total		N/A	N/A	0	N/A	N/A	0

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

Worksheet C-1 - ADIT & ITC Details

AEP OKLAHOMA TRANSMISSION COMPANY
 DETAIL OF DEFERRED INCOME TAX BALANCES
 AS OF DECEMBER 31, 2015

Account	Line #	Description	Balance	Allocation Basis	Exclusions	Allocation Method			Labor
						100% Transmission	Line Deliberately Left Blank	Line Deliberately Left Blank	
2821001	230A	ACRS BENEFIT NORMALIZED	(87,106,518)	T		(87,106,518)			
2821001	230X	R & D DEDUCTION - SEC 174	(2,654)	E	(2,654)				
2821001	295A	GAIN/LOSS ON ACRS/MACRS PROPERTY	45,368	T		45,368			
2821001	320A	ABFUDC	(2,077,595)	T		(2,077,595)			
2821001	380J	INT EXP CAPITALIZED FOR TAX	4,259,236	T		4,259,236			
2821001	712K	CAPITALIZED SOFTWARE COST-BOOK	(577,544)	Labor					(577,544)
2821001	910K	REMOVAL CST	(57,868)	T		(57,868)			
2821001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(85,517,575)		(2,654)	(84,937,377)	0	0	(577,544)
		(absolute value Total Company Amount Ties to FF1 p.275(k) -- Acct 282 Electric)	85,517,575						
2831001	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	(3,877,366)	E	(3,877,366)				
2831001	664J	REG ASSET-TRANSCO PRE-FORMATION COSTS	(0)	T		(0)			
2831002	911Q-DSIT	DSIT ENTRY - NORMALIZED	(15,518,351)	T		(15,518,351)			
2831001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(19,395,717)		(3,877,366)	(15,518,351)	0	0	0
		(absolute value Total Company Amount Ties to FF1 p.277(k) -- Acct 283 Electric)	19,395,717						
1901001	011C-DFIT	TAX CREDIT C/F - DEF TAX ASSET	613	E	613				
1901001	011C-MJE	TAX CREDIT C/F - DEF TAX ASSET- MJE	612	E	612				
1901001	911Q-DSIT	DSIT ENTRY - NORMALIZED	5,431,423	T		5,431,423			
1901001	960E	AMT CREDIT - DEFERRED	19,024	E	19,024				
1901002	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	11,078,190	E	11,078,190				
1901001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	16,529,862		11,098,439	5,431,423	0	0	0
		(Total Company Amount Ties to FF1 p.234(c) -- Electric)	16,529,862						

Worksheet C-2 - ADIT & ITC Details

AEP OKLAHOMA TRANSMISSION COMPANY
 DETAIL OF DEFERRED INCOME TAX BALANCES
 AS OF DECEMBER 31, 2014

Account	Line #	Description	Balance	Allocation Basis	Exclusions	Allocation Method			Labor
						100% Transmission	Line Deliberately Left Blank	Line Deliberately Left Blank	
2821001	230A	ACRS BENEFIT NORMALIZED	(64,434,806)	T		(64,434,806)			
2821001	230X	R & D DEDUCTION - SEC 174	(2,654)	E	(2,654)				
2821001	295A	GAIN/LOSS ON ACRS/MACRS PROPERTY	237	T		237			
2821001	320A	ABFUDC	(1,392,380)	T		(1,392,380)			
2821001	380J	INT EXP CAPITALIZED FOR TAX	2,897,665	T		2,897,665			
2821001	712K	CAPITALIZED SOFTWARE COST-BOOK	(378,186)	Labor					(378,186)
2821001	910K	REMOVAL CST	(52,172)	T		(52,172)			
2821001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(63,362,295)		(2,654)	(62,981,455)	0	0	(378,186)
		(absolute value Total Company Amount Ties to FF1 p.275(k) -- Acct 282 Electric)	63,362,295						
2831001	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	(3,032,314)	E	(3,032,314)				
2831001	664J	REG ASSET-TRANSCO PRE-FORMATION COSTS	(0)	T		(0)			
2831002	911Q-DSIT	DSIT ENTRY - NORMALIZED	(11,480,341)	T		(11,480,341)			
2831		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(14,512,655)		(3,032,314)	(11,480,341)	0	0	0
		(absolute value Total Company Amount Ties to FF1 p.277(k) -- Acct 283 Electric)	14,512,655						
1901001	011C	TAX CREDIT C/F - DEF TAX ASSET- MJE	612	E	612				
1901001	911Q-DSIT	DSIT ENTRY - NORMALIZED	4,018,119	T		4,018,119			
1901001	960E	AMT CREDIT - DEFERRED	19,024	E	19,024				
1901001	960Z	NOL - DEFERRED TAX ASSET RECLASS	0	T		0			
1901002	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	8,663,755	E	8,663,755				
1901001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	12,701,510		8,683,391	4,018,119	0	0	0
		(Total Company Amount Ties to FF1 p.234(c) -- Electric)	12,701,510						

AEP West SPP Member Companies
 2016 Cost of Service Formula Rate
Worksheet D - Working Capital Rate Base Adjustments
AEP OKLAHOMA TRANSMISSION COMPANY, INC

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
<u>Line Number</u>	<u>Source</u>	<u>Balance @ December 31, 2015</u> FF1, p. 227, Col. (c)	<u>Balance @ December 31, 2014</u> FF1, p. 227, Col. (b)	<u>Average Balance for Rate Year 2015</u>				
1								
2	Transmission Materials & Supplies	FF1, p. 227, In 8, Col. (c & b)	0	0	-			
3	General Materials & Supplies	FF1, p. 227, In 11, Col. (c & b)	0	0	-			
4	Stores Expense (Undistributed)	FF1, p. 227, In 16, Col. (c & b)	0	0	-			

Prepayment Balance Summary

	<u>Average of YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Plant Related</u>	<u>Labor Related</u>	<u>Total Included in Rate Base (E)+(F)+(G)</u>
5 Totals as of December 31, 2015	74,107	0	17,800	56,307	0	74,107
6 Totals as of December 31, 2014	72,917	0	13,500	59,417		72,917
7 Average Balance	<u>73,512</u>	<u>0</u>	<u>15,650</u>	<u>57,862</u>	<u>0</u>	<u>73,512</u>

Prepayments Account 165 - Balance @ 12/31/2015

8	<u>Acc. No.</u>	<u>Description</u>	<u>2015 YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Plant Related</u>	<u>Labor Related</u>	<u>Total Included in Rate Base (E)+(F)+(G)</u>
9	1650001	Prepaid Insurance	34,960	0		34,960	0	34,960
10	1650021	Prepaid Insurance - EIS	21,347			21,347	0	21,347
11	1650023	Prepaid Lease	17,800		17,800			17,800
12								-
13								-
14								-
15								-
16								-
17								-
18								-
	Subtotal - Form 1, p 111.57.c		<u>74,107</u>	<u>0</u>	<u>17,800</u>	<u>56,307</u>	<u>0</u>	<u>74,107</u>

Prepayments Account 165 - Balance @ 12/31/2014

19	<u>Acc. No.</u>	<u>Description</u>	<u>2014 YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Plant Related</u>	<u>Labor Related</u>	<u>Total Included in Rate Base (E)+(F)+(G)</u>
20	1650001	Prepaid Insurance	22,069			22,069	0	22,069
21	1650021	Prepaid Insurance - EIS	37,349			37,349	0	37,349
22	1650023	Prepaid Lease	13,500		13,500			13,500
23								-
24								-
25								-
26								-
27								-
28								-
29								-
30	Subtotal - Form 1, p 111.57.c		<u>72,917</u>	<u>0</u>	<u>13,500</u>	<u>59,417</u>	<u>0</u>	<u>72,917</u>

AEP West SPP Member Companies
 2016 Cost of Service Formula Rate
Worksheet E - IPP Credits
AEP OKLAHOMA TRANSMISSION COMPANY, INC

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2015</u>
1	Net Funds from IPP Customers @ 12/31/2014 (2015 FORM 1, P269, (B))	-
2	Interest Accrual (company records)	-
3	Revenue Credits to Generators (company records)	-
4	<u>Other Adjustments (company records)</u>	
5	Accounting Adjustment	-
6		-
7	Net Funds from IPP Customers 12/31/2015 (2015 FORM 1, P269, (F))	-
8	Average Balance for 2015 ((ln 1 + ln 7) / 2)	-

AEP TRANSMISSION HOLDING COMPANY
 2016 Cost of Service Formula Rate Projected on 2015 FF1 Balances
Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for BPU and Special-billed Projects
 Based on a Carrying Charge Derived from Historic 2015 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 TCOS, In 163)			11.20%
Project ROE Incentive Adder (Enter as whole number)			0 basis points
ROE with additional 0 basis point incentive			11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from Projected TCOS, Ins 146 through 148)			
	%	Cost	Weighted cost
Long Term Debt	50.00%	0.0393	0.0197
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	50.00%	0.1120	0.0560
		R =	0.0757

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR 2016	13,475,209	13,475,209	\$ -

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

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

Rate Base (Projected TCOS, In 75)	433,460,289
R (from A. above)	0.0757
Return (Rate Base x R)	32,800,897

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

Return (from B. above)	32,800,897
Tax Rate (Projected TCOS, In 105)	38.68%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	46.68%
Income Tax Calculation (Return x EIT)	15,310,993
ITC Adjustment (Projected TCOS, In 115)	-
Income Taxes	15,310,993

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

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)	65,470,116
Return (Projected TCOS, In 117)	32,800,897
Income Taxes (Projected TCOS, In 116)	15,310,993
Gross Margin Taxes (Projected TCOS, In 121)	-
Net Revenue Requirement, Less Return and Taxes	17,358,226

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

Net Revenue Requirement, Less Return and Taxes	17,358,226
Return (from I.B. above)	32,800,897
Income Taxes (from I.C. above)	15,310,993
Net Revenue Requirement, with 0 Basis Point ROE increase	65,470,116
Gross Margin Tax with 0 Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	65,470,116
Less: Depreciation (Projected TCOS, In 94)	8,143,315
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	57,326,801

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

Net Revenue Requirement before Gross Margin Taxes, with 0	65,470,116
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)	527,340,682
Net Revenue Requirement, with 0 Basis Point ROE increase	65,470,116
FCR with 0 Basis Point increase in ROE	12.42%
Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	57,326,801
FCR with 0 Basis Point ROE increase, less Depreciation	10.87%
FCR less Depreciation (Projected TCOS, In 12)	10.79%
	0.08%
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)	343,503,522	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	440,281,744	<==From Input on Worksheet B
	783,785,266	
Transmission Plant Average Balance for 2015	391,892,633	
Annual Depreciation Expense (Historic TCOS, In 259)	8,143,315	
Composite Depreciation Rate	2.08%	
Depreciable Life for Composite Depreciation Rate	48.12	
Round to nearest whole year	48	

Note 1: Until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes Transmission plant in service the depreciation expense component of 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 of Worksheet B.

AEP TRANSMISSION HOLDING COMPANY
 2016 Cost of Service Formula Rate Projected on 2015 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 2015 Data
AEP OKLAHOMA 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)	11.20%		
Project ROE Incentive Adder (Enter as whole number)	0 basis points		
ROE with additional 0 basis point incentive	11.20% <=Incentive ROE Cannot Exceed 12.45%		
Determine R (cost of long term debt, cost of preferred stock and percent is from True-Up TCOS, Ins 133 through 135)			
	%	Cost	Weighted cost
Long Term Debt	50.00%	0.0419	0.0209
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	50.00%	0.1120	0.0560
		R =	0.0769

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR SPP BPU & NON-BPU PROJECTS				
TRUE-UP YEAR	2015	Rev Require	W Incentives	Incentive Amounts
Σ Prior Year Projected (WS-F)	\$	12,174,626	\$	12,174,626 \$ -
Σ Prior Year True-Up (WS-G)	\$	13,185,393	\$	13,185,393 \$ -
True-up Adjustment For 2015		1,010,768		1,010,768 -

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

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

Rate Base (True-Up TCOS, In 63)	297,189,205
R (from A. above)	0.0769
Return (Rate Base x R)	22,868,401

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

Return (from B. above)	22,868,401
Tax Rate (True-Up TCOS, In 95)	38.68%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	45.90%
Income Tax Calculation (Return x EIT)	10,497,529
ITC Adjustment (True-Up TCOS, In 102)	-
Income Taxes	10,497,529

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 (True-Up TCOS, In 109)	50,287,062
Return (True-Up TCOS, In 104)	22,868,401
Income Taxes (True-Up TCOS, In 103)	10,497,529
Gross Margin Taxes (True-Up TCOS, In 108)	-
Net Revenue Requirement, Less Return and Taxes	16,921,133

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

Net Revenue Requirement, Less Return and Taxes	16,921,133
Return (from I.B. above)	22,868,401
Income Taxes (from I.C. above)	10,497,529
Net Revenue Requirement, with 0 Basis Point ROE increase	50,287,062
Gross Margin Tax with Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	50,287,062
Less: Depreciation (True-Up TCOS, In 82)	8,143,315
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	42,143,747

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

Net Revenue Requirement before Gross Margin Taxes, with 0 Basis Point ROE increase (II B. above)	50,287,062
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 (True-Up TCOS, In 39)	378,549,927
Net Revenue Requirement, with 0 Basis Point ROE increase	50,287,062
FCR with 0 Basis Point increase in ROE	13.28%
Net Rev. Req, w/ 0 Basis Point ROE increase, less Dep.	42,143,747
FCR with 0 Basis Point ROE increase, less Depreciation	11.13%
FCR less Depreciation (True-Up TCOS, In 12)	11.13%
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)	343,503,522	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	440,281,744	<==From Input on Worksheet B
	783,785,266	
Transmission Plant Average Balance for 2015	391,892,633	
Annual Depreciation Expense (True-Up TCOS, In 82)	8,143,315	
Composite Depreciation Rate	2.08%	
Depreciable Life for Composite Depreciation Rate	48.12	
Round to nearest whole year	48	

Note 1: Until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes Transmission plant in service the depreciation expense component of 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 of Worksheet B.

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet H - Revenue Credits for Historic Period
 AEP OKLAHOMA TRANSMISSION COMPANY, INC

Revenue Credits 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 Electric Property	-	-	-
(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			
V. Total Other Operating Revenues To Reduce Revenue Requirement			-
VI. Account 456.1, Revenues from Transmission of Electricity of Others			\$46,008,945
(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			\$33,116,118
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)			\$11,099,199
10 Flow Through of ERCOT Ancillary Charges			
11 Other			
			Net Transmission Credits
			\$1,793,628
VII. Total Worksheet A Revenue Credits			\$1,793,628

VIII. Data Sources:

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

AEP West SPP Member Companies
Cost of Service Formula Rate Using 2015 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)	<u>\$0</u>

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.

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet J - Allocation of Specific O&M or A&G Expenses
 AEP OKLAHOMA TRANSMISSION COMPANY, INC

<u>Line Number</u>	<u>(A) FERC Acct No.</u>	<u>(B) Description</u>	<u>(C) 2015 Expense</u>	<u>(D) 100% Non-Transmission</u>	<u>(E) 100% Transmission Specific</u>	<u>(F) Explanation</u>
		<u>Account 928</u>				
1						
2						
3						
4						
5						
6						
7						
8						
9		Total	<hr/>	<hr/>	<hr/>	
		<u>Account 930.1</u>				
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26		Total	<hr/>	<hr/>	<hr/>	
		<u>Account 930.2</u>				
27	9302000	MISC GENERAL EXPENSE	39,614	39,614	0	
28						
29						
30						
31						
32		Total	<hr/>	<hr/>	<hr/>	

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet K - Development of Composite State Income Tax Rate
AEP OKLAHOMA TRANSMISSION COMPANY, INC

I. DEVELOPMENT OF COMPOSITE STATE INCOME TAX RATES FOR 2015

State Income Tax Rate - Oklahoma	Note 1	5.66%	
Apportionment Factor		100.00%	
Effective State Income Tax Rate			5.6600%
State Income Tax Rate - Ohio		0.0000%	
Apportionment Factor		0.0000%	
Tax Phase-out Factor		0.0000%	
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.

II. CALCULATION OF TEXAS GROSS MARGIN TAX

Line #	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX (In 117 of Template)	Projected		Historic		True-Up	
		Total Company	Trans. Only	Total Company	Trans. Only	Total Company	Trans. Only
		66,271,452	65,470,116	54,287,229	53,486,119	51,009,353	50,287,062
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	-	KW				
11	Total Load	-	KW				
12	Allocation Percentage (In 10 / In 11)	0.00%					

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet L - Taxes Other than Income
 AEP OKLAHOMA TRANSMISSION COMPANY, INC

HISTORIC PERIOD EXPENSE (2015) - TO BE USED ON TRUE-UP TEMPLATE

Line No.	(A) Account	(B) Total Company	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
1	Revenue Taxes					
2						-
3	Real Estate and Personal Property Taxes					
4	OK Ad Valorem - 2015	4,142,000	4,142,000			
5			-			
6			-			
7			-			
8	Payroll Taxes					
9				-		
10				-		
11				-		
12	Line Deliberately Left Blank					
13		-				-
14		-				-
15	Miscellaneous Taxes					
16	Sales/Use	-			-	-
17	OK Franchise Tax	20,000			20,000	
18	Sales/Use	373			373	
19					-	
20					-	
21					-	
22					-	-
23					-	
24					-	
25					-	
26					-	
26					-	
27	Total Taxes by Allocable Basis	4,162,373	4,142,000	-	20,373	-
	(Total Company Amount Ties to FFI p.114, Ln 14,(c))	4,162,373				

AEP TRANSMISSION HOLDING COMPANY
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2015
AEP OKLAHOMA TRANSMISSION COMPANY, INC

(A)	(B)	(C)	(D)	(E)
<u>Issuance</u>	<u>Principle Amount</u> FF1.p. 257.x (h)	<u>Interest Rate</u>	<u>Annual Expense</u>	<u>Notes</u>
Long Term Debt (FF1.p. 256-257.h)				
1 <u>Bonds - Acc 221</u>			-	
2				
Other Long Term Debt				
3 <u>Credit Facility</u>	25,000,000		26,886	p256 L19(h)
4			-	
5			-	
Advances from Assoc Companies				
6 <u>Senior Notes, Series A, Tranche D</u>	75,000,000	4.78%	3,585,000	p256 L5(h)
7 <u>Senior Notes, Series A, Tranche E</u>	7,500,000	4.83%	362,250	p256 L6(h)
8 <u>Senior Notes, Series B, Tranche A</u>	9,250,000	2.73%	252,525	p256 L7(h)
9 <u>Senior Notes, Series B, Tranche B</u>	11,100,000	4.05%	449,550	p256 L8(h)
10 <u>Senior Notes, Series B, Tranche C</u>	11,100,000	4.38%	486,180	p256 L9(h)
11 <u>Senior Notes, Series B, Tranche D</u>	18,500,000	5.32%	984,200	p256 L10(h)
12 <u>Senior Notes, Series B, Tranche E</u>	5,550,000	5.42%	299,974	p256 L11(h)
13 <u>Senior Notes, Series B, Tranche F</u>	5,000,000	5.52%	275,233	p256 L12(h)
14 <u>Senior Notes, Series C, Tranche A</u>	9,100,000	2.68%	243,880	p256 L13(h)
15 <u>Senior Notes, Series C, Tranche B</u>	5,300,000	3.18%	168,540	p256 L14(h)
16 <u>Senior Notes, Series C, Tranche C</u>	10,200,000	3.56%	363,120	p256 L15(h)
17 <u>Senior Notes, Series C, Tranche F</u>	5,900,000	3.81%	224,790	p256 L16(h)
18 <u>Senior Notes, Series C, Tranche H</u>	2,300,000	4.05%	93,150	p256 L17(h)
19 <u>Senior Notes, Series C, Tranche I</u>	4,300,000	4.53%	194,790	p256 L18(h)
Issuance Discount, Premium, & Expenses:				
20 Amort of Debt Discount and Expenses	FF1.p. 117.63.c		59,472	
21 Less: Amor of Debt Premiums	FF1.p. 117.65.c		-	
Reacquired Debt:				
22 Amortization of Loss	FF1.p. 117.64.c		-	
23 Less: Amortization of Gain	FF1.p. 117.66.c		-	
24 Total Interest on Long Term Debt	205,100,000	3.93%	8,069,540	
Preferred Stock (FF1.p. 250-251) Preferred Balance Outstanding				
25			-	
26			-	
27			-	
28			-	
29			-	
30 Dividends on Preferred Stock	-	0.00%	-	

AEP TRANSMISSION HOLDING COMPANY
 Cost of Service Formula Rate Using 2015 FF1 Balances
 AEP OKLAHOMA TRANSMISSION COMPANY, INC

Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2014 and 12/31/2015

(A) Line	(B)	(C) Balances @ 12/31/2015	(D) Balances @ 12/31/2014	(E) Average
<u>Development of Average Balance of Common Equity</u>				
1	Total Proprietary Capital (p. 112.16.c&d)	213,669,471	192,154,562	202,912,017
2	Less Preferred Stock from Ln 46 below	0	0	-
3	Less Account 216.1 (p. 112.12.c&d)	0	0	-
4	Less Account 219.1 (p. 112.15.c&d)	0	0	-
5	Average Balance of Common Equity	213,669,471	192,154,562	202,912,017

Development of Cost of Long Term Debt Based on Average Outstanding Balance

6	Bonds (221) (p. 112.18.c&d)	0	0	-
7	Less: Reacquired Bonds (222) (p. 112.19.c&d)	0	0	-
8	Advances from Assoc. Companies (223) (p.112.20.c&d)	205,100,000	180,100,000	192,600,000
9	Senior Unsecured Notes (224) (p. 112.21.c&d)	0	0	-
10	Total Average Debt	205,100,000	180,100,000	192,600,000

11 Annual Interest Expense for 2016

12	Coupon Interest on Long Term Debt (256-257.33.i)			8,010,068
	Less: Total Hedge (Gain)/Expense Accumulated from p 256-257, col (i) of FERC Form 1 included in Ln 12 and shown in Ln 30 below.			-
14	Amort of Debt Discount & Expense (428) (p. 117.63.c)			59,472
15	Amort of Loss on Reacquired Debt (428.1) (p. 117.64.c)			0
16	Less: Amort of Premium on Debt (429) (p. 117.65.c)			0
17	Less: Amort of Gain on Reacquired Debt (429.1) (p. 117.66.c)			0
18	Total Interest Expense (Ln 12 - Ln 14 + Ln 15 - Ln 16 - Ln 17)			8,069,540

19 Average Cost of Debt for 2016 (Ln 18/Ln 10)

4.19%

CALCULATION OF HEDGE GAINS/LOSSES TO BE EXCLUDED FROM TCOS

20 AEP OKTCo may not include costs or gains related to interest hedging activities.

	HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)	Total Hedge (Gain)/Loss for 2015	Remaining Unamortized Balance	Amortization Period	
				Beginning	Ending
21					
22					
23					
24					
25					
26					
27					
28					
29					

30 Total Hedge Amortization to be Removed

-

Development of Cost of Preferred Stock

Preferred Stock			Average
31 0% Series - 0 - Dividend Rate (p. 250-251. 9.a)	0.00%	0.00%	
32 0% Series - 0 - Par Value (p. 250-251. 9.c)	\$ -	\$ -	
33 0% Series - 0 - Shares O/S (p.250-251. 9.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. 10.a)	0.00%	0.00%	
37 0% Series - 0 - Par Value (p. 250-251. 10.c)	\$ -	\$ -	
38 0% Series - 0 - Shares O/S (p.250-251. 10.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.)	0.00%	0.00%	
42 0% Series - 0 - Par Value (p. 250-251.)	\$ -	\$ -	
43 0% Series - 0 - Shares O/S (p.250-251.)	-	-	
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 Dividends 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 2015 FF1 Balances
 Calculation of Post-employment Benefits Other than Pensions Expenses Allocable to Transmission Service
 Worksheet O - PBOP Support
 AEP OKLAHOMA TRANSMISSION COMPANY, INC

PBOP	(A)	(B)
1	<u>Calculation of PBOP Expenses</u>	
2	<u>AEP TransCo - AEP Service Corp Employees</u>	
3	Total AEP System PBOP expenses	(92,333,868)
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	-\$92,333,868
6	Total AEP System Direct Labor Expense	\$1,314,167,144
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	-\$0.070
8	Currently Approved PBOP Rate	\$0.094
9	Base PBOP TransCo labor expensed in current year	\$1,197,768
10	Allowable TransCo PBOP Expense for current year (Line 8 * Line 9)	\$112,590
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)	-\$37,341
15	Actual PBOP Expense (Sum Lines 11-14)	-\$37,341
16	PBOP Adjustment Line 10 less Line 15	\$149,931

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 119)			\$136,455
2	REVENUE CREDITS	(Note A)			
3	Transmission Credits	(Worksheet H)	5,682	DA 1.00000	\$ 5,682
4	Assoc. Business Development	(Worksheet H)	-	DA 1.00000	\$ -
5	Total Revenue Credits		5,682		\$ 5,682
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)			\$130,773
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 (w/o incentives)		-	DA 1.00000	\$ -
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)				
9	Annual Rate	(In 1 / (Sum of Ins 46, 47, 48, 49, 51)) x 100%			16.14%
10	Monthly Rate	(In 9 / 12)			1.35%
11	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DEPRECIATION (w/o incentives) (Note B)				
12	Annual Rate	((In 1 - In 94 - In 95) / (Sum of Ins 46, 47, 48, 49, 51)) x 100%			13.01%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME 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%			4.16%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)				-

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.	(1) <u>RATE BASE CALCULATION</u>	(2) <u>Data Sources</u> <u>(See "General Notes")</u>	(3) <u>TO Total</u> <u>NOTE D</u>	(4) <u>Allocator</u>	(5) <u>Total</u> <u>Transmission</u>
16	GROSS PLANT IN SERVICE				
17	<i>Line Deliberately Left Blank</i>				
18	Transmission	(Worksheet A In 3.C & Hist. Template Ln 183)	-	DA	-
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	0.00000
20	Plus: Transmission Plant-in-Service Additions (Worksheet B)		-	DA	1.00000
21	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		-	TP	0.00000
22	<i>Line Deliberately Left Blank</i>				
23	<i>Line Deliberately Left Blank</i>				
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)	-		-
28	ACCUMULATED DEPRECIATION AND AMORTIZATION				
29	<i>Line Deliberately Left Blank</i>				
30	<i>Line Deliberately Left Blank</i>				
31	Transmission	(Worksheet A In 14.C & 28.C)	-	TP1=	0.00000
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.00000
33	Plus: Transmission Plant-in-Service Additions (Worksheet B)		-	DA	1.00000
34	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		-	DA	1.00000
35	Plus: Additional Transmission Depreciation for 2016 (In 94)		-	TP1	0.00000
36	Plus: Additional General & Intangible Depreciation for (In 96+In 97)		-	W/S	1.00000
37	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		-	DA	1.00000
38	<i>Line Deliberately Left Blank</i>				
39	<i>Line Deliberately Left Blank</i>				
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)	-	W/S	1.00000
43	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 29 to 42)	-		-
44	NET PLANT IN SERVICE				
45	<i>Line Deliberately Left Blank</i>				
46	Transmission	(In 18 + In 19 - In 31 - In 32)	-		-
47	Plus: Transmission Plant-in-Service Additions (In 20 - In 33)		-		-
48	Plus: Additional Trans Plant on Transferred Assets (In 21 - In 34)		-		-
49	Plus: Additional Transmission Depreciation for 2016 (-In 35)		-		-
50	Plus: Additional General & Intangible Depreciation for 2016 (-In 36)		-		-
51	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 37)		-		-
52	<i>Line Deliberately Left Blank</i>				
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)	-		-
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)	-	DA	-
59	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	1,493	DA	1,493
60	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	23,549	DA	4,265
61	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
62	TOTAL ADJUSTMENTS	(sum Ins 57 to 61)	25,042		5,758
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	1.00000
64	WORKING CAPITAL	(Note F)			
65	Cash Working Capital	(1/8 * In 80) (Note G)	62		-
66	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP	0.00000
67	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S	1.00000
68	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	0.00000
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.F)	-	GP(h)	0.00000
71	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA	1.00000
72	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	-	NA	0.00000
73	TOTAL WORKING CAPITAL	(sum Ins 65 to 72)	62		-
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7 (B))	-	DA	1.00000
75	RATE BASE (sum Ins 55, 62, 63, 73, 74)		25,104		5,758

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(1)	(2)	(3)	(4)	(5)
Line No.	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
76	OPERATION & MAINTENANCE EXPENSE				
76	Transmission	321.112.b	499		
77	Less: Total Account 561	(Note I) 321.84-92.b	-		
78	Less: Account 565	(Note J) 321.96.b	-		
79	Less: expenses 100% assigned to TO billed customers	(Worksheet I, ln 14)	\$0		
80	Total O&M Allocable to Transmission	(lns 76 - 77 - 78 - 79)	499	TP 0.00000	-
81	Administrative and General	323.197.b (Note K)	131,052		
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	(ln 81 - sum ln 82 to ln 85)	131,052	W/S 1.00000	131,052
87	Plus: Acct. 924, Property Insurance	(ln 82)	-	GP(h) 0.00000	-
88	Acct. 928 - Transmission Specific	Worksheet J ln 5.(E) (Note L)	-	TP 0.00000	-
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J ln 19.(E) (Note L)	-	TP 0.00000	-
90	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J ln 25.(E) (Note L)	-	DA 1.00000	-
90a	PBOP Adjustment	(Worksheet O ln 16.D)	4,718	DA 1.00000	4,718
91	A & G Subtotal	(sum lns 86 to 90 less ln 90a)	135,770		135,770
92	TOTAL O & M EXPENSE	(ln 80 + ln 91)	136,269		135,770
93	DEPRECIATION AND AMORTIZATION EXPENSE				
94	Transmission	336.7.f	-	TP 0.00000	-
95	Plus: Transmission Plant-in-Service Additions (Worksheet B)	(Worksheet A ln 37.E)	-	DA 1.00000	-
95a	Plus: Formation Costs Amortization	(Worksheet A ln 37.E)	-	DA 1.00000	-
96	General	336.10.f	-	W/S 1.00000	-
97	Intangible	336.1.f	-	W/S 1.00000	-
98	TOTAL DEPRECIATION AND AMORTIZATION	(sum lns 94 to 97)	-		-
99	TAXES OTHER THAN INCOME	(Note N)			
100	Labor Related				
101	Payroll	Worksheet L, Col. D	-	W/S 1.00000	-
102	Plant Related				
103	Property	Worksheet L, Col. C	-	GP(h) 0.00000	-
104	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA 0.00000	-
105	Other	Worksheet L, Col. E	51	GP(h) 0.00000	-
106	TOTAL OTHER TAXES	(sum lns 101 to 105)	51		-
107	INCOME TAXES	(Note O)			
108	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		39.80%		
109	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		44.29%		
110	where WCLTD=(ln 161) and WACC = (ln 164)				
111	and FIT, SIT & p are as given in Note O.				
112	$GRCF=1 / (1 - T) =$ (from ln 108)		1.6612		
113	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
114	Income Tax Calculation	(ln 109 * ln 117)	917		210
115	ITC adjustment	(ln 112 * ln 113)	-	NP(h) 0.00000	-
116	TOTAL INCOME TAXES	(sum lns 114 to 115)	917		210
117	RETURN ON RATE BASE (Rate Base*WACC)	(ln 75 * ln 164)	2,070		475
118	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		-	DA 1.00000	-
119	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		139,307		136,455
120	(sum lns 92, 98, 106, 116, 117, 118)				
121	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	-
122	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		139,307		136,455

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

SUPPORTING CALCULATIONS

In										
No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF									
123	Total transmission plant	(In 18, 19, 20, 21)								-
124	Less transmission plant excluded from SPP Tariff	(Note Q)								-
125	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note R)								-
126	Transmission plant included in SPP Tariff	(In 123 - In 124 - In 125)								<u>-</u>
127	Percent of transmission plant in SPP Tariff	(In 126 / In 123)							TP=	0.00000
128	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
129	<i>Line Deliberately Left Blank</i>									
130	Transmission	354.21.b	0	1,178	1,178	TP	0.00000			-
131	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000			-
132	<i>Line Deliberately Left Blank</i>									
133	Other (Excludes A&G)	354.24,25,26.b	0	0	-	NA	0.00000			-
134	Total	(sum Ins 129 to 133)	<u>0</u>	<u>1,178</u>	<u>1,178</u>					<u>-</u>
135	Transmission related amount								W/S=	1.00000
	STAND ALONE (Note T)									
136	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
137		Long Term Interest (Worksheet M, In. 20, col. (D))								-
138		Preferred Stock Dividends (Worksheet M, In. 26, col. (D))								-
139		Development of Common Stock:								
140		Proprietary Capital (112.16.c)								(831,371)
141		Less Preferred Stock (In 147)								-
142		Less Account 216.1 (112.12.c)								-
143		Less Account 219.1 (112.15.c)								-
144		Common Stock (In 140 - In 141 - In 142 - In 143)								<u>(831,371)</u>
			Capital Structure Percentages				Cost			
145		\$	Actual	Cap Limit			(Note T)		Weighted	
146	Long Term Debt (Worksheet M, In. 20, col. (B))	-	0.00%	0.00%			-		0.0000	
147	Preferred Stock (Worksheet M, In. 26, col. (B))	-	0.00%	0.00%			-		0.0000	
148	Common Stock (In 144) (Note U)	(831,371)	0.00%	0.00%			11.2%		0.0000	
149	Total (sum Ins 146 to 148)	<u>(831,371)</u>							WACC=	0.0000
150	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									
151	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
152		Long Term Interest (Worksheet M, In. 20, col. (D))								118,777,528
153		Preferred Stock Dividends (Worksheet M, In. 26, col. (D))								-
154		Development of Common Stock:								
155		Proprietary Capital (112.16.c)								2,169,212,700
156		Less Preferred Stock (In 162)								-
157		Less Account 216.1 (112.12.c)								27,601,852
158		Less Account 219.1 (112.15.c)								<u>(9,331,734)</u>
159		Common Stock (In 155 - In 156 - In 157 - In 158)								<u>2,150,942,582</u>
			Capital Structure Percentages				Cost			
160		\$	Actual	Cap Limit			(Note T)		Weighted	
161	Long Term Debt (Worksheet M, In. 20, col. (B))	2,210,200,000	50.68%	0.00%			5.37%		0.0272	
162	Preferred Stock (Worksheet M, In. 26, col. (B))	-	0.00%	0.00%			-		0.0000	
163	Common Stock (In 159) (Note U)	2,150,942,582	49.32%	0.00%			11.2%		0.0552	
164	Total (sum Ins 161 to 163)	<u>4,361,142,582</u>							WACC=	0.0825
165	Capital Structure Equity Limit (Note U)	52.5%								

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

AEP SOUTHWESTERN 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 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 calculated 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.
- 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 than the W/S allocator. Full documentation must be provided.
- 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.
- 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) (ln 108) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
- | | | |
|------------------|-------|---|
| Inputs Required: | FIT = | 35.00% |
| | SIT= | 7.39% (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.
- T The Capital Structure of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. will be based on the Capital Structure of SWEPSCO 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.

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 with Year-End Rate Base Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.			Total	Allocator	Transmission Amount
166	REVENUE REQUIREMENT (w/o incentives)	(In 284)			\$136,455
167	REVENUE CREDITS	(Note A)			
168	Transmission Credits	(Worksheet H)	5,682	DA 1.00000	\$ 5,682
169	Assoc. Business Development	(Worksheet H)	-	DA 1.00000	\$ -
170	Total Revenue Credits		5,682		\$ 5,682
171	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 170)			\$ 130,773

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 (w/o incentives)		-	DA 1.00000	\$ -
	(Worksheet F)				
173	NET PLANT CARRYING CHARGE	(w/o incentives) (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%)			0.00%
180	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's	(Note C) (Worksheet F)			-

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 with Year-End Rate Base Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.	(1) <u>RATE BASE CALCULATION</u>	(2) <u>Data Sources</u> <u>(See "General Notes")</u>	(3) <u>TO Total</u> <u>NOTE D</u>	(4) <u>Allocator</u>	(5) <u>Total</u> <u>Transmission</u>
	GROSS PLANT IN SERVICE				
181	<i>Line Deliberately Left Blank</i>				
182	<i>Line Deliberately Left Blank</i>				
183	Transmission	(Worksheet A In 3.C & Ln 291)	-	DA	-
184	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	0.00000
185	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	NA	0.00000
186	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		N/A	NA	0.00000
187	<i>Line Deliberately Left Blank</i>				
188	<i>Line Deliberately Left Blank</i>				
189	General Plant	(Worksheet A In 7.C)	-	W/S	1.00000
190	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S	1.00000
191	Intangible Plant	(Worksheet A In 9.C)	-	W/S	1.00000
192	TOTAL GROSS PLANT	(sum Ins 181 to 191)	-	GP(h)= GTD=	0.000000 -
193	ACCUMULATED DEPRECIATION AND AMORTIZATION				
194	<i>Line Deliberately Left Blank</i>				
195	<i>Line Deliberately Left Blank</i>				
196	Transmission	(Worksheet A In 14.C & 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 (Worksheet B)		N/A	DA	1.00000
199	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		N/A	DA	1.00000
200	Plus: Additional Transmission Depreciation for 2016 (In 259)		N/A	TP1	0.00000
201	Plus: Additional General & Intangible Depreciation for 2016 (In 261+In 262)		N/A	W/S	1.00000
202	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		N/A	DA	1.00000
203	<i>Line Deliberately Left Blank</i>				
204	<i>Line Deliberately Left Blank</i>				
205	General Plant	(Worksheet A In 18.C)	-	W/S	1.00000
206	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	1.00000
207	Intangible Plant	(Worksheet A In 20.C)	-	W/S	1.00000
208	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 194 to 207)	-		
209	NET PLANT IN SERVICE				
210	<i>Line Deliberately Left Blank</i>				
211	Transmission	(In 183 + In 184 - In 196 - In 197)	-		
212	Plus: Transmission Plant-in-Service Additions (In 185 - In 198)		N/A		N/A
213	Plus: Additional Trans Plant on Transferred Assets (In 186 - In 199)		N/A		N/A
214	Plus: Additional Transmission Depreciation for 2016 (-In 200)		N/A		N/A
215	Plus: Additional General & Intangible Depreciation for 2016 (-In 201)		N/A		N/A
216	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 202)		N/A		N/A
217	<i>Line Deliberately Left Blank</i>				
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)	-	NP(h)=	0.000000
221	DEFERRED TAX ADJUSTMENTS TO RATE BASE				
222	Account No. 281.1 (enter negative)	(Note E) 272-273.8.k	-	NA	-
223	Account No. 282.1 (enter negative)	(Worksheet C, In 1.C & In 3.J)	-	DA	-
224	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	1,493	DA	1,493
225	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	23,549	DA	4,265
226	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	25,042		5,758
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				
230	Cash Working Capital	(Note F) (1/8 * In 245) (Note G)	62		-
231	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP	0.00000
232	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S	1.00000
233	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	0.00000
234	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	-	W/S	1.00000
235	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	-	GP(h)	0.00000
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)	62		-
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)		25,104		5,758

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 with Year-End Rate Base Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(1)	(2)	(3)	(4)	(5)
Line No.	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
	OPERATION & MAINTENANCE EXPENSE				
241	Transmission	321.112.b	499		
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 customers (Worksheet I, In 14)		\$0		
245	Total O&M Allocable to Transmission	(Ins 241 - 242 - 243 - 244)	499	TP	0.00000
246	Administrative and General	323.197.b (Note K)	131,052		
247	Less: Acct. 924, Property Insurance	323.185.b	-		
248	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)	131,052	W/S	1.00000
252	Plus: Acct. 924, Property Insurance	(In 247)	-	GP(h)	0.00000
253	Acct. 928 - Transmission Specific	Worksheet J In 5.(E) (Note L)	-	TP	0.00000
254	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 19.(E) (Note L)	-	TP	0.00000
255	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 25.(E) (Note L)	-	DA	1.00000
255a	PBOP Adjustment	(Worksheet O In 16.D)	4,718	DA	1.00000
256	A & G Subtotal	(sum Ins 251 to 255 less In 255a)	135,770		
257	TOTAL O & M EXPENSE	(In 245 + In 256)	136,269		
258	DEPRECIATION AND AMORTIZATION EXPENSE				
259	Transmission	336.7.f	-	TP	0.00000
260	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A		N/A
260a	Plus: Formation Costs Amortization	(Worksheet A In 35.C)	-	DA	1.00000
261	General	336.10.f	-	W/S	1.00000
262	Intangible	336.1.f	-	W/S	1.00000
263	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 259 to 262)	-		
264	TAXES OTHER THAN INCOME				
265	Labor Related				
266	Payroll	Worksheet L, Col. D	-	W/S	1.00000
267	Plant Related				
268	Property	Worksheet L, Col. C	-	GP(h)	0.00000
269	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000
270	Other	Worksheet L, Col. E	51	GP(h)	0.00000
271	TOTAL OTHER TAXES	(sum Ins 266 to 270)	51		
272	INCOME TAXES				
273	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		39.80%		
274	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		44.29%		
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)		1.6612		
278	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
279	Income Tax Calculation	(In 274 * In 282)	917		210
280	ITC adjustment	(In 277 * In 278)	-	NP(h)	0.00000
281	TOTAL INCOME TAXES	(sum Ins 279 to 280)	917		210
282	RETURN ON RATE BASE (Rate Base*WACC)	(In 240 * In 329)	2,070		475
283	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA	1.00000
284	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		139,307		136,455
285	(sum Ins 257, 263, 271, 281, 282, 283)				
286	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	-
287	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		139,307		136,455

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 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	(In 183)							-
289	Less transmission plant excluded from SPP Tariff	(Note Q)							-
290	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note R)							-
291	Transmission plant included in SPP Tariff	(In 288 - In 289 - In 290)							-
292	Percent of transmission plant in SPP Tariff	(In 291 / In 288)						TP=	0.00000
293	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total				
294	<i>Line Deliberately Left Blank</i>								
295	Transmission	354.21.b	0	1,178	1,178	TP	0.00000		-
296	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000		-
297	<i>Line Deliberately Left Blank</i>								
298	Other (Excludes A&G)	354.24,25,26.b	0	0	-	NA	0.00000		-
299	Total	(sum Ins 294 to 298)	0	1,178	1,178				-
300	Transmission related amount							W/S=	1.00000
301	STAND ALONE (Note T)								
301	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								
302									\$
303									-
304	Development of Common Stock:								
305									(831,371)
306									-
307									-
308									-
309									(831,371)
310			Capital Structure Percentages					Cost	
311		\$	Actual	Cap Limit			(Note T)	Weighted	
311	Long Term Debt (Worksheet M, In. 20, col. (B))	-	0.00%	0.00%			-	0.0000	
312	Preferred Stock (Worksheet M, In. 26, col. (B))	-	0.00%	0.00%			-	0.0000	
313	Common Stock (In 309) (Note U)	(831,371)	0.00%	0.00%			11.2%	0.0000	
314	Total (sum Ins 311 to 313)	(831,371)						WACC=	0.0000
315	Capital Structure Equity Limit (Note U)	50.0%							
316	SOUTHWESTERN ELECTRIC POWER COMPANY (Note T)								
316	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								
317									\$
318									118,777,528
319									-
320	Development of Common Stock:								
321									2,169,212,700
322									-
323									27,601,852
324									(9,331,734)
325									2,150,942,582
326			Capital Structure Percentages					Cost	
327		\$	Actual	Cap Limit			(Note T)	Weighted	
326	Long Term Debt (SWEPCO WS-M, In. 21, col. (B))	2,210,200,000	50.68%	0.00%			5.37%	0.0272	
327	Preferred Stock (SWEPCO WS-M, In. 22, col. (B))	-	0.00%	0.00%			-	0.0000	
328	Common Stock (In 324) (Note U)	2,150,942,582	49.32%	0.00%			11.2%	0.0552	
329	Total (sum Ins 326 to 328)	4,361,142,582						WACC=	0.0825
330	Capital Structure Equity Limit (Note U for SWEPCO)	52.5%							

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 with Year-End Rate Base Balances

AEP SOUTHWESTERN 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 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 calculated 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 than the W/S allocator. Full documentation must be provided.
- 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.
- 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 = | 7.39% | (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.
- 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 (In 317) / long term debt (In 326). Preferred Stock cost rate = preferred dividends (In 318) / preferred outstanding (In 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.

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 106)			\$137,807
2	REVENUE CREDITS	(Note A)			
3	Transmission Credits	(Worksheet H)	5,682	DA	\$ 5,682
4	Assoc. Business Development	(Worksheet H)	-	DA	\$ -
5	Total Revenue Credits		5,682		\$ 5,682
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 2)			\$132,125

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	Trued-Up Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet G)		-	DA	1.00000	\$ -
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note 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 DEPRECIATION (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 INCOME 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 w/ incentive ROE's (Note C) (Worksheet G)					-

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(1)	(2)	(3)	(4)	(5)
		Data Sources (See "General Notes")	TO Total NOTE D	Allocator	Total Transmission
Line No.	RATE BASE CALCULATION				
16	GROSS PLANT IN SERVICE				
17	<i>Line Deliberately Left Blank</i>				
18	Transmission	(Worksheet A In 3.E & Ln 114)	0	DA	0
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E)	-	TP	-
20	<i>Line Deliberately Left Blank</i>				
21	<i>Line Deliberately Left Blank</i>				
22	General Plant	(Worksheet A In 7.E)	-	W/S	-
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	-	W/S	-
24	Intangible Plant	(Worksheet A In 9.E)	-	W/S	-
25	TOTAL GROSS PLANT	(sum Ins 16 to 24)	<u>0</u>	GP(TU)= GTD=	<u>0</u> 1.00000
26	ACCUMULATED DEPRECIATION AND AMORTIZATION				
27	<i>Line Deliberately Left Blank</i>				
28	<i>Line Deliberately Left Blank</i>				
29	Transmission	(Worksheet A In 14.E & 28.E)	-	TP1=	-
30	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	-
31	<i>Line Deliberately Left Blank</i>				
32	<i>Line Deliberately Left Blank</i>				
33	General Plant	(Worksheet A In 18.E)	-	W/S	-
34	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	-	W/S	-
35	Intangible Plant	(Worksheet A In 20.E)	-	W/S	-
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	<u>-</u>		<u>-</u>
37	NET PLANT IN SERVICE				
38	<i>Line Deliberately Left Blank</i>				
39	Transmission	(In 18 + In 19 - In 29 - In 30)	0		0
40	<i>Line Deliberately Left Blank</i>				
41	General Plant	(In 22 + In 23 - In 33 - In 34)	-		-
42	Intangible Plant	(In 24 - In 35)	-		-
43	TOTAL NET PLANT IN SERVICE	(sum Ins 38 to 42)	<u>0</u>	NP(TU)=	<u>0</u> 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)	741	DA	741
48	Account No. 190.1	(Worksheet C, In 25.C & Ln 27.J)	11,988	DA	11,557
49	Account No. 255 (enter negative)	(Worksheet C, In 34.C & Ln 36.J)	-	DA	-
50	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	<u>12,729</u>		<u>12,298</u>
51	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	-	DA	-
51a	REGULATORY ASSETS	(Worksheet A In 38. (C))	-	DA	-
52	WORKING CAPITAL	(Note F)			
53	Cash Working Capital	(1/8 * In 68) (Note G)	62		62
54	Transmission Materials & Supplies	(Worksheet D, In 2.(F))	-	TP	-
55	A&G Materials & Supplies	(Worksheet D, In 3.(F))	-	W/S	-
56	Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	-
57	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 7.G)	-	W/S	-
58	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 7.F)	-	GP(TU)	-
59	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 7.E)	-	DA	-
60	Prepayments (Account 165) - Unallocable	(Worksheet D, In 7.D)	-	NA	-
61	TOTAL WORKING CAPITAL	(sum Ins 53 to 60)	<u>62</u>		<u>62</u>
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	-	DA	-
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		<u>12,792</u>		<u>12,361</u>

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(1)	(2)	(3)	(4)	(5)
Line No.	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
64	OPERATION & MAINTENANCE EXPENSE				
64	Transmission	321.112.b	499		
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 (Worksheet I, In 14)		\$0		
68	Total O&M Allocable to Transmission	(Ins 64 - 65 - 66 - 67)	499	TP	1.00000 499
69	Administrative and General	323.197.b (Note K)	131,052		
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)	131,052	W/S	1.00000 131,052
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)	4,718	DA	1.00000 4,718
79	A & G Subtotal	(sum Ins 74 to 78 less In 78a)	135,770		135,770
80	TOTAL O & M EXPENSE	(In 68 + In 79)	136,269		136,269
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)	-		1.00000 -
84	Intangible	336.1.f	-	W/S	1.00000 -
85	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 82 to 84)	-		-
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	-	GP(TU)	1.00000 -
91	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000 -
92	Other	Worksheet L, Col. E	51	GP(TU)	1.00000 51
93	TOTAL OTHER TAXES	(sum Ins 88 to 92)	51		51
94	INCOME TAXES	(Note O)			
95	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		39.80%		
96	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		44.16%		
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)		1.6612		
100	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
101	Income Tax Calculation	(In 96 * In 104)	471		456
102	ITC adjustment	(In 99 * In 100)	-	NP(TU)	1.00000 -
103	TOTAL INCOME TAXES	(sum Ins 101 to 102)	471		456
104	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 151)	1,068		1,032
105	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA	1.00000 -
106	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		137,859		137,807
107	(sum Ins 80, 85, 93, 103, 104, 105)				
108	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	-
109	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		137,859		137,807

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

SUPPORTING CALCULATIONS

In										
<u>No.</u>	<u>TRANSMISSION PLANT INCLUDED IN SPP TARIFF</u>									
110	Total transmission plant	(In 18)								0
111	Less transmission plant excluded from SPP Tariff	(Note Q)								-
112	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note R)								-
113	Transmission plant included in SPP Tariff	(In 110 - In 111 - In 112)								0
114	Percent of transmission plant in SPP Tariff	(In 113 / In 110)							TP=	1.00000
115	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
116	<i>Line Deliberately Left Blank</i>									
117	Transmission	354.21.b	0	1,178	1,178	TP	1.00000			1,178
118	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000			-
119	<i>Line Deliberately Left Blank</i>									
120	Other (Excludes A&G)		0	0	-	NA	0.00000			-
121	Total	(sum Ins 116 to 120)	0	1,178	1,178					1,178
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 (Worksheet N, In. 47, col. (E))								-
126	<u>Development of Common Stock:</u>									Average
127	Proprietary Capital	(Worksheet N, In. 1, col. (E))								(770,868)
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 142 - In 143 - In 144 - In 145)								(770,868)
132		2016 Avg Balances								
133	Avg Long Term Debt (Worksheet N, In. 10, col. (E))		-	0.00%	0.00%		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)		(770,868)	0.00%	0.00%		11.20%			0.0000
136	Total (sum Ins 133 to 135)		(770,868)						WACC=	0.0000
137	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									
138	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
139	Long Term Interest	Long Term Interest (SWE FR Worksheet N, In. 19, col. (E))								117,829,681
140	Preferred Dividends	Preferred Stock Dividends (SWE FR Worksheet N, In. 46, col. (E))								-
141	<u>Development of Common Stock:</u>									Average
142	Proprietary Capital	(SWE Worksheet N, In. 1, col. (E))								2,132,999,583
143	Less Preferred Stock (In 149)	(SWE Worksheet N, In. 2, col. (E))								-
144	Less Account 216.1	(SWE Worksheet N, In. 3, col. (E))								25,668,744
145	Less Account 219	(SWE Worksheet N, In. 4, col. (E))								(8,399,879)
146	Common Stock	(In 142 - In 143 - In 144 - In 145)								2,115,730,718
147		2015 Avg Balances								
148	Avg Long Term Debt (SWE WS-N, In. 10, col. (E))		2,135,200,000	50.23%	0.00%		5.52%			0.0277
149	Avg Preferred Stock (SWE WS-N, In. 46, col. (E))		-	0.00%	0.00%		0.00%			0.0000
150	Avg Common Stock (In 146) (Note U)		2,115,730,718	49.77%	0.00%		11.20%			0.0557
151	Total (sum Ins 148 to 150)		4,250,930,718						WACC=	0.0835
152	Capital Structure Equity Limit (Note U for SWEPCO)		52.5%							

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 with Average Ratebase Balances

AEP SOUTHWESTERN 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 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 true-up revenue requirement for each project, based on an FCR rate calculated 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.
- 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 C.
- 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.
- H 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.
- 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 than the W/S allocator. Full documentation must be provided.
- 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.
- 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 95) multiplied by $(1/1-T)$. If the applicable tax rates are zero enter 0.
- | | | |
|------------------|-------|---|
| Inputs Required: | FIT = | 35.00% |
| | SIT = | 7.39% (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.
- 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 (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.

AEP West SPP Member Companies
 2016 Cost of Service Formula Rate
Worksheet A - Detail Plant Balances
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

<u>Line Number</u>	<u>(A) Rate Base Item & Supporting Balance</u>	<u>(B) Source of Data</u>	<u>(C) Balances @ 12/31/2015</u>	<u>(D) Balances 12/31/2014</u>	<u>(E) Average Balance for 2015</u>
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
Plant Investment Balances					
1	Line Deliberately Left Blank				
2	Line Deliberately Left Blank				
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58	-	0	0
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 57	-	-	-
5	Line Deliberately Left Blank				
6	Line Deliberately Left Blank				
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	-	-	-
10	Total Property Investment Balance	(Sum of Lines: 3, 7, 9)	-	0	0
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 8)	-	-	-
Accumulated Depreciation & Amortization Balances					
12	Line Deliberately Left Blank				
13	Line Deliberately Left Blank				
14	Transmission Accumulated Depreciation	FF1, page 219, ln 25, Col. (b)	-	-	-
15	Transmission ARO Accumulated Depreciation	Company Records	-	-	-
16	Line Deliberately Left Blank				
17	Line Deliberately Left Blank				
18	General Accumulated Depreciation	FF1, page 219, ln 28, Col. (b)	-	-	-
19	General ARO Accumulated Depreciation	Company Records	-	-	-
20	Intangible Accumulated Amortization	FF1, page 200, ln 21, Col. (b)	-	-	-
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 18, 20)	-	-	-
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 19)	-	-	-
Generation Step-Up Units					
23	GSU Investment Amount	Company Records	-	-	-
24	GSU Accumulated Depreciation	Company Records	-	-	-
25	GSU Net Balance	(Line 23 - Line 24)	-	-	-
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)		-	-	0
32	Amortization in Months		-	-	-
33	Monthly Amortization	(line 31 / line 32)	0	0	-
34	Months in 2015 to be amortized		-	-	-
35	Amortization Expense in 2015 Year	(line 33 X line 34)	0	0	-
36	Months in 2016 to be amortized		-	-	-
37	Amortization Expense in 2016 Year	(line 33 X line 36)	0	0	-
38	Balance of Regulatory Asset	(line 31 - line 35)	0	0	-
39	Average Balance of Regulatory Asset	(line 31 + line 38)/2	0	0	-
40	Unamortized Balance of Regulatory Asset at YE 2015 (Note 1)		0	0	-
41	Total Regulatory Deferrals Included in Ratebase		0	0	0

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.

AEP West SPP Member Companies
 2016 Cost of Service Formula Rate Projected on 2015 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 (2015) (P.206, In 58,(b)):	-
2	Transmission Plant @ End of Historic Period (2015) (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 (2015) (P.206, In 58,(b)):	1,300,777,651
9	Transmission Plant @ End of Historic Period (2015) (P.207, In 58,(g)):	1,387,776,696
10		2,688,554,347
11	Average Balance of Transmission Investment	1,344,277,173
12	Annual Depreciation Expense, SWEPCO Historic TCOS, In 246	31,768,930
13	Composite Depreciation Rate	2.36%
14	Average Depreciable Life (Years)	42

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

	Month in Service	Capitalized Balance	Composite Annual Depreciation Rate	Annual Depreciation	Monthly Depreciation	No. Months Depreciation
15						
16	January		2.36%	\$ -	\$ -	11
17	February		2.36%	\$ -	\$ -	10
18	March		2.36%	\$ -	\$ -	9
19	April		2.36%	\$ -	\$ -	8
20	May		2.36%	\$ -	\$ -	7
21	June		2.36%	\$ -	\$ -	6
22	July		2.36%	\$ -	\$ -	5
23	August		2.36%	\$ -	\$ -	4
24	September		2.36%	\$ -	\$ -	3
25	October		2.36%	\$ -	\$ -	2
26	November		2.36%	\$ -	\$ -	1
27	December		2.36%	\$ -	\$ -	0
28	Investment	\$ -				Depreciation Expense

III. Plant Transferred

29	\$ -	<== This input area is for original cost plant
30	\$ -	<== This input area is for accumulated depreciation that may be associated with capital expenditures. It would have an impact if a company had assets transferred from a subsidiary.
31 (Ln 14 * Ln 29)	\$ -	<== This input area is for additional Depreciation Expense

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.

AEP West SPP Member Companies
 2016 Cost of Service Formula Rate
Worksheet C - ADIT Balances used in Projection & True-Up
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.	(A) Acc. No.	(B) Description	(C) YE Balance	(E) Exclusions *	(F) 100% Transmission Related	(G) PTD Plant Related	(H) Transmission Plant Related	(I) Labor Related	(J) Total Included in Ratebase (E)+(F)+(G)+(H)
Account 282 - Form-1 page 274-275, Ln 2 Col. (k)									
282 Balance to Use in Projection									
1	282.1	2015 Year End Tax Deferrals - Ws C-1	-	-	-	-	-	-	-
2	282.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	0.0000%	0.0000%	100.0000%	
3	282.1	Allocated Total	0	0	0	0	0	0	0
282 Balance to Use in True-Up									
4	282.1	2015 Year End Tax Deferrals - Ws C-1	-	-	-	-	-	-	-
5	282.1	2014 Year End Tax Deferrals - Ws C-2	-	-	-	-	-	-	-
6		Subtotal	-	-	-	-	-	-	-
7		Average Balance	0	0	0	0	0	0	0
8		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
9		Allocated Total	0	0	0	0	0	0	0
Account 283 - Form-1 page 276-277, Ln 9, Col (k)									
283 Balance to Use in Projection									
10	283.1	2015 Year End Tax Deferrals - Ws C-1	1,493	0	1,493	-	-	-	-
11	283.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	0.0000%	0.0000%	100.0000%	
12	283.1	Allocated Total	0	0	1,493	0	0	0	1,493
283 Balance to Use in True-Up									
13	283.1	2015 Year End Tax Deferrals - Ws C-1	1,493	0	1,493	-	-	-	-
14	283.1	2014 Year End Tax Deferrals - Ws C-2	(11)	-	(11)	-	-	-	-
15		Subtotal	1,482	0	1,482	-	-	-	-
16		Average Balance	741	0	741	0	0	0	0
17		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
18		Allocated Total	0	0	741	0	0	0	741
Account 190 - Form-1 page 234, Ln 8, Col. (c)									
190 Balance to Use in Projection									
19	190.1	2015 Year End Tax Deferrals - Ws C-1	23,549	431	4,265	18,853	-	-	-
20	190.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	0.0000%	0.0000%	100.0000%	
21	190.1	Allocated Total	0	0	4,265	0	0	0	4,265
190 Balance to Use in True-Up									
22	190.1	2015 Year End Tax Deferrals - Ws C-1	23,549	431	4,265	18,853	-	-	-
23	190.1	2014 Year End Tax Deferrals - Ws C-2	427	431	(4)	-	-	-	-
24		Subtotal	23,976	862	4,261	18,853	-	-	-
25		Average Balance	11,988	431	2,131	9,427	0	0	0
26		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
27		Allocated Total	0	0	2,131	9,427	0	0	11,557
Account 255 - Form-1 page 266-267									
255 Balance to Use in Projection									
28	255	Acc Defrd ITC - Federal - 12/31/2015 (FF1 p. 267, Ln 2.h)	-						
29	255	Transmission Allocator from Historic TCOS [GP or W/S]				0.0000%			
30	255	Allocated Total		N/A	N/A	0	N/A	N/A	0
255 Balance to Use in True-Up									
31	255	Acc Defrd ITC - Federal - 12/31/2015 (FF1 p. 267, Ln 2.h)	-						
32	255	Acc Defrd ITC - Federal - 12/31/2014 (FF1 p. 266, Ln 2.b)	-						
33		Subtotal	-						
34		Average Balance	0						
35		Transmission Allocator from True-Up TCOS [GP or W/S]				100.0000%			
36		Allocated Total		N/A	N/A	0	N/A	N/A	0

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

Worksheet C-1 - ADIT & ITC Details

**SOUTHWESTERN TRANSMISSION COMPANY
 DETAIL OF DEFERRED INCOME TAX BALANCES
 AS OF DECEMBER 31, 2015**

Account	Line #	Description	Balance	Allocation Basis	Exclusions	Allocation Method			Labor
						100% Transmission	Line Deliberately Left Blank	Line Deliberately Left Blank	
2821		TOTAL ELECTRIC ACCOUNT SUBTOTAL	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
		(absolute value Total Company Amount Ties to FF1 p.275(k) -- Acct 282 Electric)	0						
2831001	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	(28,478)	E	(28,478)				
2831001	014V-DSIT	NOL-STATE C/F-VALUATION ALLOWANCE	28,478	E	28,478				
2831002	911Q-DSIT	DSIT ENTRY - NORMALIZED	1,493	T		1,493			
2831		TOTAL ELECTRIC ACCOUNT SUBTOTAL	<u>1,493</u>		<u>0</u>	<u>1,493</u>	<u>0</u>	<u>0</u>	<u>0</u>
		(absolute value Total Company Amount Ties to FF1 p.277(k) -- Acct 283 Electric)	1,493						
1901001	520A	PROVS POSS REV REFDS-A/L	18,853	PTD			18,853		
1901001	911Q-DSIT	DSIT ENTRY - NORMALIZED	4,265	T		4,265			
1901001	960E	AMT CREDIT - DEFERRED	431	E	431				
1901002	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	81,366	E	81,366				
	014V-DSIT	NOL-STATE C/F-VALUATION ALLOWANCE	(81,366)	E	(81,366)				
1901		TOTAL ELECTRIC ACCOUNT SUBTOTAL	<u>23,549</u>		<u>431</u>	<u>4,265</u>	<u>18,853</u>	<u>0</u>	<u>0</u>
		(Total Company Amount Ties to FF1 p.234(c) -- Electric)	23,549						

Worksheet C-2 - ADIT & ITC Details

SOUTHWESTERN TRANSMISSION COMPANY
 DETAIL OF DEFERRED INCOME TAX BALANCES
 AS OF DECEMBER 31, 2014

Account	Line #	Description	Balance	Allocation Basis	Exclusions	100% Transmission	Allocation Method		Labor
							Line Deliberately Left Blank	Line Deliberately Left Blank	
0		TOTAL ELECTRIC ACCOUNT SUBTOTAL	0						0
		(absolute value Total Company Amount Ties to FF1 p.275(k) -- Acct 282 Electric)	0						0
2831001	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	0	E	0				
2831001	664J	REG ASSET-TRANSCO PRE-FORMATION COSTS	0	E	0				
2831002	911Q-DSIT	DSIT ENTRY - NORMALIZED	(11)	T		(11)			
2831		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(11)		0	(11)	0	0	0
		(absolute value Total Company Amount Ties to FF1 p.277(k) -- Acct 283 Electric)	(11)						
1901001	911Q-DSIT	DSIT ENTRY - NORMALIZED	(4)	T		(4)			
1901001	960E	AMT CREDIT - DEFERRED	431	E	431				
1901001	960Z	NOL - DEFERRED TAX ASSET RECLASS	0	T		0			
1901002	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	0	E	0				
		TOTAL ELECTRIC ACCOUNT SUBTOTAL	427		431	(4)	0	0	0
		(Total Company Amount Ties to FF1 p.234(c) -- Electric)	427						

AEP West SPP Member Companies
 2016 Cost of Service Formula Rate
Worksheet E - IPP Credits
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2015</u>
1	Net Funds from IPP Customers @ 12/31/2014 (2015 FORM 1, P269, (B))	
2	Interest Accrual (company records)	
3	Revenue Credits to Generators (company records)	
4	<u>Other Adjustments (company records)</u>	
5	Accounting Adjustment	-
6		-
7	Net Funds from IPP Customers 12/31/2015 (2015 FORM 1, P269, (F))	-
8	Average Balance for 2015 ((In 1 + In 7) / 2)	-

AEP West SPP Member Companies
 2016 Cost of Service Formula Rate Projected on 2015 FF1 Balances
Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for BPU and Special-billed Projects
 Based on a Carrying Charge Derived from Historic 2015 Data
AEP SOUTHWESTERN 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 TCOS, In 163)			11.20%
Project ROE Incentive Adder (Enter as whole number)		0	basis points
ROE with additional 0 basis point incentive			11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from <i>SWEPSCO</i> Projected TCOS, Ins 148 through 150)			
	<u>%</u>	<u>Cost</u>	<u>Weighted cost</u>
Long Term Debt	50.68%	0.0537	0.0272
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	49.32%	0.1120	0.0552
		R =	0.0825

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR 2016	-	-	\$ -

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

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

Rate Base (Projected TCOS, In 75)	5,758
R (from A. above)	0.0825
Return (Rate Base x R)	475

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

Return (from B. above)	475
Tax Rate (Projected TCOS, In 108)	39.80%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	44.29%
Income Tax Calculation (Return x EIT)	210
ITC Adjustment (Projected TCOS, In 115)	-
Income Taxes	210

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

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)	136,455
Return (Projected TCOS, In 117)	475
Income Taxes (Projected TCOS, In 116)	210
Gross Margin Taxes (Projected TCOS, In 121)	-
Net Revenue Requirement, Less Return and Taxes	135,770

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

Net Revenue Requirement, Less Return and Taxes	135,770
Return (from I.B. above)	475
Income Taxes (from I.C. above)	210
Net Revenue Requirement, with 0 Basis Point ROE increase	136,455
Gross Margin Tax with 0 Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	136,455
Less: Depreciation (Projected TCOS, In 94)	-
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	136,455

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

Net Revenue Requirement before Gross Margin Taxes, with 0 Basis Point ROE increase (II B. above)	136,455
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)	-
Net Revenue Requirement, with 0 Basis Point ROE increase	136,455
FCR with 0 Basis Point increase in ROE	0.00%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	136,455
FCR with 0 Basis Point ROE increase, less Depreciation	0.00%
FCR less Depreciation (Projected TCOS, In 12)	13.01%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	-13.01%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	1,300,777,651	<=From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	1,387,776,696	<=From Input on Worksheet B
Transmission Plant Average Balance for 2015	2,688,554,347	
Annual Depreciation Expense (Projected TCOS, In 94)	1,344,277,173	
Composite Depreciation Rate	31,768,930	
Depreciable Life for Composite Depreciation Rate	2.36%	
Round to nearest whole year	42.31	
	42	

Note 1: Until AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. establishes Transmission plant in service the depreciation expense component of 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 of Worksheet B.

AEP West SPP Member Companies
 2016 Cost of Service Formula Rate Projected on 2015 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 2015 Data
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

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

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 Adder (Enter as whole number)			0 basis points
ROE with additional 0 basis point incentive			11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from SWEPSCO True-Up TCOS, Ins 147 through 149)			
	%	Cost	Weighted cost
Long Term Debt	50.23%	0.0552	0.0277
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	49.77%	0.1120	0.0557
		R =	0.0835

SUMMARY OF TRUED-UP ANNUAL REV. REQ. FOR SPP BPU & NON-BPU PROJECTS			
TRUE-UP YEAR	2015	Rev Require	Incentive Amounts
Σ Prior Year Projected (WS-F)	\$	-	\$ -
Σ Prior Year True-Up (WS-G)	\$	-	\$ -
True-up Adjustment For 2015		-	-

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

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

Rate Base (True-Up TCOS, In 63)	12,361
R (from A. above)	0.0835
Return (Rate Base x R)	1,032

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

Return (from B. above)	1,032
Tax Rate (True-Up TCOS, In 95)	39.80%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	44.16%
Income Tax Calculation (Return x EIT)	456
ITC Adjustment (True-Up TCOS, In 102)	-
Income Taxes	456

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 (True-Up TCOS, In 109)	137,807
Return (True-Up TCOS, In 104)	1,032
Income Taxes (True-Up TCOS, In 103)	456
Gross Margin Taxes (True-Up TCOS, In 108)	-
Net Revenue Requirement, Less Return and Taxes	136,320

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

Net Revenue Requirement, Less Return and Taxes	136,320
Return (from I.B. above)	1,032
Income Taxes (from I.C. above)	456
Net Revenue Requirement, with 0 Basis Point ROE increase	137,807
Gross Margin Tax with Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	137,807
Less: Depreciation (True-Up TCOS, In 82)	-
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	137,807

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

Net Revenue Requirement before Gross Margin Taxes, with 0	137,807
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 (True-Up TCOS, In 39)	0
Net Revenue Requirement, with 0 Basis Point ROE increase	137,807
FCR with 0 Basis Point increase in ROE	275614279.05%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	137,807
FCR with 0 Basis Point ROE increase, less Depreciation	275614279.05%
FCR less Depreciation (True-Up TCOS, In 12)	0.00%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	275614279.05%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	1,300,777,651	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	1,387,776,696	<==From Input on Worksheet B
	2,688,554,347	
Transmission Plant Average Balance for 2015	1,344,277,173	
Annual Depreciation Expense (True-Up TCOS, In 82)	31,768,930	
Composite Depreciation Rate	2.36%	
Depreciable Life for Composite Depreciation Rate	42.31	
Round to nearest whole year	42	

Note 1: Until AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. establishes Transmission plant in service the depreciation expense component of 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 of Worksheet B.

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet H - Revenue Credits for Historic Period
 AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Revenue Credits for

	Total Company	Non- Transmission	Transmission
I. Account 450, Forfeited Discounts		-	-
II. Account 451, Miscellaneous Service Revenues		0	
III. Account 454, Rent from Electric Property			
1 Account 4540001 - Rent from Elect Property-Aff		0	
2 Account 4540002 - Rent from Elect Property - Non-Aff		0	
3 Account 4540003 - Rent from Elect Property - ABD - Aff		0	
4 Account 4540004 - Rent from Elect Property - ABD - Non-Aff		0	
5 Total Rents from Electric Property	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			
V. Total Other Operating Revenues To Reduce Revenue Requirement			0
VI. Account 456.1, Revenues from Transmission of Electricity of Others			143,436
(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			137,754
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 Transmission Credits			\$5,682
VII. Total Worksheet A Revenue Credits			\$5,682

VIII. Data Sources:

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

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 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)	<u>\$0</u>

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.

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet J - Allocation of Specific O&M or A&G Expenses
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

<u>Line Number</u>	<u>(A) FERC Acct No.</u>	<u>(B) Description</u>	<u>(C) 2015 Expense</u>	<u>(D) 100% Non-Transmission</u>	<u>(E) 100% Transmission Specific</u>	<u>(F) Explanation</u>
		<u>Account 928</u>				
1						
2						
3						
4						
5		Total	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
		<u>Account 930.1</u>				
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19		Total	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
		<u>Account 930.2</u>				
20						
21						
22						
23						
24						
25		Total	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	

Cost of Service Formula Rate Using 2015 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 2015

State Income Tax Rate - Louisiana	8.00%	
Apportionment Factor	59.26%	
Effective Louisiana State Income Tax Rate		4.7408%
State Income Tax Rate - Arkansas	6.50%	
Apportionment Factor	40.74%	
Effective Arkansas State Income Tax Rate		2.6483%
State Income Tax Rate - Oklahoma	0.0000%	
Apportionment Factor	0.0000%	
Effective State Income Tax Rate		0.0000%
State Income Tax Rate - Ohio	0.0000%	
Apportionment Factor	0.0000%	
Tax Phase-out Factor	0.0000%	
Effective State Income Tax Rate		0.0000%
State Income Tax Rate - Nebraska	0.0000%	
Apportionment Factor	0.0000%	
Effective Nebraska State Income Tax Rate		0.0000%
Total Effective State Income Tax Rate		7.3891%

II. CALCULATION OF TEXAS GROSS MARGIN TAX

Line #	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX (In 117 of Template)	Projected		Historic		True-Up	
		Total Company	Trans. Only	Total Company	Trans. Only	Total Company	Trans. Only
		139,307	136,455	139,307	136,455	137,859	137,807
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		KW				
11	Total Load		KW				
12	Allocation Percentage (In 10 / In 11)		0.00%				

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet L - Taxes Other than Income
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

HISTORIC PERIOD EXPENSE (2015) - 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	<i>Line Deliberately Left Blank</i>					
13		-				-
14		-				-
15	Miscellaneous Taxes					
16						-
17	Franchise Tax	51			51	
18					-	
19					-	
20					-	
21					-	
22					-	
23					-	
24					-	
25					-	
26					-	
27					-	
28					-	-
29					-	-
30					-	-
31					-	-
32	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	51 51	-	-	51	-

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2015
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(A)	(B)	(C)	(D)	(E)
	<u>Issuance</u>	<u>Principle Amount</u> FF1.p. 257.x (h)	<u>Interest Rate</u>	<u>Annual Expense</u> FF1.p. 257.x (i)	<u>Notes</u>
<u>Long Term Debt (FF1.p. 256-257.h)</u>					
1	<u>Bonds - Acc 221</u>				
2				-	
3				-	
<u>Other Long Term Debt</u>					
4					
5					
6					
7				-	
<u>Senior Notes - Total Account 223</u>					
8					
9				-	
10				-	
11				-	
12				-	
13				-	
14				-	
15				-	
<u>Issuance Discount, Premium, & Expenses:</u>					
16	Amort of Debt Discount and Expenses	FF1.p. 117.63.c		-	
17	Less: Amor of Debt Premiums	FF1.p. 117.65.c		-	
<u>Reacquired Debt:</u>					
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%	-	
<u>Preferred Stock (FF1.p. 250-251)</u>					
		<u>Preferred Balance Outstanding</u>			
21				-	
22				-	
23				-	
24				-	
25				-	
26	Dividends on Preferred Stock		0.00%	-	

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
 AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2014 and 12/31/2015

(A)	(B)	(C)	(D)	(E)
Line		Balances @ 12/31/2015	Balances @ 12/31/2014	Average
Development of Average Balance of Common Equity				
1	Total Proprietary Capital (p. 112.16.c&d)	(831,371)	(710,364)	(770,868)
2	Less Preferred Stock from Ln 46 below	0	0	-
3	Less Account 216.1 (p. 112.12.c&d)	0	0	-
4	Less Account 219.1 (p. 112.15.c&d)	0	0	-
5	Average Balance of Common Equity	(831,371)	(710,364)	(770,868)

Development of Cost of Long Term Debt Based on Average Outstanding Balance

6	Bonds (221) (p. 112.18.c&d)	-	-	-
7	Less: Reacquired Bonds (222) (p. 112.19.c&d)	-	-	-
8	Advances from Assoc. Companies (223) (p.112.20.c&d)	-	-	-
9	Senior Unsecured Notes (224) (p. 112.21.c&d)	-	-	-
10	Total Average Debt	-	-	-
11	Annual Interest Expense for 2015			
12	Coupon Interest on Long Term Debt (256-257.33.i)			-
	Less: Total Hedge Gain/Expense Accumulated from p 256-257, col (i) of FERC Form 1 included in Ln 12 and shown in Ln Development of Cost of Preferred Stock 13 below.			-
14	Amort of Debt Discount & Expense (428) (p. 117.63.c)			-
15	Amort of Loss on Reacquired Debt (428.1) (p. 117.64.c)			-
16	Less: Amort of Premium on Debt (429) (p. 117.65.c)			-
17	Less: Amort of Gain on Reacquired Debt (429.1) (p. 117.66.c)			-
18	Total Interest Expense (Ln 12 - Ln 13 + Ln 14 + Ln 15 - Ln 16 - Ln 17)			-
19	Average Cost of Debt for 2016 (Ln 18/Ln 10)			0.00%

CALCULATION OF HEDGE GAINS/LOSSES TO BE EXCLUDED FROM TCOS

20 AEP SWTCo may not include costs or gains related to interest hedging activities.

	HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)	Total Hedge (Gain)/Loss for 2016	Remaining Unamortized Balance	Amortization Period	
				Beginning	Ending
21				0	0
22				0	0
23				0	0
24				0	0
25				0	0
26				0	0
27				0	0
28				0	0
29				0	0
30	Total Hedge Amortization to be Removed	-			

Development of Cost of Preferred Stock

Preferred Stock			Average
31	0% Series - 0 - Dividend Rate (p. 250-251. 10.a)	0.00%	0.00%
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)	\$ -	\$ -
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%

AEPTCo subsidiaries in SPP
 Cost of Service Formula Rate Using 2015 FF1 Balances
 Calculation of Post-employment Benefits Other than Pensions Expenses Allocable to Transmission Service
 Worksheet O - PBOP Support
 AEP SOUTHWESTERN TRANSMISSION COMPANY

PBOP	(A)	(B)
1	<u>Calculation of PBOP Expenses</u>	
2	<u>AEP TransCo - AEP Service Corp Employees</u>	
3	Total AEP System PBOP expenses	(92,333,868)
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	-\$92,333,868
6	Total AEP System Direct Labor Expense	\$1,314,167,144
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	-\$0.070
8	Currently Approved PBOP Rate	\$0.094
9	Base PBOP TransCo labor expensed in current year	\$33,314
10	Allowable TransCo PBOP Expense for current year (Line 8 * Line 9)	\$3,132
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)	-\$1,586
15	Actual PBOP Expense (Sum Lines 11-14)	-\$1,586
16	PBOP Adjustment Line 10 less Line 15	\$4,718