

October 31, 2017

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First St., N.E.
Washington D.C. 20426

Re: Southwest Power Pool, Inc., Docket No. ER18-____-000
Revisions to Formula Rate of American Electric Power Service Corporation's
Transmission Companies

Dear Secretary Bose:

Southwest Power Pool, Inc. ("SPP"), on behalf of American Electric Power Service Corporation ("AEPSC") and its affiliates, AEP Oklahoma Transmission Company, Inc. ("OK Transco") and AEP Southwestern Transmission Company, Inc. ("SW Transco") (collectively referred to herein as "AEP West Transcos" or "AEP Companies") (AEPSC and the AEP West Transcos are collectively referred to herein as "AEP"), submits for filing proposed revisions to the transmission formula rates and protocols of the AEP West Transcos contained in Addendum 12 to Attachment H of the SPP Open Access Transmission Tariff ("Tariff").¹

Pursuant to the SPP Membership Agreement, SPP Members retain the right to submit changes to rates for transmission service over the Member's transmission facilities, and "[n]o approval from SPP is required for such filings."² AEP has requested that SPP submit the Tariff changes proposed herein under AEP's letterhead with supporting materials supplied by AEP. With this filing, SPP is not independently supporting or justifying the revision proposed by AEP; but rather, as administrator of the Tariff, SPP makes the eTariff filings necessary to incorporate such changes to rates and revenue requirements.³

¹ Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1.

² Southwest Power Pool, Inc., Membership Agreement, First Revised Volume No. 3 at Section 3.10.

³ See *Westar Energy, Inc.*, 122 FERC ¶ 61,268, at P 105 (2008) (requiring SPP to include each transmission owner's rate formula in the Tariff).

The Honorable Kimberly D. Bose

October 31, 2017

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In addition to the individuals designated for service in AEP's filing, SPP requests that all correspondence and communications with respect to this filing be sent to, and SPP requests that the Secretary include on the official service list, the following:⁴

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Respectfully submitted,

/s/ **Matthew Harward**

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**Attorney for
Southwest Power Pool, Inc.**

⁴ Pursuant to Commission Rule 101(e), 18 C.F.R. § 385.101(e), SPP requests waiver of Rule 203(b)(3), 18 C.F.R. § 385.203(b)(3), in order to permit more than two persons to be included on the service list.



American Electric Power
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Columbus, OH 43215
AEP.com

October 31, 2017

Honorable Kimberly D Bose
Secretary
Federal Energy Regulatory Commission
888 First St., N.E.
Washington D.C. 20426

Re: American Electric Power Service Corporation
Docket No. ER18-____-000
Revisions to Formula Rate of American Electric Power Service
Corporation's Transmission Companies

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. Section 824(d), and Section 35.13 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations, American Electric Power Service Corporation ("AEPSC"), on behalf of its affiliates, AEP Oklahoma Transmission Company, Inc. ("OK Transco") and AEP Southwestern Transmission Company, Inc. ("SW Transco") (collectively referred to herein as "AEP West Transcos" or "AEP Companies") (AEPSC and the AEP West Transcos are collectively referred to herein as "AEP") submits for filing proposed revisions to the transmission formula rates and protocols of the AEP West Transcos contained in Attachment H, Addendum 12 of the Southwest Power Pool, Inc. ("SPP") Open Access Transmission Tariff ("SPP Tariff").¹

Through these proposed revisions, AEP seeks to: (1) transition its transmission formula rates from "historic" to "forward looking;" (2) add line items to pro-rate property-related accumulated deferred income tax ("ADIT") in the projected test year, and provide recovery of flow-through and permanent income tax differences of deferred tax liability items, (3) remove non-transmission related securitization from the cost-of-capital calculation, (4) add modifications to appropriately remove directly assignable transmission costs related to generation, such as the Wind Catcher project,² from formula rate calculation; and (5) add other revisions to its protocols and formula rate template to

¹ Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1.

² Information regarding the Wind Catcher project can be located at:
<https://swepco.com/info/projects/WindCatcher/>.

conform to recent Commission guidance and existing SPP Tariff provisions as well as to more consistently align with the AEP West Operating Companies'³ formula rate templates.

In addition to the overall changes to the formula rate protocols necessary to implement a forward-looking rate, AEP also proposes to update its formula rate protocols to reflect those recently accepted by the Commission.

Revised tariff sheets implementing the proposed changes are included in this filing. AEP respectfully requests that the Commission grant waiver of its prior notice requirements as necessary to accept the revised tariff sheets, effective January 1, 2018.

I. Background

AEP's transmission facilities are available on an open access basis under the SPP Tariff. In Docket No. ER10-355, AEP submitted for filing a formula rate and implementation protocols for the AEP pricing zone under Attachment H, Addendum 12 of the SPP Tariff. The Commission accepted AEP's rate filing subject to hearing and settlement judge procedures.⁴ AEP and the intervening parties in Docket No. ER10-355 ultimately settled all issues raised with respect to the formula rate, and the settlement was approved by the Commission on April 21, 2011 ("Settlement").⁵ Attachment H, Addendum 12 contains a formula rate for transmission service over AEP's facilities, which is updated annually.

Pursuant to the formula rate protocols set forth in Attachment H, Addendum 12 of the SPP Tariff, on or before May 25 of each year, AEP is required to recalculate its annual transmission revenue requirements, producing the "Annual Updates" for the upcoming rate year, which AEP then submits as an informational filing with the Commission. Each of the Annual Updates produces transmission revenue requirements used to calculate the Network Integration Transmission Service, Point-to-Point, Base Plan charges, and Scheduling, System Control and Dispatch Service rates under the SPP Tariff for transmission service in the AEP transmission zone. Each of the formula rates relies largely on prior year cost of service data as reported in the FERC Form No. 1 to develop the transmission revenue requirements. Thus, except for an end of year projection of net plant, the current formula rates are "historic looking" in that costs incurred during the previous year serve as a proxy for AEP's cost of providing transmission service during the rate year.

³ The AEP West Operating Companies consist of Southwestern Electric Power Company and Public Service Company of Oklahoma and have approved formula rate templates and protocols under Addendum 4 of Attachment H of the SPP Tariff.

⁴ *American Electric Power Service Corp.*, 130 FERC ¶ 61,075 (2010).

⁵ *American Electric Power Service Corp.*, 135 FERC ¶ 61,066 (2011).

The use of historic data results in a significant recovery lag for transmission costs. For example, under the current formula rate, during the first six months of 2017, AEP's transmission rates were based on its plant balances projected for the end of 2016 and other rate components based upon costs it incurred in 2015. In July 2017, the transmission rate was updated utilizing a projected plant balance for the end of 2017, but the other cost components were based upon calendar year 2016 financial and operational data. Thus, the recovery of costs incurred during the year did not begin for as many as 18 months after they were incurred. Cost recovery for a given rate year are not completed for as long as 30 months. This lag is particularly problematic given that AEP is continuing to make significant investments in its transmission system, yet the transmission revenue requirements and resulting rates do not accurately reflect that investment. To alleviate this problem, and to ensure that transmission rates more accurately reflect the costs of transmission, AEP proposes revisions to Attachments H, Addendum 12 of the SPP Tariff to implement forward-looking formula rates.

In addition to the overall change to convert AEP's formula rates from primarily historic looking to forward looking, AEP proposes other changes to its formula rates that are designed to bring AEP's formula rates in line with recent guidance and address potential future transmission used for generation, such as the AEP West Transcos' affiliates' proposed Wind Catcher project, which includes a long generation tie line.

II. Description and Justification of Proposed Changes

A. Revisions to Effectuate Forward-Looking Rate

Through this filing, AEP proposes revisions to each of its formula rate templates and protocols to transition the currently-effective historic looking formula rate to a forward-looking formula rate. Under the proposed revised formula, AEP will fully project its cost of service for the next calendar year. Each year, AEP proposes to finalize its projection annually by October 31 with rates effective the following January 1. AEP will also calculate a true-up of its annual rates no later than May 25, consistent with its current true-up process. Additionally, the true-up charge or credit will be included, with interest, in the rates effective January 1 of the following year.

The revisions will enable AEP to recover major transmission expenditures closer in time to their incurrence, improving cash flow, income recognition, and enabling AEP's rates to better match its costs of providing transmission service. At the same time, the current and continuing true-up will ensure that customers pay no more and no less than AEP's actual revenue requirement based on data reported in its annual FERC Form No. 1 reports. AEP proposes revisions to its formula rate template and protocols to effectuate these changes.

The Commission has previously accepted revisions to existing formula rates to convert them from historic to forward-looking. As the Commission has explained, "a

forward-looking formula rate, if properly designed and supported . . . is a reasonable means to avoid lag in cost recovery.”⁶ The Commission has also explicitly acknowledged the value of a forward-looking rate where companies are undertaking significant transmission investment. According to the Commission, using forward-looking estimated costs is not a departure from ratemaking practice, and, even if rates may initially increase under a forward-looking approach, “customers will ultimately only pay the cost of service they would have paid on the lagging basis.”⁷

Additionally, other transmission owners in SPP currently have forward-looking formula rates. These transmission owners include: ITC Great Plains, LLC, Oklahoma Gas and Electric Company, and Transource Missouri, LLC. By transitioning to a forward-looking formula rate, AEP’s revenue requirement methodology would be consistent with those of other SPP transmission owners.

To implement this change AEP respectfully requests that FERC accept the revised tariff sheets by December 29, 2017 with an effective date of January 1, 2018 and to grant any waivers necessary to permit this request. AEP has filed an updated projected 2018 transmission revenue requirement and proposes that SPP begin billing the new projected revenues January 1, 2018. The actual tariff and rates would be effective January 1, 2018, and AEP will continue collecting the remainder of the 2016 true-up throughout the 2018 calendar year. For the following rate year, 2019, AEP would file projected 2019 rates by October 31, 2018 to go into effect January 1, 2019. These 2017 true-up with interest will be charged or credited throughout the 2019 rate year. Subsequent rate years would continue on that calendar timeline.

For true-ups that occurred prior to the effective date of the revised tariff sheets (January 1, 2018), AEP will compute its 2017 true-up using the existing formula rate and include that true up in the revised rates that go into effect January 1, 2019.

B. Revisions to Effectuate Tax-Related Changes

1. ADIT Adjustment Calculation

AEP also proposes changes to its formula rates to allow for the inclusion of an ADIT adjustment calculation that is similar to what other utilities have been granted,⁸ and

⁶ *Midwest Indep. Transmission Sys. Operator, Inc.*, 141 FERC ¶ 61,121, at P 77 (2012) (approving forward looking formula rate for Ameren Services Co.).

⁷ *International Transmission Company*, 116 FERC ¶ 61,036, at P 19 (2006) (citing *Boston Edison Co.*, 91 FERC ¶ 61,198 (2000)).

⁸ *See, e.g., Midcontinent Independent System Operator, Inc.*, 153 FERC ¶ 61,371 (2015); *Midcontinent Independent System Operator, Inc.*, 153 FERC ¶ 61,374 (2015); *MidAmerican Energy Co.*, Letter Order, Docket No. ER16-16-000 (Dec. 30, 2015). AEP notes that the Commission recently granted, in part, a petition for declaratory order requesting that the Commission allow single-issue ratemaking to address this issue. *Indicated RTO Transmission*

which are necessary in order to avoid any types of normalization violations which could end up significantly increasing rates in the future. A critical aspect of this proposed change allows for the inclusion of a proration calculation.

These changes are necessary in order to harmonize the current template with the specific computations the Internal Revenue Code requires in connection with projected test years. Specifically these changes are required to enable the correct determination of the maximum amount of ADIT that can be treated as a rate base reduction as it relates to utility property. These computations only apply to property, since only the deferred taxes on property are governed by the Internal Revenue Service (“IRS”) normalization rules. Additionally, the proposed changes would enable these computations to recognize proration, in order to appropriately take into account the timing implications of the projected test year. Without proration, a calculation of deferred taxes would inappropriately result in what could be analogized to flowing-through a pending interest free loan to ratepayers. To prevent this result, the IRS issued a number of Private Letter Rulings (“PLRs”) on this issue in the early 1990’s, and more recently a number of similar PLRs have been issued specifically in connection with formula rate requests where a projected test period was used, as is requested here. The IRS’s recent guidance mirrors the previous PLRs, and is consistent with the proposed changes to the formula rate plan.

The consequences of violating IRS normalization rules would be severe. AEP would no longer be able to claim accelerated depreciation (including bonus depreciation) on tax returns. This would result in a significant loss of cash liquidity resulting from a significant reduction in the amount of ADIT that is recorded on its books. Without this cash liquidity, AEP would have to secure new loans as the ADIT balance unwinds and the current taxes are paid to the government. More importantly, the higher financing costs associated with the new loans combined with the reduction in ADIT (which would result in a much higher rate base) would result in higher electric utility rates for customers. In other words, AEP customers would no longer benefit from the reduced rate base caused by ADIT, resulting in increased revenue requirements and higher rates.

Consistent with recent Commission precedent, the proposed revisions are necessary to comport AEP’s formula rate to recent IRS guidance which, in turn, ensures that AEP can continue to claim accelerated depreciation, which ultimately benefits customers.

2. Flow-Through and Permanent Book/Tax Differences and Excess Deferred Income Taxes

Owners, 161 FERC ¶ 61,018 (2017). While AEP acknowledges that it is presenting changes to its formula rate to allow for inclusion of an ADIT adjustment as part of a package of changes (and, thus, not as a single issue), AEP notes that the petition for declaratory order submitted in that proceeding, Docket No. EL16-63, on April 26, 2016, provides a helpful background concerning the need for the formula rate change related to ADIT.

Additionally, AEP proposes revisions to the formula rate to include a mechanism to allow the recovery of income taxes related to certain flow-through and permanent differences, as well as the recovery of excess deferred income taxes. Flow-Through and Permanent Schedule M's include differences between Book and Tax depreciation related to Allowance for Other Funds Used During Construction ("AOFUDC" or "AFUDC Equity") and Pre-1981 property as well as other permanent differences between book and tax. AOFUDC is a permanent difference between what is capitalized for book vs. tax purposes. Pre-1981 property was not fully normalized between book and tax basis and previous flow-thru benefits were passed thru to customers in rates.

This change is appropriate because both flow-through and permanent book/tax differences and excess deferred income taxes are components of a utility's income tax expense. There is no principled reason to exclude these items from the costs recovered in rates. Both of these items are included and recovered in all base rate case proceedings that the AEP West Transcos currently file in various state jurisdictions.

Currently, the formula rate template does not include a mechanism to allow the recovery of income taxes related to either flow-through and permanent differences or excess deferred income taxes. The proposed changes to the template correct this defect. Inclusion of these items in the template is appropriate, given that these items are no different from the amortization of investment tax credits (which are already included in the formula rate template), or from depreciation and operating expenses recoverable through rates.

In this regard, permanent Schedule M differences merit special mention. Unlike temporary differences (i.e., differences between the treatment of a particular amount on the company's books and the treatment of the same particular amount in the company's income tax return that are temporary in nature, and which, over time, disappear once the same amount is eventually included on the financial statements and tax returns), there are certain items of revenue and expense that are, over time, in fact treated differently for financial reporting purposes than for income tax purposes. These are referred to as permanent differences. Some examples of permanent differences include AFUDC-Equity and the cost of meals and entertainment.

Deferred income taxes are not recorded on permanent differences. In the case of the book depreciation related to AFUDC-Equity that has been capitalized in the property accounts, in the period reported, current income taxes will be adjusted to reflect the non-deductibility of these costs and there will be no deferred income taxes as such amounts will not "ever" be deducted on the tax return.

Of special note, excess deferred income taxes occur as the result of a change in the corporate tax law or tax rates which would increase or decrease the future tax liability of the company. GAAP requires that deferred income tax liabilities be recorded at the

currently enacted regular income tax rate. If it is likely, as a result of action by a regulator, that the future increase or decrease in taxes payable due to the change in tax law or rates will be recovered from or returned to customers, the impact of the rate change is essentially “reserved” on the books to be returned to or recovered from the customers through rates as the temporary book/tax differences reverse.

Flow-through and permanent book/tax differences and excess deferred income taxes are a component of a company’s income tax expense, and therefore are appropriately included and recovered in rates. Accordingly, AEP proposes changes to the formula rate template to provide a mechanism to allow the recovery of income taxes related to flow-through and permanent differences or excess deferred income taxes. Notably, the Commission has accepted revisions to the formula rate templates of other transmission owners to address the recovery of deferred tax liability.⁹

C. Removal of Securitization from Cost-of-Capital Calculation

AEP also proposes changes to its formula rates to allow for the removal of non-transmission related securitization debt and interest expense from the cost-of-capital calculation. This allows for the proper assignment of this debt to the securitized non-formula rate asset it is financing. The Commission has previously accepted the removal of non-transmission related securitization balances from formula rate components.¹⁰

D. Removal of transmission costs related to generation from the Formula Rate Calculation

AEP proposes changes to its formula rates to allow for the removal of certain transmission costs that are considered generation related. For example, certain of the AEP West Transcos’ affiliates are currently developing a 2,000 MW wind farm the Oklahoma panhandle. The project will include an approximately 350-mile dedicated generation tie-line to deliver the power to the Tulsa, Oklahoma area.. The generation tie-line will be considered generation-related and therefore removed from inclusion in the formula rate. The proposed revisions provide a mechanism for excluding such costs if the AEP West Transcos were to pursue a similar development. This is similar in concept to the mechanism in the existing formula rates to remove costs associated with generation step-up transformers (“GSUs”) from the cost of service. GSUs, while recorded to transmission based on FERC’s Uniform System of Accounts, support the generation

⁹ See also *Midcontinent Independent System Operator, Inc.*, 153 FERC ¶ 61,374 (2015); *DATC Midwest Holdings, LLC*, 144 FERC ¶ 61,015 (2013); see also *See Duquesne Light Co.*, Letter Order, Docket No. ER13-1220-000 (Apr. 26, 2013); *PPL Electric Utilities Corp.*, Letter Order, Docket No. ER12-1397-000 (May 23, 2012).

¹⁰ See *PPL Electric Utilities Corporation*, 128 FERC ¶ 61,178 (2009) (order approving uncontested settlement regarding formula rate which included removal of balances related to securitization bonds from total long-term debt).

function. As a result, the costs associated with GSUs are currently removed from the transmission cost of service calculated in the formula rates.

E. Other Conforming Revisions

In addition to updating the formula rate implementation protocols to reflect the transition from historic looking to forward looking, AEP proposes to overhaul the protocols to conform to recent Commission guidance in this area. In particular, the revised protocols are consistent with the Commission's guidance in the Midcontinent Independent System Operator, Inc. ("MISO") formula rate protocols proceedings.¹¹ Consistent with the Commission's instructions to other entities with forward-looking formula rates, the proposed revised protocols satisfy the Commission's concerns with respect to (i) scope of participation in the information exchange process; (ii) the transparency of the information exchange; and (iii) the ability of interested parties to challenge implementation of the formula rate as a result of the information exchange.¹²

Except as modified in this filing, the provisions of the settlement in FERC Docket No. ER10-355 continue to apply to the implementation of the formula rate. AEP has added and edited certain template notes to reflect existing provisions.

AEP also proposes updates to its formula rate template to conform to the SPP Tariff, and redline versions showing the changes are submitted herewith. In addition, because the West Transco's formula rate template is intended to be consistent with the AEP West Operating Companies' template, AEP has made several revisions to the template for consistency. The majority of these changes are not substantive and related to formatting or verbiage. However, there is one substantive change related to the treatment of Post-Employment Benefits other than Pensions ("PBOP"). The AEP West Operating Companies recently modified their formula rate to recover actual PBOP expense through the annual update process, a modification that the Commission accepted.¹³ Consistent with the revision to the formula rate of the AEP West Operating Companies, the West Transcos' template has been modified to recover actual PBOP expense.

¹¹ The implementation protocols of the MISO transmission owners were the subject of a recent investigation by the Commission in Docket No. ER13-2379-000. The proposed revised protocols herein are consistent with the protocols filed by MISO and the MISO transmission owners in that docket as a part of their most recent February 13, 2015 compliance filing, which was accepted via letter order by the Commission on August 21, 2015. *See Midcontinent Indep. Sys. Operator, Inc.*, Letter Order, Docket No. ER13-2379-004 (Aug. 21, 2015) (letter order accepting MISO compliance filing); *see also Midcontinent Indep. Sys. Operator, Inc.*, Compliance Filing Revising Attachment O Formula Rate Protocols, Docket No. ER13-2379-000 (Feb. 13, 2015).

¹² *See, e.g., Empire Dist. Elec. Co.*, 148 FERC ¶ 61,030 at P 6 (2014), *order on compliance filing*, 150 FERC ¶ 61,200 (2015).

¹³ *See Southwest Power Pool, Inc.*, Letter Order, Docket No. ER17-264-000 et al. (Jul. 14, 2017).

F. Projected Transmission Revenue Requirement and Special Review Procedures for Rate Year 2018

As discussed above, AEP is requesting an effective date of January 1, 2018 for its proposed formula rate changes. Thus, AEP has prepared a projection of its transmission revenue requirement for the rate year 2018 (2018 PTRR), which it will implement beginning January 1, 2018. The 2018 PTRR has been provided with this filing. The projection, which includes the projected 2018 costs as well as a return on investment, results in a net revenue requirement of approximately \$119 million. In future years, AEP will arrange for SPP to post on its Open Access Same-Time Information System (“OASIS”) the same information for following years, and will review the information with interested parties as specified in the revised protocols.

AEP is proposing special procedures to review the 2018 PTRR. Because the proposed protocol revisions are not yet in effect, rather than simply posting the 2018 PTRR to SPP’s OASIS, AEP is providing the 2018 PTRR with this filing on an informational basis. In addition, AEP will post the 2018 PTRR to SPP’s OASIS. AEP will hold an open meeting to discuss the 2018 PTRR with interested parties, as it will do under the proposed revisions for subsequent rate years. AEP proposes to implement its now proposed review period beginning on the date of a Commission order accepting the new rate.

III. Effective Date and Waiver Request

AEP seeks an effective date of January 1, 2018 for the proposed revisions to Attachment H, Addendum 12, the same date upon which the new rates would go into effect. AEP respectfully requests that the Commission grant any waivers necessary to permit this request.

IV. Contents of this Filing

This filing consists of the following documents:

- a. This transmittal letter;
- b. Revised Attachment H, Addendum 4 in clean form;¹⁴
- c. Revised Attachment H, Addendum 4 in redlined form; and
- d. Exhibit No. AEP-1: Populated version of the revised formula rate template in excel format with formulas intact.¹⁵

¹⁴ Given the substantial revisions to the protocols contained in Attachment H, Addendum 4, AEP does not believe a version redlined against the existing protocols would be meaningful. Consequently, to the extent necessary, AEP requests for waiver of the requirement to submit a redlined version of that document.

Pursuant to Section 35.7 of the Commission's regulations, the contents of this filing are being submitted as part of an XML filing package that conforms to the Commission's eTariff instructions.

V. Additional 35.13 Filing Requirements and Requests for Waivers

This filing is primarily intended to change the timing of the recovery of AEP's transmission costs and to conform AEP's formula rates to current guidance regarding treatment of tax assets and to existing provisions of the SPP Tariff. Consequently, to the extent necessary, AEP seeks waiver of the cost support information required by 18 C.F.R. §§ 35.13(b) and 35.13(c). However, AEP provides the following general information addressed by the Commission's rules.

A. A list of documents submitted with the filing:

See Section IV.

B. The date on which the utility proposes to make the rate change effective:

AEP requests that the revised tariff provisions become effective January 1, 2018, with the rates going into effect January 1, 2018.

C. The names and addresses of persons to whom a copy of the rate change has been posted:

SPP has electronically served a copy of this filing on all its Members, Transmission Customers, and Market Participants. A complete copy of this filing will be posted on the SPP web site, www.spp.org, and is also being served on all affected state commissions.

Additionally, copies of this filing are also being made available on AEP's website at: <http://www.aep.com/about/codeofconduct/OASIS/TariffFilings/>

D. A brief description of the rate change:

See Section II.

E. A statement of the reasons for the rate change:

¹⁵ Upon submittal of this filing, SPP will also make available the working formula rate template on the Member Related Postings section of SPP's website at the following link:
<http://sppoasis.spp.org/documents/SWPP/MemberRelatedPostings/MemberRelatedPostings.asp>.

See Sections I and II.

F. A showing that all requisite agreement to the rate change, or to the filing of the rate change, including any agreement required by contract, has in fact been obtained:

No agreement to the rate change, or to the filing of the rate change, is required.

G. A statement showing any expenses or costs that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices:

No such expenses or costs exist.

VI. Correspondence

Correspondence relating to this filing should be addressed to:

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VII. Conclusion

Wherefore, AEP respectfully requests that the Commission accept these revised tariff sheets, effective January 1, 2018 and grant any applicable waivers.

Respectfully submitted,

/s/ Amanda Riggs Conner

Amanda Riggs Conner
Senior Counsel
American Electric Power Service
Corporation

Addendum 12 to Attachment H –Part 1

AEP West SPP Member Transmission Companies
 Calculation of Actual/ Projected Zonal Rate For Schedule 9
 For the 2XXX Rate Year

SPP Zone 1 Actual/Projected AEP Transco Revenue Requirements

Line No.			AEP Annual Revenue Requirement	=	OKT Annual Revenue Requirement	+	SWP Annual Revenue Requirement
A.	<u>Network Service</u>						
1	RATE YEAR REVENUE REQUIREMENT (w/o incentives)	(TCOS Line 1)	-				\$0
2	LESS: REVENUE CREDITS	(TCOS Line 2)	-				\$0
3	NETWORK CUSTOMER OWNED FACILITY CREDITS	(TCOS Line 3)	-				\$0
4	RATE YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(TCOS Line 4)	\$0		\$0		\$0
5	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:		-				
6	BASE PLAN UPGRADES (W/O INCENTIVES)	(TCOS Line 5)	-				
7	REQUESTED	(Worksheet					

	UPGRADES (W/O INCENTIVES)	F/G)	-		
8	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet F/G)			
9	SUBTOTAL		-		
10	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 4- Line 9)			
11	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(TCOS Line 13)			
12	RATE YEAR ZONAL ATRR (W/ INCENTIVES)	(Ln 10 + Ln 11)			
13	Actual/Projected Rate Year AEP West Zone Average 12-Mo. Peak Demand, MW	(Load WS, ln 33)	-	MW	
14	Monthly NITS Rate in \$/MW - Month	(Line 12 / Line 13) / 12	#DIV/0!	#DIV/0!	#DIV/0!

AEP West SPP Members Transmission Companies
Utilizing FERC Form 1 Data
For rates effective January 1, 2XXX

SPP SCHEDULE 1 AEP Transco Revenue Requirements

Line No.		AEP Annual Revenue Requirement	OKT Annual Revenue Requirement	SWT Annual Revenue Requirement
A. <u>Schedule 1 ARR For 2XXX Rate Year</u>				
1	Total Load Dispatch & Scheduling (Account 561) (TCOS Line 65)			
2	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)			
3	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)			
4	Total 561 Internally Developed Costs	(Line 1 - Line 2 - Line 3)		
5	Less: PTP Service Credit (prior year Sched 1 revenue from PTP transactions)			
6	ZONAL ARR FOR RATE YEAR	(Line 4 - Line 5)		
B. <u>Schedule 1 2XXX Rate Year Calculations</u>				
7	Rate Year AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, ln 20)	MW	

8	Annual Point-to-Point Rate in \$/MW - Year	(Line 6 / Line 7)
9	Monthly Point-to-Point Rate (ln 8 / 12) \$/MW - Month	(Line 8 / 12)
10	Weekly Point-to-Point Rate (ln 8 / 52) \$/MW - Weekly	(Line 8 / 52)
11	Daily Off-Peak Point-to-Point Rate (ln 8 / 365) \$/MW - Day	(Line 8 / 365)
12	Hourly Off-Peak Point-to- Point Rate (ln 8 / 8760) \$/MW - Hour	(Line 8 / 8760)

AEP West SPP Member Transmission Companies
 Calculation of Schedule 11 Revenue Requirements For AEP Transmission Projects
 For the 2XXX Rate Year

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

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)	(H)	(I)	(J)	(K) =	(L)	(M)	(N) =	(O)	(P) =	(Q) =
						=				(I) -			(L) -		(H) +	(G) +
						(E)				(J)			(M)		(K) +	(P)
						+(F)									(N) +	
															(O)	

**Projected ARR
 For Projected
 Year From WS-F**

**True-Up ARR From Worksheet G (includes adjustment for SPP
 Collections)**

							Base ARR										
<u>Sheet</u>	<u>Order</u>	<u>Project</u>	<u>Year in</u>	<u>Base</u>	<u>Incentive</u>	<u>Total</u>	<u>TRUE-UP</u>	<u>Projected</u>	<u>As Billed</u>	<u>COL LEC</u>	<u>True-up</u>	<u>As Billed</u>	<u>Change</u>	<u>INT ERE</u>	<u>Total</u>	<u>ADJUSTED</u>	<u>Revenue</u>
<u>Number</u>	<u>Number</u>	<u>Description</u>	<u>Service</u>	<u>ARR</u>	<u>Rate</u>	<u>(WS-F)</u>	<u>Adjustment (WS-G)</u>	<u>Adjustment</u>	<u>by SPP</u>	<u>Adjustment</u>	<u>up</u>	<u>Bill</u>	<u>ge</u>	<u>ST</u>	<u>Adjustments</u>	<u>Reven</u>	<u>Requirement</u>
<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>
<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>	<u>2XXX</u>

**Total
ADJUSTED
Revenue
Requirement
Effective
January 1,
&
2XXX**

Total

- - - - -

*<100K Investment

AEP West SPP Member Transmission Companies
 Network Load for January Through December, YYYY
 Based on West Zone-SPP Monthly Transmission System Firm Peak Demands for the Twelve Months Ended December 31, YYYY

Combined Load Worksheet

Unless noted (e.g., PSO), the loads reported on lines 1 through 20 are the customer's schedule 9 and 11 load.

Line	SPP Load Responsibility	January	February	March	April	May	June	July	August	September	October	November	December	12 Month Average MW		
		Peak Day	Day	Day	Day	Day	Day	Day	Day	Day	Day	Day	Day			
		Peak Hour	Hour	Hour	Hour	Hour	Hour	Hour	Hour	Hour	Hour	Hour	Hour			
1	PSO (2)													-	#DIV/0!	0
2	SWEPCO excl Valley (2)													-	#DIV/0!	0
3	AECC (3)													-	#DIV/0!	0
4	AECC-MISO													-	#DIV/0!	0
5	WFEC (3)													-	#DIV/0!	0
6	OMPA (3)													-	#DIV/0!	0
7	OG&E - ATOKA (3)													-	#DIV/0!	0
8	OG&E _ COALGATE (3)													-	#DIV/0!	0
9	OG&E - TALL BEAR (3)													-	#DIV/0!	0
10	ETEC (3)													-	#DIV/0!	0
11	GREENBELT (3)													-	#DIV/0!	0
12	LIGHTHOUSE (3)													-	#DIV/0!	0
13	BENTONVILLE, AR (3)													-	#DIV/0!	0
14	PRESCOTT, AR (3)													-	#DIV/0!	0
15	MINDEN, LA (3)													-	#DIV/0!	0
16	HOPE, AR (3)													-	#DIV/0!	0
17	COFFEYVILLE, KS (3)													-	#DIV/0!	0
18	SWEPCO - VALLEY													-	#DIV/0!	0
19																
20	System Firm Peak Demands													0.000	Sched - 9 12CP	0

Supporting Data

21	PSO:	PSO Native Load (2) (4)														
22		KAMO														
23		GRDA load on PSO no longer used as of Dec 2015 (5)														
24		PSO E&W portion allocated to WFEC zone														
25		100% PSO E&W included in PSO native load														
26		Allen Holdenville														
27		PSO OATT Load Responsibility	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
28	SWEPCO:	SWEPCO Native Load (2)(5)														
29		Dolet Hills Aux. Load (not self-generated)														
30		Less: VALLEY														
31																
32		SWEPCO OATT Load Responsibility	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
33		TOTAL AEP Affiliate Schedule 11 Load														
														pr yr	Sched - 11 12CP	0
AEP Schedule 11 Worksheet																
34		PSO OATT Sched 9 load, Ln 1	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
35		less GRDA load on PSO Jan-Nov(b) 2015 no longer used	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
36		WFEC load already subtracted from PSO schedule 9 load line 1	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
37		Subtotal PSO Schedule 11 load	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
38		SWEPCO Sched 11 load, Ln 2	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
39		TOTAL AEP Affiliate Schedule 11 Load	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
40		TOTAL AEP ZONAL SCHEDULE 11	0	0	0	0	0	0	0	0	0	0	0	0	0.000	

NOTES

:

- (1) Amounts are 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) PSO Native load includes PSO load on GRDA
- (5) SWEPCO Native Load includes Valley

AEP West SPP Member Companies
Transmission Cost of Service Formula Rate
Utilizing Actual / Projected Cost Data for the 2XXX Rate Year

Line No.	Company Name	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives) (In 115)	Total
2	REVENUE CREDITS (Note A) (Worksheet H)	Allocator DA 1.00000
3	Network Customer Owned Facility Credits (Worksheet B)	
4	REVENUE REQUIREMENT For All Company Facilities (In 1 less In 2 plus In 3)	

MEMO: The Carrying Charge Calculations on lines 7 to 12 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 5 is included in the total on line 4.

5	Trued-Up / Projected Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet F/G)	DA 1.00000
6	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)	
7	Annual Rate (In 1/ Ln 37 x 100%)	
8	Monthly Rate (In 7 / 12)	
9	NET PLANT CARRYING CHARGE ON LINE 7 , W/O DEPRECIATION (w/o incentives) (Note B)	
10	Annual Rate ((In 1 - In 84) / In 37 x 100%)	

11 NET PLANT CARRYING CHARGE ON LINE 9, W/O
INCOME TAXES, RETURN (Note B)

12 Annual Rate $((\text{Ln } 1 - \text{Ln } 84 - \text{Ln } 109 - \text{Ln } 110) / \text{Ln } 37 \times 100\%)$

13 ADDITIONAL REVENUE REQUIREMENT for projects
w/ incentive ROE's (Note C) (Worksheet F/G)

AEP West SPP Member Transmission Companies
Transmission Cost of Service Formula Rate
Utilizing Actual / Projected Cost Data for the 2XXX Rate Year

		COMPANY NAME			
	(1)	(2)	(3)	(4)	(5)
	<u>RATE BASE CALCULATION</u>	<u>Data Sources (See "General Notes")</u>	<u>TO Total NOTE D</u>	<u>Allocator</u>	<u>Total Transmission</u>
Line No.	GROSS PLANT IN SERVICE				
14	Production	(Worksheet A In 3.E)		NA	0.00000
15	Less: Production ARO (Enter Negative)	(Worksheet A In 6.E)		NA	0.00000
16	Transmission	(Worksheet A In 9.E & Ln 119)		DA	
17	Less: Transmission ARO (Enter Negative)	(Worksheet A In 12.E)		TP	0.00000
18	Distribution`	(Worksheet A In 13.E)		NA	0.00000
19	Less: Distribution ARO (Enter Negative)	(Worksheet A In 14.E)		NA	0.00000
20	General Plant	(Worksheet A In 15.E)		W/S	0.00000
21	Less: General Plant ARO (Enter Negative)	(Worksheet A In 16.E)		W/S	0.00000
22	Intangible Plant	(Worksheet A In 17.E)		W/S	0.00000
23	TOTAL GROSS PLANT	(sum lns 14 to 22)		GP=	0.00000
				GTD=	-
24	ACCUMULATED DEPRECIATION AND				

AMORTIZATION				
25	Production	(Worksheet A In 22.E)	NA	0.00000
26	Less: Production ARO (Enter Negative)	(Worksheet A In 25.E)	NA	0.00000
27	Transmission	(Worksheet A In 28.E & 47.E)	TP1=	0.00000
28	Less: Transmission ARO (Enter Negative)	(Worksheet A In 31.E)	TP1=	0.00000
29	Distribution	(Worksheet A In 32.E)	NA	0.00000
30	Less: Distribution ARO (Enter Negative)	(Worksheet A In 33.E)	NA	0.00000
31	General Plant	(Worksheet A In 34.E)	W/S	0.00000
32	Less: General Plant ARO (Enter Negative)	(Worksheet A In 35.E)	W/S	0.00000
33	Intangible Plant	(Worksheet A In 36.E)	W/S	0.00000
34	TOTAL ACCUMULATED DEPRECIATION	(sum lns 25 to 33)		
35	NET PLANT IN SERVICE			
36	Production	(ln 14 + ln 15 - ln 25 - ln 26)		
37	Transmission	(ln 16 + ln 17 - ln 27 - ln 28)		
38	Distribution	(ln 18 + ln 19 - ln 29 - ln 30)		
39	General Plant	(ln 20 + ln 21 - ln 31 - ln 32)		
40	Intangible Plant	(ln 22 - ln 33)		
41	TOTAL NET PLANT IN SERVICE	(sum lns 36 to 40)	<hr/> NP=	0.00000 <hr/>
42	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)		
43	Account No. 281.1 (enter negative)	272-273.8.k	NA	
44	Account No. 282.1 (enter negative)	(Worksheet C, ln 4	DA	

C & ln 8 J)

45	Account No. 283.1 (enter negative)	(Worksheet C, ln 12 C & ln 14 J)	DA	
46	Account No. 190.1	(Worksheet C, ln 18 C & ln 22 J)	DA	
47	Account No. 255 (enter negative)	(Worksheet C, ln 26 C & ln 28 J)	DA	
48	TOTAL ADJUSTMENTS	(sum lns 43 to 47)		
49	PLANT HELD FOR FUTURE USE	(Worksheet A ln 48.E & 49.E)	DA	
50	REGULATORY ASSETS	(Worksheet A ln 55.E)	DA	
51	WORKING CAPITAL	(Note F)		
52	Cash Working Capital	(1/8 * ln 68) (Note G)		
53	Transmission Materials & Supplies	(Worksheet D, ln 3 F)	TP	0.00000
54	A&G Materials & Supplies	(Worksheet D, ln 4 F)	W/S	0.00000
55	Stores Expense	(Worksheet D, ln 5 F)	GP	0.00000
56	Prepayments (Account 165) - Labor Allocated	(Worksheet D, ln 8 G)	W/S	0.00000
57	Prepayments (Account 165) - Gross Plant	(Worksheet D, ln 8 F)	GP	0.00000
58	Prepayments (Account 165) - Transmission Only	(Worksheet D, ln 8 E)	DA	1.00000
59	Prepayments (Account 165) - Unallocable	(Worksheet D, ln 8 D)	NA	0.00000
60	TOTAL WORKING CAPITAL	(sum lns 52 to 59)		
61	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, ln 8 B)	DA	
62	RATE BASE (sum lns 41, 48, 49, 60, 61)			1.00000

AEP West SPP Member Transmission Companies
Transmission Cost of Service Formula Rate
Utilizing Actual / Projected Cost Data for the 2XXX Rate Year

COMPANY NAME

	(1)	(3)	(4)	(5)	
	EXPENSE, TAXES, RETURN & REVENUE	Data Source			Tot al
	<u>REQUIREMENTS CALCULATION</u>	<u>(See "General"</u>	<u>TO Total</u>	<u>Allocator</u>	<u>Transm ission</u>
Line					
<u>No.</u>	OPERATION & MAINTENANCE EXPENSE				
63	Transmission	321.112.b			
64	Less: Transmission Serving Generation	(Note U) Company Records			
65	Less: Total Account 561	(Note I) 321.84-92.b			
66	Less: Account 565	(Note J) 321.96.b			
67	Plus: Includable 561 and 565 Expenses	Worksheet I In 10			
68	Total O&M Allocable to Transmission	(Ins 63 - 64- 65 - 66 + 67)	-	0.000 00	-
69	Administrative and General	323.197.b (Note K, M)			
70	Less: Acct. 924, Property Insurance	323.185.b			
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			
74	Balance of A & G	(In 69 - sum In 70 to In 73)	-	0.000 00	-
75	Plus: Acct. 924, Property Insurance	(In 70)	-	0.000 00	-
76	Acct. 928 - Transmission Specific	Worksheet J In 16.(E)	-	0.000 00	-
77	Acct 930.1 - Only safety related ads -Direct	(Note L) Worksheet J In 22.(E)	-	0.000 00	-
78	Acct 930.2 - Misc Gen. Exp. - Trans	(Note L) Worksheet J In 28.(E)	-	0.000 00	-
79	A & G Subtotal	(sum Ins 74 to 78)	-	1.000 00	-
80	TOTAL O & M EXPENSE	(In 68 + In 79)	-	0.000 00	-
81	DEPRECIATION AND AMORTIZATION EXPENSE				
82	Transmission	336.7.b			
83	Less: Transmission Serving Generation	(Note U) Company Records			
84	Includable Transmission	(In 82 - In 83)	-	0.000 00	-

85	General	336.10.b		0.000	-
86	Intangible	336.1.d		00	
87	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 84 to 86)	-	0.000	-
				00	
88	TAXES OTHER THAN INCOME	(Note N)			
89	Labor Related				
90	Payroll	Worksheet L, Col. D	-	0.000	-
91	Plant Related			00	
92	Property	Worksheet L, Col. C	-	0.000	-
93	Non-Allocable Taxes, incl. Transmission Serving Gen.	Worksheet L, Col. F	-	00	
94	Other	Worksheet L, Col. E	-	0.000	-
95	TOTAL OTHER TAXES	(sum Ins 90 to 94)	-	00	-
96	INCOME TAXES	(Note O)			
97	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		35.00%		
98	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		0.00%		
99	where WCLTD=(ln 139) and WACC = (ln 142)				
100	and FIT, SIT & p are as given in Note O.				
101	$GRCF=1 / (1 - T) =$ (from ln 97)		1.5385		
102	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)			
103	Excess / (Deficit) Deferred Income Tax	Company Records (Note O)			
104	Tax Effect of Permanent and Flow Through Differences	Company Records (Note O)			
105	Income Tax Prior to Adjustments	(ln 98 * ln 110)	-		-
106	ITC adjustment	(ln 101 * ln 102)	-	0.000	-
107	Excess / (Deficit) Deferred Income Tax	(ln 101 * ln 103)	-	00	-
108	Tax Effect of Permanent and Flow Through Differences	(ln 101 * ln 104)	-		-
109	TOTAL INCOME TAXES	(sum Ins 105 to 108)	-		-
110	RETURN ON RATE BASE (Rate Base*WACC)	(ln 62 * ln 142) or ln 62 * ln 155) (Note T)	-		-
111	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		-	1.000	-
				00	
112	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX				
113	(sum Ins 80, 87, 95, 109, 110, 111)				
114	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-		-

115 REVENUE REQUIREMENT INCL GROSS MARGIN TAX

(ln 112 + 114)

AEP West SPP Member Transmission Companies
Transmission Cost of Service Formula Rate
Utilizing Actual / Projected Cost Data for the 2XXX Rate Year

COMPANY NAME

SUPPORTING CALCULATIONS

	In			
No.		TRANSMISSION PLANT INCLUDED IN SPP TARIFF		
116		Total transmission plant (In 16)	-	
117		Less transmission plant excluded from SPP Tariff (Worksheet A, In 42 Col. (E)) (Note Q)	-	
118		Less transmission plant included in OATT Ancillary Services (Worksheet A, In 39, Col. (E)) (Note R)	-	
119		Transmission plant included in SPP Tariff (In 116 - In 117 - In 118)	-	
120		Percent of transmission plant in SPP Tariff (In 119 / In 116)	T P =	0.00000
121		WAGES & SALARY ALLOCATOR (W/S) (Note S)	Payroll Billed from AEP Service Corp.	Total
122		Production 354.20.b		0.0 N 000
123		Transmission 354.21.b		- A 0 T 0.0 P 000

SOUTHWESTERN

143WEIGHTED AVERAGE

144Long Term Interest Long Term Interest (SWEPCO FR Worksheet M, In. 21, col. (E))
 145Preferred Dividends Preferred Stock Dividends (SWEPCO FR Worksheet M, In. 44, col. (E))
 146Development of Common
 147Proprietary Capital (SWEPCO Worksheet M, In. 1, col. (E))
 148Less Preferred Stock (In (SWEPCO Worksheet M, In. 2, col. (E))
 149Less Account 216.1 (SWEPCO Worksheet M, In. 3, col. (E))
 150Less Account 219 (SWEPCO Worksheet M, In. 4, col. (E))
 151Common Stock (In 147 - In 148 - In 149 - In 150)

\$

Average

	Rate Year Average Balances	<u>Capital</u> <u>Percen</u>	Cost (Note)	<u>Weighted</u>
152Avg Long Term Debt (SWE		0.00%	0.00%	0.0000
153Avg Preferred Stock (SWE		0.00%	0.00%	0.0000
154Avg Common Stock (In		0.00%	11.20%	0.0000
155 Total (sum Ins 152 to 154)			-	

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

COMPANY NAME

Letter

Notes

General Note: True Up References to data from FERC Form 1 are indicated as: page#.line#.col.#. Rate Year Projections from Company forecasts.

- 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 H 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 trued-up revenue requirement for each project, based on an FCR rate calculated from inputs on this TCOS. Line 13 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 and depreciation expense are reduced by the removal of amounts 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 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 111.
- I Line 65 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 or allocable to transmission service. Worksheet J 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 H.
- M Recoverable PBOP expense is based on actual annual PBOP costs, including charges from the AEP Service Corporation. The PBOP amounts are included in the Administrative and General total, and are based on current year expenses. The annual actuarial valuation report supporting the derivation of the PBOP expense, along with an explanation of PBOP derivation process, is submitted during the formula rate annual update.

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 97) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.

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

Excess / (Deficit) Deferred Income Taxes will be amortized over the average remaining life of the assets to which it relates, unless the Commission requires a different amortization period. The Tax Effect of Permanent Differences captures the differences in the income taxes due under the Federal and State tax calculations that are not the result of a timing difference, including but not limited to depreciation related to capitalized AFUDC equity and meals and entertainment deductions. The Tax effect of Flow-Through differences captures current tax expense related to timing differences on items for which tax deductions were used to reduce customer rates through the use of flow-through accounting in a prior period.

P The Texas Gross Margin tax is calculated on the Texas allocated revenue of the Company, reduced by a cost of goods sold deduction 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 other than Transmission Serving Generation which is removed at Worksheet A. See Note U.

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 Long Term Debt cost rate = long-term interest (ln 130) / long term debt (ln 139). Preferred Stock cost rate = preferred dividends (ln 131) / preferred outstanding (ln 140).
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.
The Capital Structure of AEP Southwestern Transmission Co. will be based on the Capital Structure of SWEPCO until it establishes a stand alone capital structure. AEP Oklahoma Transmission Company uses its own capital structure.
The amount of eligible hedging gains or losses included in total interest expense is limited to five basis points of the capital structure. Details and calculations

of the weighted average cost of capital are shown on Worksheet M. Eligible Hedging Gains and Losses are computed on Worksheet M. The unamortized balance of eligible hedge gains/losses and related ADIT amounts shall not flow through the formula rate.

U Costs specifically incurred to build, operate, maintain, or depreciate assets which are dedicated to the interconnection of individual generation resources to the SPP transmission network, including generation tie-lines, are deemed to be production-related will be removed from the transmission cost of service. Such costs, referred to herein as Transmission Serving Generation, will be reported in the FERC Form 1 in Transmission functional accounts, and thus adjustments are needed to remove those costs from line items which include them.

Addendum 12 to Attachment H – Part 2

AEP West SPP Member Transmission Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet A - Detailed Plant and Accumulated Depreciation Balances
COMPANY NAME

<u>Line</u> <u>Number</u> <u>I</u>	(A) <u>Rate Base Item & Supporting Balance</u>	(B) <u>Source of Data</u>	(C) <u>Balances @</u> <u>12/31/2XXX</u>	(D) <u>Balances</u> <u>12/31/2XXX-1</u>	(E) <u>Average</u> <u>Balance for</u> <u>2XXX</u>
--	---	------------------------------	---	---	--

Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.

See Note U at the TCOS worksheet for a description of Transmission Serving Generation.

Plant Investment Balances

1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 46			-
2	Add: Transmission Serving Generation	Company Records			-
3	Formula Production Plant In Service		0	0	-
4	Production Asset Retirement Obligation (ARO)	FF1, page 205&204, Col.(g)&(b), lns 15,24,34,44			-
5	Add: Transmission Serving Generation ARO	Company Records			-
6	Formula Production ARO		0	0	-
7	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58			-
8	Less: Transmission Serving Generation	Company Records			-

				-
9	Formula Transmission Plant In Service		0	0 -
10	Transmission Asset Retirement Obligation (Acct. 359.1)	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57		-
11	Less: Transmission Serving Generation ARO	Company Records		-
12	Formula Transmission ARO		0	0 -
13	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 75		-
14	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 74		-
15	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99		-
16	General Asset Retirement Obligation (Acct. 399.1)	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98		-
17	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5		-
18	Total Property Investment Balance	(Sum of Lines: 3, 9, 13, 15, 17)	-	- -
19	Total ARO Balance (included in total on line 18)	(Sum of Lines: 6, 12, 14, 16)	-	- -
<u>Accumulated Depreciation & Amortization Balances</u>				
20	Production Accumulated Depreciation	FF1, page 219, Ins 20-24, Col. (b)		-
21	Add: Transmission Serving Generation	Company Records		-
22	Formula Production Plant In Service		0	0 -
23	Production ARO Accumulated Depreciation (included in total on line 20)	Company Records - Note 1		-

24	Add: Transmission Serving Generation ARO	Company Records		-
25	Formula Production ARO		0	0 -
26	Transmission Accumulated Depreciation	FF1, page 219, ln 25, Col. (b)		-
27	Less: Transmission Serving Generation	Company Records		-
28	Formula Transmission Plant In Service		0	0 -
29	Transmission ARO Accumulated Depreciation (included in total on line 26)	Company Records - Note 1		-
30	Less: Transmission Serving Generation ARO	Company Records		-
31	Formula Transmission ARO		0	0 -
32	Distribution Accumulated Depreciation	FF1, page 219, ln 26, Col. (b)		-
33	Distribution ARO Accumulated Depreciation (included in total on line 32)	Company Records - Note 1		-
34	General Accumulated Depreciation	FF1, page 219, ln 28, Col. (b)		-
35	General ARO Accumulated Depreciation (included in total on line 34)	Company Records - Note 1		-
36	Intangible Accumulated Amortization	FF1, page 200, ln 21, Col. (b)		-
37	Total Accumulated Depreciation or Amortization	(Sum of Lines: 22, 28, 32, 34, 36) FF1, page 200, ln 22, Col (b)	-	- -
38	Total ARO Balance (included in total on line 37)	(Sum of Lines: 25, 31, 33, 35)	-	- -

Generation Step-Up Units

39	GSU Investment Amount (included in total on line 7)	Company Records - Note 1			-
40	GSU Accumulated Depreciation (Included in total on line 26)	Company Records - Note 1			-
41	GSU Net Balance	(Line 39 - Line 40)	-	-	-
<u>Transmission Plant Excluded from SPP Tariff (see TCOS Note Q)</u>					
42	Excluded Facilities Investment Amount	Company Records - Note 1			-
43	Excluded Facilities Accumulated Depreciation	Company Records - Note 1			-
44	Excluded Facilities Net Balance	(Line 42 - Line 43)	-	-	-
<u>Transmission Accumulated Depreciation Net of GSU/Excluded Facilities Accumulated Depreciation</u>					
45	Transmission Accumulated Depreciation	(Line 28 Above)	-	-	-
46	Less: GSU & Excl Facilities Acc Dep	(Line 40 + Line 43 Above)	-	-	-
47	Subtotal of Transmission Accumulated Depreciation Net of GSU/Excluded Facilities	(Line 45 - Line 46)	-	-	-
<u>Plant Held For Future Use</u>					
48	<u>Plant Held For Future Use</u>	FF1, page 214, ln 47, Col. (d)			-
49	<u>Transmission Plant Held For Future Use (Included in total on line 48)</u>	Company Records - Note 1			-

NOTE 1 On this worksheet, "Company Records" refers to AEP's property accounting ledger.

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 FERC.

50					-
51					-
52					-
53					-
54					-
<hr/>					
55	Total Regulatory Deferrals Included in Ratebase				-

AEP West SPP Member Transmission Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet B - Third Party Facility Credits

COMPANY NAME

Line No.	Source	Amount
1	Facility Credits under the SPP OATT	-

Note: Under Section 30.9 of the SPP OATT, a network customer that owns existing transmission facilities that are integrated with the Transmission Provider's Transmission System may be eligible to receive consideration either through a billing credit or some other mechanism. Calculation of any credit under this subsection, pursuant to approval by FERC for inclusion in this formula rate for collection on behalf of the network customer, shall be addressed in either the Network Customer's Service Agreement or any other agreement between the parties.

AEP West SPP Member Transmission Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet C - ADIT and ADITC Balances

COMPANY NAME

Line No.	(A) <u>Acc. No.</u>	(B) <u>Description</u>	(C) <u>YE Balance</u>	(E) <u>Exclusions</u> *	(F) <u>100% Transmission Related</u>	(G) <u>PTD Plant Related</u>	(H) <u>Transmission & Distribution Plant Related</u>	(I) <u>Labor Related</u>	(J) <u>Total Included in Rate base (E)+(F)+(G)+(H)</u>
<u>Account 282 - Form-1 page 274.2.b and 275.2.k</u>									
1	282.1	2XXX Year End Tax Deferrals - WS C-1	-	-	-	-	-	-	
2	282.1	2XXX-1 Year End Tax Deferrals - WS C-2	-	-	-	-	-	-	
3		Subtotal	-	-	-	-	-	-	
4		Average Balance before Proration	0	0	0	0	0	0	
5		Proration Adjustment - WS C-3	<u>0</u>						
6		Prorated Average balance	0	0	0	0	0	0	
7		Transmission Allocator from TCOS		<u>0.0000%</u>	<u>100.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>	0.0000%	
8		Allocated Total		0	0	0	0	0	0

Account 283 - Form-1
page 276.9.b and 277.9.k

9 283.1 2XXX Year End Tax
Deferrals - Ws C-1
10 283.1 2XXX-1 Year End Tax
Deferrals - Ws C-2

11 **Subtotal**
12 **Average Balance**
13 **Transmission Allocator**
from True-Up TCOS
14 **Allocated Total**

Account 190 - Form-1
page 234, Ln 8, Col. (b)
& (c)

15 190.1 2XXX Year End Tax
Deferrals - Ws C-1
16 190.1 2XXX-1 Year End Tax
Deferrals - Ws C-2

17 **Subtotal**
18 **Average Balance before**
Proration
19 **Proration Adjustment –**
WS C-3
20 **Prorated Average**
Balance
21 **Transmission Allocator**
from True-Up TCOS
22 **Allocated Total**

Account 255 - Form-1
page 266-267

Pre 1971 ITC
Includable in
Rate Base

23	255.0	Acc Defrd ITC - Federal - 12/31/2XXX (FF1 p. 267, Ln 2.h)		
24	255.0	Acc Defrd ITC - Federal - 12/31/2XXX-1 (FF1 p. 266, Ln 2.b)		

25 **Subtotal**
26 **Average Balance**
27 **Transmission Allocator**
28 **from True-Up TCOS**
 Allocated Total

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

AEP West SPP Member Transmission Companies
COMPANY NAME
WORKSHEET C-1 - END OF YEAR DETAIL OF DEFERRED INCOME TAX BALANCES
AS OF DECEMBER 31, 2XXX

<u>Account</u>	<u>Line #</u>	<u>Description</u>	<u>Balance</u>	<u>Exclusions</u>	<u>Allocation Method</u>			
					<u>100% Transmission</u>	<u>PTD Plant</u>	<u>T&D</u>	<u>Labor</u>

282.1

TOTAL ELECTRIC ACCOUNT SUBTOTAL

(absolute value Total Company Amount Ties to FF1
p.275(k) -- Acct 282 Electric)

0

0

0

0

0

0



283.1

TOTAL ELECTRIC ACCOUNT SUBTOTAL
(absolute value Total Company Amount Ties to FF1
p.277(k) -- Acct 283 Electric)

0

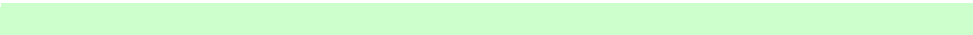
0

0

0

0

0



190.1

TOTAL ELECTRIC ACCOUNT SUBTOTAL
(Total Company Amount Ties to FF1 p.234(c) --
Electric)

<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

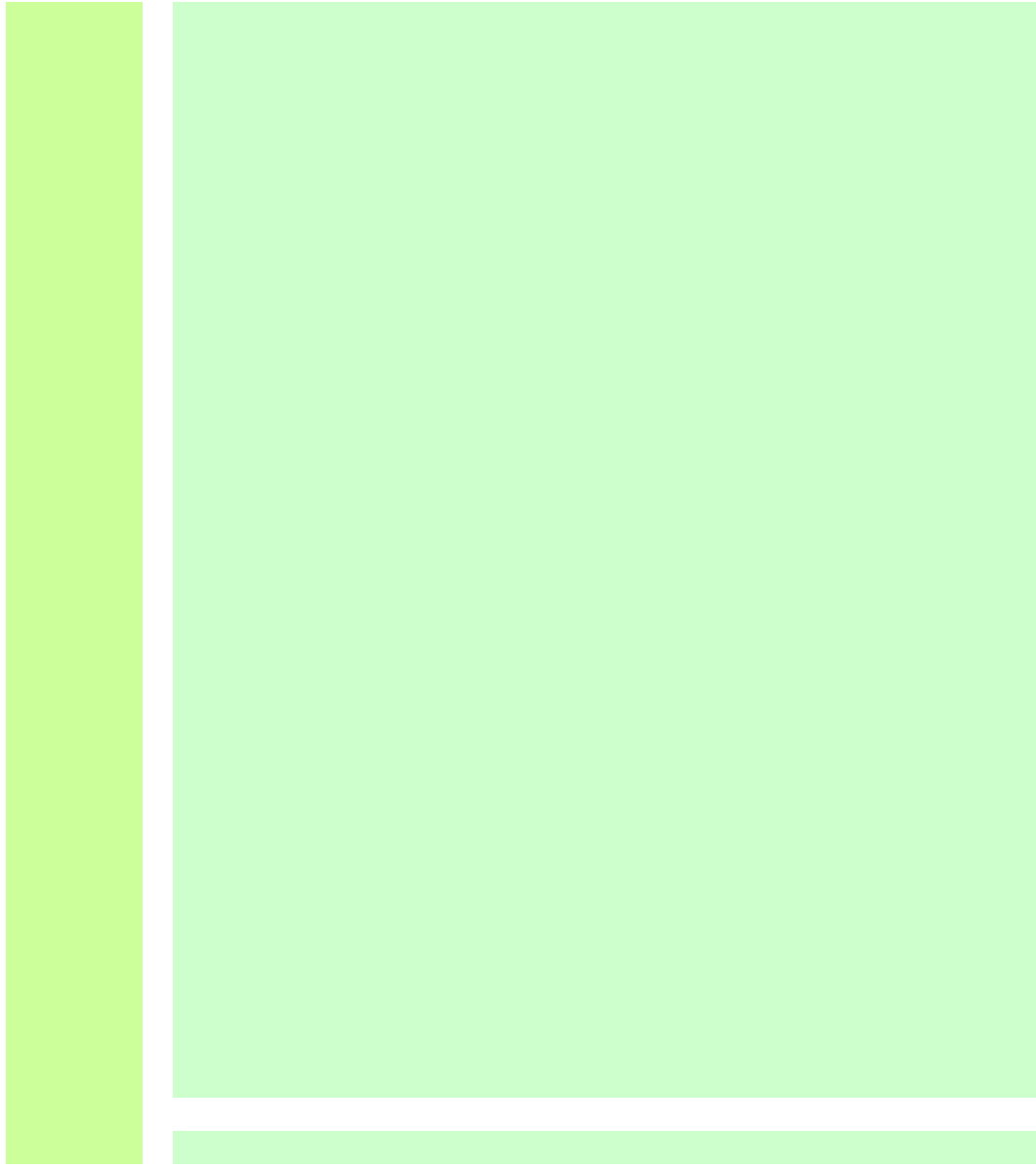
Addendum 12 to Attachment H – Part 3

**AEP West SPP Member Transmission Companies
COMPANY NAME
WORKSHEET C-2 – BEGINNING YEAR DETAIL OF DEFERRED INCOME TAX BALANCES
AS OF DECEMBER 31, 2XXX-1**

Allocation Method

<u>Account</u>	<u>Line #</u>	<u>Description</u>	<u>Balanc</u> <u>e</u>	<u>Allocation Basis</u>	<u>Exclusions</u>	<u>100% Transmission</u>	<u>PTD Plant</u>	<u>T&D</u>	<u>Labor</u>
282.1		TOTAL ELECTRIC ACCOUNT SUBTOTAL (absolute value Total Company Amount Ties to FF1 p.275(k) -- Acct							

282 Electric)

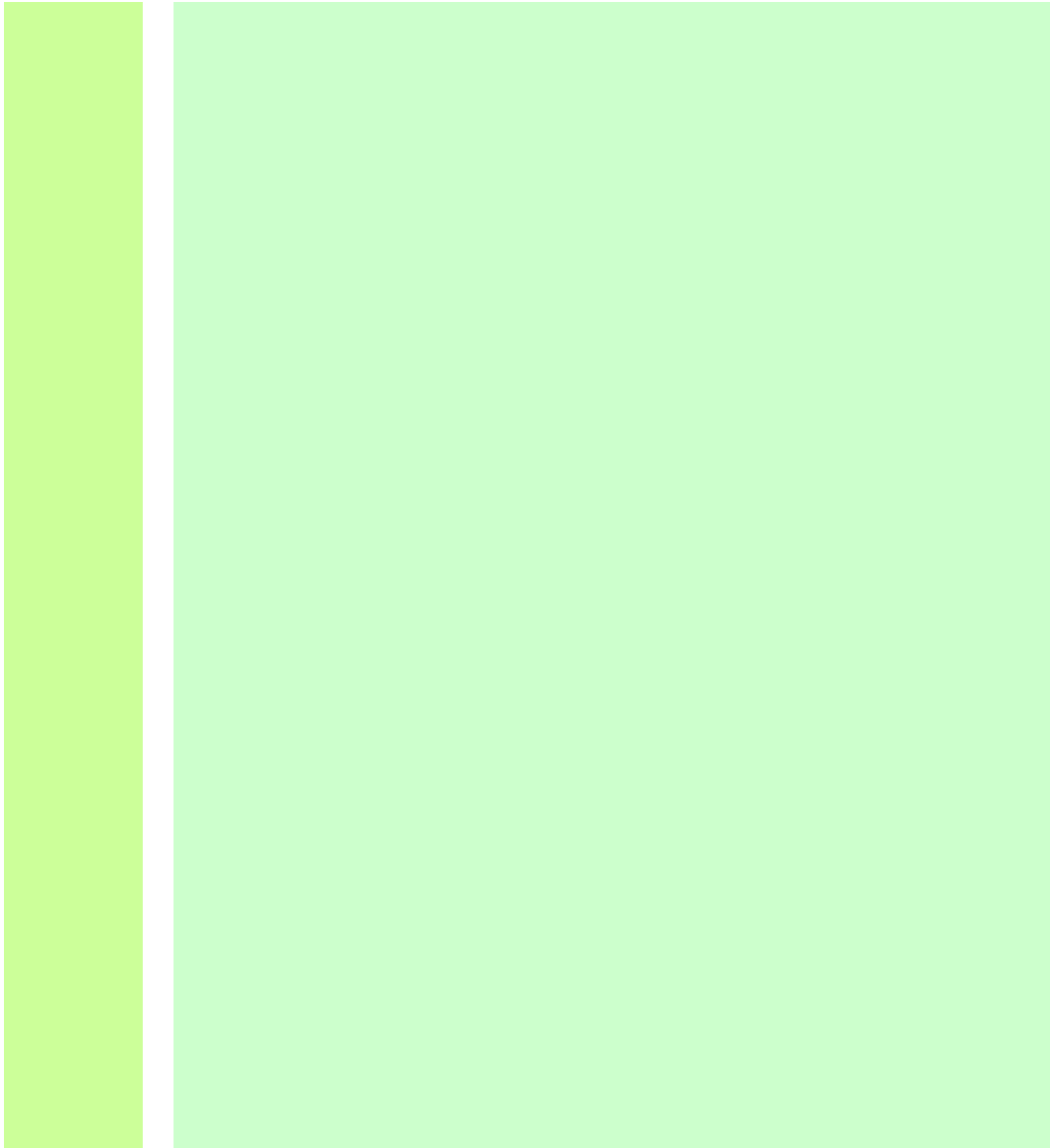


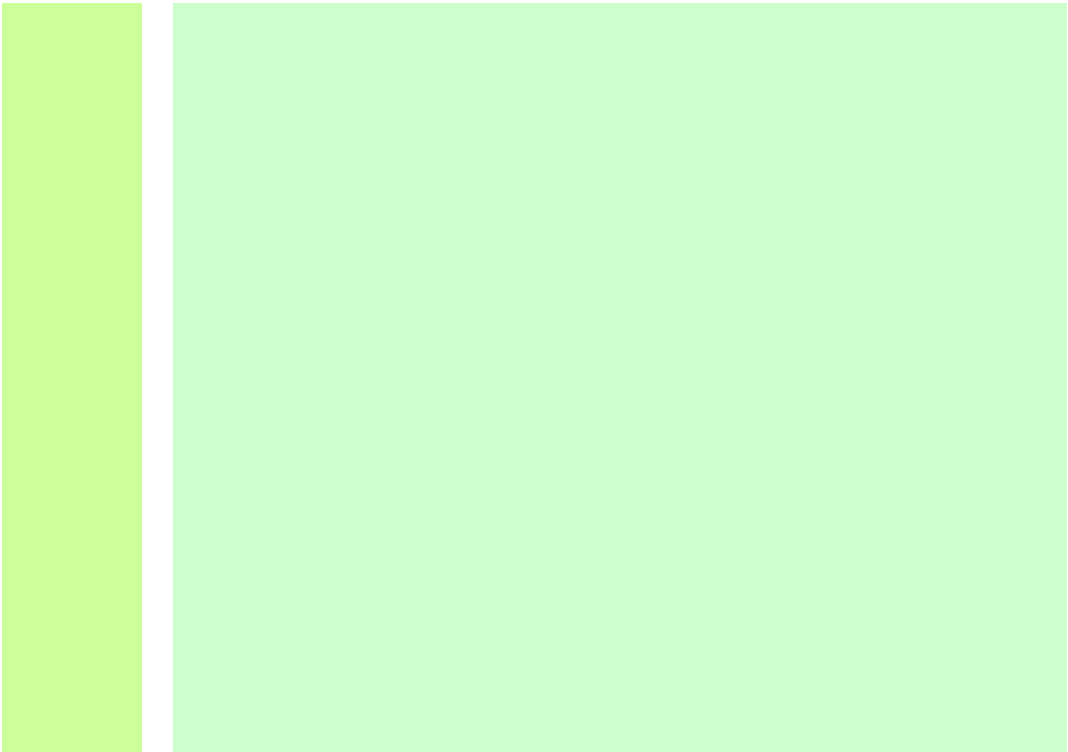
283.1

TOTAL ELECTRIC ACCOUNT

SUBTOTAL

(absolute value Total Company
Amount Ties to FF1 p.277(k) -- Acct
283 Electric)





190.1

TOTAL ELECTRIC ACCOUNT
SUBTOTAL
(Total Company Amount Ties to
FF1 p.234(c) -- Electric)

AEP West SPP Member Transmission Companies
COMPANY NAME

**WORKSHEET C-3 -PRORATION OF PROPERTY-RELATED DEFERRED INCOME TAX BALANCES
AS OF DECEMBER 31, 2XXX**

Note: This workpaper documents the calculation of the rate base adjustment to prorate forecasted activity in ADIT required by IRS regulation Section 1.167(l)-l(h)(6)(ii) when preparing forecasted rates. This worksheet is not used during Annual True-Ups. Proratable activity in Account 282 results from the use of accelerated tax depreciation on additions to plant in service. The adjustment on line 19 is included on Worksheet C as a reduction to the ending forecasted ADIT balance of account 282. A proration adjustment for account 190, if any, will be calculated beginning on line 20.

<u>Account 282 Proration Adjustment</u>		<u>Source</u>	
1	Transmission Functional Rate Year ending balance	WS C-1	-
2	Transmission Functional Rate Year beginning balance	WS C-2	-
3	Annual forecasted change	Line 1 less Line 2	0
4	Monthly forecasted change	Line 3 / 12	0

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
<u>Line</u>	<u>Future Test Period</u>	<u>Proratable Deferred Tax Activity</u>	<u>Deferred Tax Balance</u>	<u>Days in Month</u>	<u>Number of Days Left in Period</u>	<u>Proration Amount</u>	<u>Prorated Item</u>	<u>Prorated Balance</u>
5	Beginning Balance	-	-		365	100.00%	-	-
6	January (line 4)	-	-	31	335	91.78%	-	-
7	February	-	-	28	307	84.11%	-	-
8	March	-	-	31	276	75.62%	-	-
9	April	-	-	30	246	67.40%	-	-
10	May	-	-	31	215	58.90%	-	-
11	June	-	-	30	185	50.68%	-	-
12	July	-	-	31	154	42.19%	-	-

13	August	-	-	31	123	33.70%	-	-	
14	September	-	-	30	93	25.48%	-	-	
15	October	-	-	31	62	16.99%	-	-	
16	November	-	-	30	32	8.77%	-	-	
17	December	-	-	31	1	0.27%	-	-	
18	Ending Balance		-					-	
19	Proration Adjustment - Line 18 Col. (H) less Col. (C)							\$	-

Account 190 Proration Adjustment

		Source	
20	Transmission Functional Rate Year ending balance	WS C-1	-
21	Transmission Functional Rate Year beginning balance	WS C-2	-
22	Annual forecasted change	Line 20 less Line 21	0
23	Monthly forecasted change	Line 22 / 12	0

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Line	Future Test Period	Proratable Deferred Tax Activity	Deferred Tax Balance	Days in Month	Number of Days Left in Period	Proration Amount	Prorated Item	Prorated Balance
24	Beginning Balance	-	-		365	100.00%	-	-
25	January (line 4)	-	-	31	335	91.78%	-	-
26	February	-	-	28	307	84.11%	-	-
27	March	-	-	31	276	75.62%	-	-
28	April	-	-	30	246	67.40%	-	-
29	May	-	-	31	215	58.90%	-	-
30	June	-	-	30	185	50.68%	-	-

31	July	-	-	31	154	42.19%	-	-
32	August	-	-	31	123	33.70%	-	-
33	September	-	-	30	93	25.48%	-	-
34	October	-	-	31	62	16.99%	-	-
35	November	-	-	30	32	8.77%	-	-
36	December	-	-	31	1	0.27%	-	-
37	Ending Balance		-					-
Proration Adjustment - Line 37 Col. (H) less Col. (C)								\$
38								-

AEP West SPP Member Transmission Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet D - Working Capital Rate Base Adjustments

COMPANY NAME

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
<u>Materials & Supplies</u>								
<u>Line</u>			<u>Balance @</u>	<u>Balance @</u>	<u>Average</u>			
<u>Number</u>	<u>Source</u>		<u>December</u>	<u>December 31,</u>	<u>Balance for</u>			
			<u>31, 2XXX</u>	<u>2XXX-1</u>	<u>Rate Year</u>			
			FF1, p. 227,	FF1, p. 227,	<u>Historic Year</u>			
			Col. (c)	Col. (b)				
1	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c & b)						
2	Less: Transmission Serving Generation	Company Records						
3	Transmission M&S, Excl Trans Serving Gen							
4	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c & b)						
5	Stores Expense (Undistributed) – Account 163	FF1, p. 227, ln 16, Col. (c & b)						

Prepayment Balance Summary

<u>Average of</u>	<u>Excludable</u>	100%	<u>Plant</u>	<u>Labor</u>	<u>Total</u>
<u>YE Balance</u>	<u>Balances</u>	<u>Transmission</u>	<u>Related</u>	<u>Related</u>	<u>Included</u>
		<u>Related</u>			<u>in Rate</u>
			<u>Related</u>		<u>Base</u>
					<u>(E)+(F)+(G)</u>

6 Totals as of

7 December 31,
 8 2XXX
 Totals as of
 December 31,
 2XXX-1
Average Balance

Prepayments Account 165 - Balance @ 12/31/2XXX

				100%			Total
		2XXX	Excludable	Transmission	Plant	Labor	Included
		YE Balance	Balances	Related	Related	Related	in Rate
	<u>Description</u>						Base
	<u>Acc. No.</u>						<u>(E)+(F)+(G)</u>
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
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24							
25							

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Subtotal - Form 1,
p 111.57.c

Prepayments Account 165 - Balance @ 12/31/2XXX-1

				100%			Total
		2XXX-1	Excludable	Transmission	Plant	Labor	Included
		YE Balance	Balances	Related	Related	Related	in Rate
							Base
<u>Acc.</u>	<u>Description</u>	<u>YE Balance</u>	<u>Balances</u>	<u>Related</u>	<u>Related</u>	<u>Related</u>	<u>(E)+(F)+(G)</u>
<u>No.</u>							

41

42

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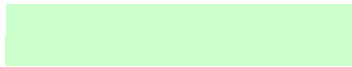
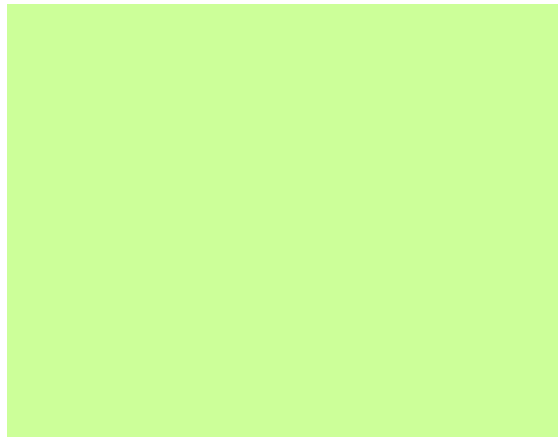
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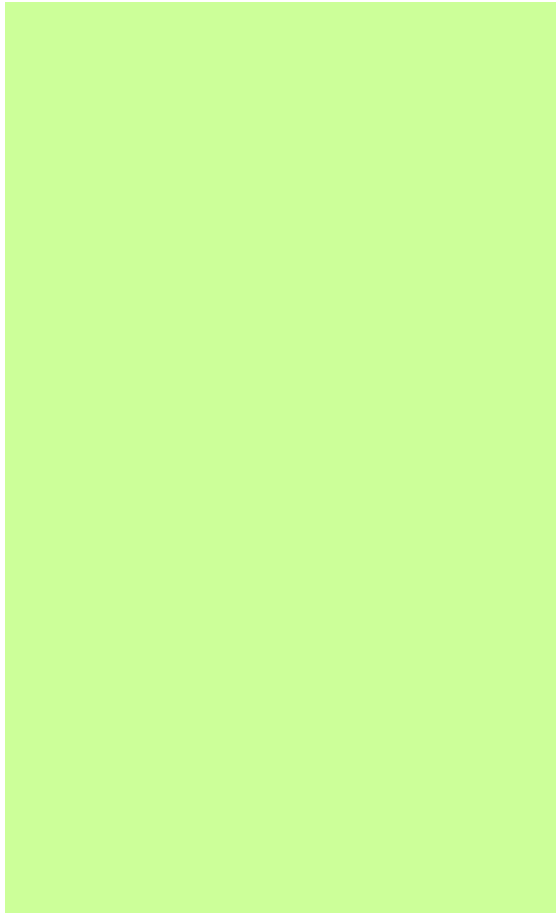
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**Subtotal - Form 1,
p 111.57.d**

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AEP West SPP Member Transmission Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet E - IPP Credits

COMPANY NAME

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2XXX</u>
1	Net Funds from IPP Customers @ 12/31/2XXX-1 (2XXX 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 12/31/2XXX (2XXX FORM 1, P269, (F))	
8	Average Balance for 2XXX $((\ln 1 + \ln 7)/2)$	

AEP West SPP Member Transmission Companies

P Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for Base Plan and Special-billed Projects

COMPANY NAME

Line Number **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

1	ROE w/o incentives (Attachment H, Ins 141)			11.20%	
2	Project ROE Incentive Adder (Enter as whole number)				basis points
3	ROE with additional 0 basis point incentive			11.20%	<==Incentive ROE
4	Determine R (cost of long term debt, cost of preferred stock and percent is from Attachment H, Ins 139 through 141)				
5		<u>%</u>	<u>Cost</u>	<u>Weighted cost</u>	
6	Long Term Debt				
7	Preferred Stock				
8	Common Stock				
9				R =	

Note: Worksheets F and G are both populated from the TCOS worksheet every update. Worksheet F is only used in Projections. Worksheet G is used only in True-Ups. These worksheets add up all of the individual SPP Base Plan projects, Requested Upgrades, Economic Upgrades, or any other projects billed by SPP through other than the NITS rate.

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR	2XXX		

B. Determine

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

10 Rate Base (TCOS, ln 62)
11 R (from A. above) _____
12 Return (Rate Base
x R)

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

NOTE: PART IV --- BPU Project Tables

are contained in separate file

13 Return (from B.
above)
14 Tax Rate (TCOS, ln 97)
15 $EIT = (T / (1 - T)) * (1 -$
 $(WCLTD / WACC)) =$
Income Tax
16 Calculation (Return
x EIT)
17 ITC Adjustment (TCOS, ln
106) _____
18 Excess DFIT
Adjustment (TCOS,
Ln 107)
19 Tax Effect of
Permanent and Flow
Through Differences
(TCOS, ln 108)
20 Income Taxes

**Calculate Net Plant
Carrying Charge
Rate (Fixed Charge
Rate or FCR) with**

II.

**hypothetical 0
basis point
ROE increase.**

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

21	Net Revenue Requirement (TCOS, In	
	115)	
22	Return (TCOS, In 110)	
	Income Taxes (TCOS, In	
23	109)	
	Gross Margin Taxes (TCOS,	
24	In 114)	_____
	Net Revenue	
25	Requirement, Less	
	Return and Taxes	

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

26	Net Revenue Requirement, Less Return	
	and Taxes	
	Return (from I.B.	
27	above)	
	Income Taxes (from I.C.	
28	above)	
	Net Revenue Requirement, with 0 Basis	
29	Point ROE increase	
	Gross Margin Tax with 0 Basis Point	
30	ROE Increase (II C. below)	_____
	Revenue Requirement w/	
31	Gross Margin Taxes	
	Less: Depreciation	
32	(TCOS, In 84)	
33	Net Rev. Req, w/0 Basis Point ROE	

increase, less Depreciation

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

34 Net Revenue Requirement before Gross
Margin Taxes, with 0
Basis Point ROE increase
35 (II B. above)
Apportionment Factor to Texas
36 (Worksheet K, In 12) _____
Apportioned Texas
37 Revenues
Taxable Percentage of
38 Revenue (70%) _____
Taxable, Apportioned
39 Margin
Texas Gross Margin Tax
40 Rate _____
Texas Gross Margin Tax
41 Expense
Gross-up Required for Gross Margin
42 Tax Expense _____
Total Additional Gross Margin Tax
43 Revenue Requirement

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

44 Net Transmission
Plant (TCOS, In 37)
Net Revenue Requirement, with 0 Basis
45 Point ROE increase _____
FCR with 0 Basis Point
46 increase in ROE

Net Rev. Req, w / 0 Basis Point ROE
47 increase, less Dep.
FCR with 0 Basis Point ROE increase,
48 less Depreciation
FCR less
Depreciation
49 (TCOS, In 10)
50 Incremental FCR with 0 Basis Point

ROE increase, less Depreciation

III. Calculation of Composite Depreciation Rate

51	Transmission Plant @ Beginning of Period (Worksheet A In 9 col. (D))
52	Transmission Plant @ End of Period (Worksheet A In 9 col. (C))
53	Transmission Plant Average Balance for 2XXX
54	Annual Depreciation Expense (TCOS, In 84)
55	Composite Depreciation Rate
56	Depreciable Life for Composite Depreciation Rate
57	Nearest whole year

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AEP West SPP Member Transmission Companies

Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet G - Calculation of TRUED-UP Annual Revenue Requirement for Base Plan and Special-billed Projects

COMPANY NAME

Note: Worksheets F and G are both populated from the TCOS worksheet every update. Worksheet F is only used in Projections. Worksheet G is used only in True-Ups. These worksheets add up all of the individual SPP Base Plan projects, Requested Upgrades, Economic Upgrades, or any other projects billed by SPP through other than the NITS rate.

Line
Number

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

1	ROE w/o incentives (TCOS, ln 141)	11.20%		
2	Project ROE Incentive Adder (Enter as whole number)		basis points	
3	ROE with additional 0 basis point incentive Determine R (cost of long term debt, cost of preferred stock and percent is from TCOS, lns 139 through 141)	11.20%	<==Incentive ROE	
4				
5		<u>%</u>	<u>Cost</u>	<u>Weighted cost</u>
6	Long Term Debt			

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR SPP BPU & NON-BPU PROJECTS			
		Rev Require	W Incentives
True-Up Rate Year	2XXX Σ Prior Year Projected (WS-F)		Incentive Amounts

7 Preferred Stock

8 Common Stock

9 R =

Σ Prior Year True-Up (WS-G) True-up Adjustment For 2XXX

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

10 Rate Base (TCOS, ln 62)

11 R (fom A. above) _____

12 Return (Rate Base x R) _____

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

13 Return (from B. above)

14 Tax Rate (TCOS, ln 97)

15 $EIT = (T / (1 - T)) * (1 - (WCLTD / WACC)) =$

Income Tax

16 Calculation (Return x EIT)

17 ITC Adjustment (TCOS, ln 106) _____

Excess DFIT

18 Adjustment (TCOS, ln 107)

19 Tax Effect of Permanent and Flow Through Differences (TCOS, ln 108)

20 Income Taxes

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

21 Net Revenue Requirement (TCOS, In
115)
22 Return (TCOS, In 110)
23 Income Taxes (TCOS, In
109)
24 Gross Margin Taxes (TCOS,
In 114) _____
Net Revenue
25 Requirement, Less
Return and Taxes

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

26 Net Revenue Requirement, Less Return
and Taxes
27 Return (from I.B.
above)
28 Income Taxes (from I.C.
above) _____
29 Net Revenue Requirement, with 0 Basis
Point ROE increase
30 Gross Margin Tax with Basis Point
ROE Increase (II C. below) _____
31 Revenue Requirement w/ Gross Margin
Taxes
Less:
32 Depreciation
(TCOS, In 84)
33 Net Rev. Req, w/0 Basis Point ROE
increase, less Depreciation

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

34 Net Revenue Requirement before Gross
Margin Taxes, with 0

35	Basis Point ROE increase (II B. above)	
36	Apportionment Factor to Texas (Worksheet K, In 12)	_____
37	Apportioned Texas Revenues	
38	Taxable Percentage of Revenue (70%)	_____
39	Taxable, Apportioned Margin	
40	Texas Gross Margin Tax Rate	_____
41	Texas Gross Margin Tax Expense	
42	Gross-up Required for Gross Margin Tax Expense	_____
43	Total Additional Gross Margin Tax Revenue Requirement	

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

44	Net Transmission Plant (TCOS, In 37)
45	Net Revenue Requirement, with 0 Basis Point ROE increase
46	FCR with 0 Basis Point increase in ROE

47	Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.
48	FCR with 0 Basis Point ROE increase, less Depreciation
49	FCR less Depreciation (TCOS, In 10)
50	Incremental FCR with 0 Basis Point ROE increase, less Depreciation

III. Calculation of Composite Depreciation Rate

51 Transmission Plant @ Beginning of Period
 (Worksheet A In 9 col. (D))
 52 Transmission Plant @ End of Period
 (Worksheet A In 9 col. (C)) _____

53 Transmission Plant Average Balance for
 2XXX
 Annual Depreciation
 Expense (TCOS, In
 54 84)
 55 Composite Depreciation Rate
 Depreciable Life for Composite
 56 Depreciation Rate
 57 Round to nearest whole year

Worksheet G -- COMPANY NAME-- Calculation of Trued-Up ARR for SPP Base Plan Upgrade Projects

IV. Determine the Revenue Requirement, and Additional Revenue Requirement for facilities receiving incentives.

A. Facilities receiving incentives accepted by FERC in Docket No. [REDACTED]

Project Description: [REDACTED]

2XXX	Rev Require	w/Incentives	Incentive Amounts
Rate Year Projected (WS-F)			-
Rate Year True-Up (WS-G)			-
True-Up Adjustment			-

Details	Project Number						
Investment (EOY)	True-Up Year	2XXX					
Service Year (yyyy)	ROE increase accepted by FERC (Basis Points)						
Service Month (1-12)	FCR w/o incentives, less depreciation	0.00%					
Useful life CIAC (Yes or No)	FCR w/incentives approved for these facilities, less dep.						
	Annual Depreciation Expense						
Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	Average Balance	Annual Revenue Requirement	Annual Revenue Req't. with Incentives	Incentive Rev. Requirement **
2013	-	-	-	-	\$0	\$0	\$ -
2014						-	\$ -

CUMMULATIVE HISTORY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS:

- | INPUT TRUE-UP ARR (WITH & WITHOUT INCENTIVES) FROM EACH PRIOR YEAR

0.00% | TEMPLATE BELOW TO MAINTAIN HISTORY OF TRUED-UP ARRS OVER THE LIFE OF THE PROJECT.

BPU Rev. Req't. From Prior Year Template w/o Incentives	BPU Rev Req't True-up w/o Incentives	BPU Rev. Req't. From Prior Year Template with Incentives **	BPU Rev Req't True-up with Incentives **	True-up of Incentive with Incentives **
	\$ -		\$ -	\$ -
	\$ -		\$ -	\$ -

2051	-	-	-	-	-	-	\$	-		\$	-		\$
2052	-	-	-	-	-	-	\$	-		\$	-		\$
2053	-	-	-	-	-	-	\$	-		\$	-		\$
2054	-	-	-	-	-	-	\$	-		\$	-		\$
2055	-	-	-	-	-	-	\$	-		\$	-		\$
2056	-	-	-	-	-	-	\$	-		\$	-		\$
2057	-	-	-	-	-	-	\$	-		\$	-		\$
2058	-	-	-	-	-	-	\$	-		\$	-		\$
2059	-	-	-	-	-	-	\$	-		\$	-		\$
2060	-	-	-	-	-	-	\$	-		\$	-		\$
2061	-	-	-	-	-	-	\$	-		\$	-		\$
2062	-	-	-	-	-	-	\$	-		\$	-		\$
2063	-	-	-	-	-	-	\$	-		\$	-		\$
2064	-	-	-	-	-	-	\$	-		\$	-		\$
2065	-	-	-	-	-	-	\$	-		\$	-		\$
2066	-	-	-	-	-	-	\$	-		\$	-		\$
2067	-	-	-	-	-	-	\$	-		\$	-		\$
2068	-	-	-	-	-	-	\$	-		\$	-		\$

Project Totals

** This is the total amount that needs to be reported to SPP for billing to all regions.

**** This is the calculation of additional incentive revenue on projects deemed by the FERC to be eligible for an incentive return. This additional incentive requirement is applicable for the life of this specific project. Each year the revenue requirement calculated for SPP should be incremented by the amount of the incentive revenue calculated for that year on this project.**

AEP West SPP Member Transmission Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet H - Revenue Credits
COMPANY NAME

Line:

	Total Company	Non- Transmission	Transmission
1 Account 450, Forfeited Discounts (FF1 p.300.16.(b); Company Records - Note 1)			
2 Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)			
3 Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)			
Account 4540001 - Rent from Elect Property-Aff			
Account 4540002 - Rent from Elect Property - Non-Aff			
Account 4540005 - Rent from Elect Property - --Pole Attach			
Account 4540004 - Rent from Elect Property - ABD - Non-Aff			
Other 454 Accounts			
Total Rents from Electirc Property			
4. Account 456.0 Other Operating Revenues (FF1 p.302.21.(b); Company Records – Note 1)			
1 Account 4560015, Revenues from Associated Business Development			
2 All other 456.0 Revenues			
Total 456.0 Other Operating Revenues			

5	Account 456.1, Revenues from Transmission of Electricity of Others(FF1 p.300.22.(b); Company Records - Note 1)	
	Less:	
	Transmission Direct Assignment Revenue (if costs not in the ARR)	
	Sponsored Upgrade Revenue	
	Credits against Transmission Service Revenue related to Generation Interconnections	
	Revenue for GFA's (Relative to SPP OATT) Associated with Load Included in the Divisor	
	Network Service Revenue (SPP Schedule 9) Associated with Load included in the Divisor	
	Revenue Associated with Transmission Plant Excluded From SPP Tariff	
	Distribution and Other Non-Transmission Revenue	
	Revenue from SPP Ancillary Services Provided	
	Base Plan Revenue (from SPP)	
	Flow Through of ERCOT Ancillary Charges	
	Other	
	Net 456.1 Transmission Credits	\$0
6	Account 457.1, Regional Control Service Revenues (FF1 p.300.23.(b); Company Records - Note 1)	
7	Account 457.2, Miscellaneous Revenues (FF1p.300.24.(b); Company Records - Note 1)	
8	Total Revenue Credits- Sum lines 1 through 7	\$0

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

AEP West SPP Member Transmission Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet I - Supporting Transmission Expense Adjustments
COMPANY NAME

Note: This worksheet is used to include any FERC jurisdictional transmission-related (i.e. non-retail) expenses recorded in Accounts 561 or 565 which are includable in the formula on the TCOS line 66, and make any other necessary FERC jurisdictional adjustments to Transmission O&M

Line Number	(A) Description	(B) 2XXX
1		
2		
3		
4		
5		
6		
7		
8		
9		
10	Total	(sum of lines 2 through 9)

AEP West SPP Member Transmission Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet J - Allocation of Specific O&M or A&G Expenses

COMPANY NAME

	(A)	(B)	(C)	(D)	(E)	(F)
<u>Line</u>	<u>FERC</u>		<u>2XXX</u>	<u>100%</u>	<u>100%</u>	
<u>Number</u>	<u>Acct No.</u>	<u>Description</u>	<u>Expense</u>	<u>Non-Transmission</u>	<u>Transmission</u>	<u>Explanation of Transmission</u>
					<u>Specific</u>	<u>Specific Items</u>
		<u>Account 928</u>				
1	928	Regulatory Commission Expense				
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						

16

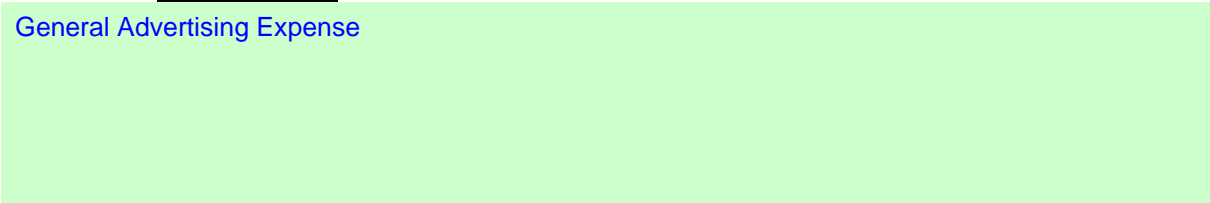
Total (FERC Form 1 p.323.189.b)

Account 930.1

17

9301000

General Advertising Expense



18

19

20

21

22

Total (FERC Form 1 p.323.189.b)

Account 930.2

23

9302000

Misc General Expenses



24

25

26

27

28

Total (FERC Form 1 p.323.192.b)

AEP West SPP Member Transmission Companies

Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet K - Development of Composite State Income Tax Rate

COMPANY NAME

I. DEVELOPMENT OF COMPOSITE STATE INCOME TAX RATES FOR 2XXX

State Income Tax Rate -
Oklahoma

Note 1



Apportionment Factor
Effective State Income Tax
Rate

State Income Tax Rate -
Texas



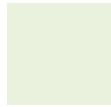
Apportionment Factor
Effective State Income Tax
Rate

State Income Tax Rate -
Louisiana



Apportionment Factor
Effective State Income Tax
Rate

State Income Tax Rate -
Arkansas



Apportionment Factor
Effective State Income Tax
Rate

State Income Tax Rate -



Apportionment Factor
Effective State Income Tax
Rate

Total Effective State Income Tax
Rate

=====

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

				<u>Projected / Actual</u>	
				Total Company	Trans. Only
Line #	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX (In 114 of Template)				
1	Apportionment Factor to Texas (In12)	_____	_____	_____	_____
2	Apportioned Texas Revenues	_____	_____	_____	_____
3	Taxable Percentage of Revenue	_____	_____	_____	_____
4	Taxable, Apportioned Margin	_____	_____	_____	_____
5	Texas Gross Margin Tax Rate	_____	_____	_____	_____
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

(ln 10 / ln 11)

AEP West SPP Member Transmission Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet L - Taxes Other than Income

COMPANY NAME

	(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Account	Total Company	Property	Labor	Other	Non-Allocable
1	<u>Revenue Taxes</u>					
2						
3						
4	<u>Real Estate and Personal Property Taxes</u>					
5						
6						
7						
8						
9						
10	<u>Payroll Taxes</u>					

11
12
13
14

15
16
17
18

19
20
21
22
23
24
25
26
27
28
29
30
31

Production Taxes

Miscellaneous Taxes

32

33

34



35

Total Taxes by Allocable Basis

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



NOTE: As a check, the difference between the total from Ln 35 above and the total on FF1 p.263 line 41(i) should equal the sum of the 'income' tax line items within FF1 p262.x-263.x

AEP West SPP Member Transmission Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
 Worksheet M
 COMPANY NAME

Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2XXX-1 and 12/31/2XXX

(A)	(B)	(C)	(D)	(E)
<u>Line</u>		<u>Balances @</u> <u>12/31/2XXX</u>	<u>Balances @</u> <u>12/31/2XXX-1</u>	<u>Average</u>
<i>Development of Average Balance of Common Equity</i>				
1	Total Proprietary Capital (p. 112.16.c&d)			

2	Less Preferred Stock from Ln 43 below	
3	Less Account 216.1 (p. 112.12.c&d)	
4	Less Account 219.1 (p. 112.15.c&d)	
5	Average Balance of Common Equity	

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

6	Bonds (221) (p. 112.18.c&d)	
7	Less: Account 222 Reacquired Bonds (112.19.c&d)	
8	Account 223 LT Advances from Assoc. Comp. (112.20.c&d)	
9	Account 224 Senior Unsecured Notes (112.21.c&d)	
10	Less: Non-Transmission Securitization (Co. Records)	
11	Total Long-Term Debt	

12	Annual Interest Expense	
13	Interest on Long Term Debt – Accts 221-224 (256-257.33.i)	
14	Less: Financial Hedge (Gain)/Expense Accumulated from Ln 28 included in Ln 13.	
15	Plus: Allowed Hedge Recovery from Ln 32 below	
16	Amort of Debt Discount & Expense – Acct 428 (117.63.c)	
17	Amort of Loss on Reacquired Debt – Acct. 428.1 (117.64.c)	
18	Less: Amort of Premium on Debt – Acct. 429 (117.65.c)	
19	Less: Amort of Gain on Reacquired Debt – Acct. 429.1 (117.66.c)	
20	Less: Non-Trans. Securitization (Company Records)	
21	Total Interest Expense (Ln 13 + Ln 14 + Ln 15 + Ln 16 + Ln 17 - Ln 18 - Ln 19 - Ln 20)	

22 **Average Cost of Debt for Projected Year (Ln 21/Ln 11)**

23	Financial Hedge Amortization Reported in Column (i) on Page 256-257 (Enter Gains as a Negative Number)	
24		
24		
26		
27		

28 Total Hedge Amortization

29	Total Average Capital Balance (TCOS, Ln 142)	-
30	Financial Hedge Recovery Limit - Five Basis Points of Total Capital	0.0005
31	Limit of Recoverable Amount	-
32	Recoverable Hedge Amortization (Lesser of Ln 28 or 31)	-
	<i>(lesser of 5 basis point Cap or Actual (Gain)/Expense based on magnitude as indicated on Ln 28 or Ln 31)</i>	

Development of Cost of Preferred Stock

	<u>Preferred Stock</u>	<u>Average</u>
33	_% Series - - Dividend Rate (p. 250-251. .a)	
34	_% Series - - Par Value (p. 250-251. .c)	
35	_% Series - - Shares O/S (p.250-251. .e)	
36	_% Series - - Monetary Value (Ln 34 * Ln 35)	
37	_% Series - - Dividend Amount (Ln 33 * Ln 36)	
38	_% Series - - Dividend Rate (p. 250-251. .a)	
39	_% Series - - Par Value (p. 250-251. .c)	
40	_% Series - - Shares O/S (p.250-251. .e)	
41	_% Series - - Monetary Value (Ln 39 * Ln 40)	
42	_% Series - - Dividend Amount (Ln 38 * Ln 41)	
43	Balance of Preferred Stock (Lns 36,41)	
44	Dividens on Preferred Stock (Lns 37,42)	
45	Average Cost of Preferred Stock (Ln 44/43)	

Addendum 12 to Attachment H

THE AEP WEST TRANSMISSION COMPANIES FORMULA RATE IMPLEMENTATION PROTOCOLS

The formula rate template (“Template”), and these formula rate implementation protocols (“Protocols”) together comprise the filed rate (“Formula Rate”) of AEP Oklahoma Transmission Company, Inc. and AEP Southwestern Transmission Company, Inc. (collectively “AEP West Transcos” or “AEP”) for transmission revenue requirement determinations under the Southwest Power Pool (“SPP”) Open Access Transmission Tariff (“SPP Tariff”). AEP shall follow the instructions specified in the Formula Rate to calculate annually its net annual transmission revenue requirement, as set forth in the Template (“Net Revenue Requirement”). The Net Revenue Requirement shall be determined for January 1 to December 31 of a given calendar year (the “Rate Year”). The Formula Rate shall become effective for recovery of AEP’s Net Revenue Requirement upon the effective date for incorporation into the SPP Tariff through a filing with the Federal Energy Regulatory Commission (“FERC” or “Commission”) under Section 205 of the Federal Power Act (“FPA”), 16 U.S.C. § 824d.

Section 1. Annual Projection

- a. No later than October 31 preceding a Rate Year, and each subsequent Rate Year, AEP shall determine its projected Net Revenue Requirement for the upcoming Rate Year in accordance with the Formula Rate (“Annual Projection”). The Annual Projection shall include the True-Up Adjustment described and defined in Section 2 below, if applicable. AEP shall cause an electronic version of the Annual Projection to be posted in both a Portable Document Format (“PDF”) and fully-functioning Excel file at a publicly accessible location on SPP’s internet website and OASIS. The date on which the posting occurs shall be that year’s “True-Up Publication Date.”
- b. The posting of the Annual Projection shall:

- (i) Provide the Formula Rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the projected Net Revenue Requirement;
- (ii) Include all inputs in sufficient detail to identify the components of AEP's projected Net Revenue Requirement, explanations of the bases for the projections and input data, and sufficient detail and explanation to enable Interested Parties¹ to replicate the calculation of the projected Net Revenue Requirement;
- (iii) With respect to any Accounting Changes (as that term is defined in Section 3.e.iii)
 - A. Identify any Accounting Changes including:
 - i. The initial implementation of an accounting standard or policy;
 - ii. The initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
 - iii. Correction of errors and prior period adjustments that impact the projected Net Revenue Requirement calculation;
 - iv. The implementation of new estimation methods or policies that change prior estimates; and
 - v. Changes to income tax elections;
 - B. Identify items included in the projected Net Revenue Requirement at an amount other than on a historic cost basis (e.g., fair value adjustments);
 - C. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the projected Net Revenue Requirement; and
 - D. Provide, for each item identified pursuant to Section 1.b.iii.A - C of these Protocols, a narrative explanation of the individual impact of such changes on the projected Net Revenue Requirement.

- c. If the date for making the posting of the Annual Projection should fall on a weekend or a holiday recognized by FERC, then the posting shall be made no later than the next business day.² Within five (5) calendar days of the posting, AEP shall notify interested parties via the SPP email exploder.
- d. Together with the posting of the Annual Projection, AEP shall cause to be posted on the SPP internet website and OASIS, and distributed to the SPP Exploder List, the time, date, location, and remote-access information for a stakeholder meeting with Interested Parties in order for AEP to explain its Annual Projection and to provide Interested Parties an opportunity to seek information and clarifications regarding the Annual Projection (“Annual Projection Meeting”). The Annual Projection Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after the posting of the Annual Projection. Notice of the Annual Projection Meeting shall be provided via the SPP Exploder List no less than seven (7) calendar days prior to the meeting. AEP will provide remote access to the Annual Projection Meeting in order to ease burdens (e.g. travel costs) to ensure all Interested Parties have the opportunity to participate.
- e. To the extent AEP agrees to make changes in the Annual Projection for a given Rate Year, such revised Annual Projection shall be promptly posted at a publicly accessible location on SPP’s internet website and OASIS, and e-mailed to the SPP Exploder List. Changes posted prior to November 30 preceding the Rate Year, or the next business day if November 30 is not a business day (or such later date as can be accommodated under SPP’s billing practices), shall be reflected in the Annual Projection for the Rate Year; changes posted after that date will be reflected, as appropriate, in the True-Up Adjustment for the Rate Year.
- f. The Annual Projection, including the True-Up Adjustment, for each Rate Year shall be subject to review, challenge, true-up, and refunds or surcharges with interest, to the extent and in the manner provided in these Protocols.

1 As used in these Protocols, “Interested Parties” shall include but not be limited to: (i) any Eligible Customer under the SPP Tariff; (ii) any regulatory agency with rate jurisdiction over a public utility located within the SPP footprint; (iii) any consumer advocate

authorized by state law to review and contest the rates for any such public utility; and (iv) any party with standing under FPA section 205 or section 206.

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- 2 For the purposes of these Protocols, if any deadline included in these Protocols should fall on a weekend or a holiday recognized by FERC, then the deadline shall be extended to no later than the next business day.

Section 2. True-Up Adjustment

AEP will calculate the amount of under- or over-collection of its actual Net Revenue Requirement during the preceding Rate Year (“True-Up Adjustment”) after the FERC Form No. 1 data for that Rate Year has been filed with the Commission. The True-Up Adjustment shall be the sum of the True-Up Adjustment Over/Under Recovery as determined in Section 2(a) and the Interest on the True-Up Adjustment Over/Under Recovery as determined in Section 2(b):

- a. AEP’s projected Net Revenue Requirement collected during the previous Rate Year³ will be compared to AEP’s actual Net Revenue Requirement for the previous Rate Year calculated in accordance with AEP’s Formula Rate and based upon (i) AEP’s FERC Form No. 1 for that same Rate Year, (ii) any FERC orders specifically applicable to AEP’s calculation of its annual revenue requirement, (iii) the books and records of AEP (which shall be maintained consistent with the FERC Uniform System of Accounts (“USofA”)), (iv) FERC accounting policies and practices applicable to the calculation of annual revenue requirements under formula rates, and (v) any aspects of the SPP Tariff Governing Documents that apply to the calculation of annual revenue requirements under individual transmission owner formula rates,⁴ to determine any over- or under-recovery (“True-Up Adjustment Over/Under Recovery”).
- b. Interest on any True-Up Adjustment Over/Under Recovery shall be calculated for the thirty-six (36) months during which the over or under recovery in the revenue requirement exists, i.e., January 1 of the Rate Year being trued-up through December 31 of the year in which the

true-up is collected. The interest rate to be applied to the over-recovery or under-recovery amounts will be determined using the average monthly FERC Interest Rate (as determined pursuant to 18 C.F.R. § 35.19a) for the twenty (20) months from the beginning of the Rate Year being trued-up through August 31 of the following year.

-
- 3 If the initial use of this Formula Rate covers only part of a calendar year, the initial projected annual Net Revenue Requirement will be divided by 12 to calculate the monthly projected cost of service to be collected each month, or portion thereof, it is effective that first year. Similarly, the actual Net Revenue Requirement will be divided by 12 to calculate the actual cost of service to be collected during those same months of that year. Similar calculations of projected Net Revenue Requirement and actual Net Revenue Requirement will be made for the months prior to the effective date of this Formula Rate using the previous formula rate in effect during those months. The actual Net Revenue Requirements computed under each of the two formula rate periods that initial Rate Year will be added together to obtain the total actual Net Revenue Requirement. The first True-up Adjustment will compare this total actual Net Revenue Requirement to the Net Revenue Requirement collected under the two formulas for that initial Rate Year.
 - 4 SPP Tariff Governing Documents include the SPP Tariff, Bylaws, Criteria, and Membership Agreements.

Section 3. Annual Update

- a. On or before May 25 following each Rate Year, AEP shall calculate its actual Net Revenue Requirement and the True-Up Adjustment as described in Section 2 (“Annual Update”) for such Rate Year and, together with such other information described in this Section 3, shall cause such Annual Update to be posted, in both a PDF and fully-functioning Excel format, at a publicly accessible location on SPP’s internet website and OASIS. Within five (5) calendar days of such posting, SPP shall provide notice of such posting via the SPP Exploder List.
- b. If the date for making the Annual Update posting should fall on a weekend or a holiday recognized by the FERC, then the posting shall be due on the next business day.
- c. The date on which the posting occurs shall be that year’s “Annual Update Publication Date.”

- d. Together with the posting of the Annual Update, AEP shall cause to be posted on the SPP website and OASIS the time, date, location, and remote-access information for a stakeholder meeting with Interested Parties in order for AEP to explain its Annual Update and to provide Interested Parties an opportunity to seek information and clarifications regarding the Annual Update (“Annual Update Meeting”). Notice of the Annual Update Meeting shall be provided via the SPP Exploder List no less than seven (7) calendar days prior to the meeting. The Annual Update Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after the Annual Update Publication Date. SPP will provide remote access to the Annual Update Meeting in order to ease burdens (e.g. travel costs) to ensure all Interested Parties have the opportunity to participate.
- e. The Annual Update posting for the Rate Year:
- (i) Shall provide, via the Formula Rate worksheets, sufficiently detailed supporting documentation for data (and all adjustments thereto or allocations thereof) used in the Formula Rate that are not stated in the FERC Form No. 1;⁵
 - (ii) Shall provide sufficient detail and sufficient explanation to enable Interested Parties to replicate the calculation of the Annual Update results from the FERC Form No. 1 and verify that each input to the Template is consistent with the requirements of the Formula Rate;
 - (iii) Shall identify:
 - A. Any change in accounting that affects inputs to the Template or the resulting charges billed under the Formula Rate (“Accounting Change”), including:
 - i. The initial implementation of an accounting standard or policy;

- ii. The initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
 - iii. Correction of errors and prior period adjustments that impact the True-Up Adjustment calculation;
 - iv. The implementation of new estimation methods or policies that change prior estimates; and
 - v. Changes to income tax elections;
- B. Any items included in the Annual Update at an amount other than on a historic cost basis (e.g., fair value adjustments);
- C. Any reorganization or merger transaction during the previous year and an explanation of the effect of the accounting for such transaction(s) on inputs to the Annual Update;
- D. For each item identified pursuant to Sections 3.e.iii.A – C of these Protocols, the individual impact (in narrative format) of such changes on the Annual Update.
- (iv) Shall be subject to review and challenge in accordance with the procedures set forth in Sections 4, 5, and 6 of these Protocols.
 - (v) Shall be subject to review and challenge in accordance with the procedures set forth in these Protocols with respect to the prudence of any costs and expenditures included for recovery in the Annual Update; provided, however, that nothing in these Protocols is intended to modify the Commission’s applicable precedent with respect to the burden of going forward or burden of proof under formula rates in such prudence challenges; and
 - (vi) Shall not seek to modify the Formula Rate and shall not be subject to challenge by any Interested Party seeking to modify the Formula Rate (i.e., any modifications to the Formula Rate will require, as applicable, an FPA section 205 or section 206 filing or initiation of a section 206 investigation).

f. The following Formula Rate inputs shall be stated values to be used in the Formula Rate until changed pursuant to an FPA section 205 or section 206 proceeding: (i) rate of return on common equity (“ROE”); and (ii) the depreciation and/or amortization rates as set forth in Attachment 10 to the Formula Rate template.

g. **Example – Timelines for 2018 Annual Projection and 2019 Annual Update:**

On or before October 31, 2017, AEP will determine the projected Net Revenue Requirement for the 2018 Rate Year. AEP will post the Annual Projection for the 2018 Rate Year in accordance with Section 1 above. On or before May 25, 2019, AEP will post its Annual Update, consisting of the actual Net Revenue Requirement and True-Up Adjustment for the 2018 Rate Year determined pursuant to Section 2 above. Such True-Up Adjustment will be reflected in the Annual Projection of the Net Revenue Requirement for the 2020 Rate Year posted on or before October 31, 2019.

5 It is the intent of the Formula Rate, including the supporting explanations and allocations described therein, that each input to the Formula Rate for purposes of determining the actual Net Revenue Requirement for a given Rate Year will be either taken directly from the FERC Form No. 1 or reconcilable to the FERC Form No. 1 by the application of clearly identified and supported information. If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form is discontinued, equivalent information as that provided in the discontinued form shall be utilized.

Section 4. Annual Review Procedures

Each Annual Update and Annual Projection shall be subject to the following review procedures (“Annual Review Procedures”):

- a. Interested Parties shall have up to the later of two-hundred-ten (210) calendar days after the applicable Publication Date, or thirty (30) calendar days after the receipt of all responses to timely submitted information requests (unless such period is extended with the written consent of AEP or by FERC order) (“Review Period”), to review the calculations and to notify AEP in writing of any specific challenges to

the Annual Update or Annual Projection (“Preliminary Challenge”), including challenges related to Accounting Changes. An Interested Party submitting a Preliminary Challenge must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. AEP shall cause to be posted all Preliminary Challenges at a publicly accessible location on SPP’s internet website and OASIS, and a link to the website will be e-mailed to the SPP Exploder List.

- b. In the event of a Preliminary Challenge, AEP will appoint a senior representative to work with the Interested Party (or its representatives) toward a resolution of the dispute.
- c. AEP shall respond in writing to a Preliminary Challenge within twenty (20) business days of receipt, and its response shall notify the challenging party of the extent to which AEP agrees or disagrees with the challenge. If AEP disagrees with the Preliminary Challenge, it will provide the Interested Party with an explanation supporting the challenged inputs, explanations, allocations, calculations, or other information. AEP shall promptly cause to be posted its responses to all Preliminary Challenges at a publicly accessible location on SPP’s internet website and OASIS, and a link to the website will be e-mailed to the SPP Exploder List. Provided however, that Preliminary Challenges and responses to Preliminary Challenges that include material deemed by AEP to be confidential information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by AEP and the requesting party.
- d. AEP shall respond to all Preliminary Challenges submitted during the Review Period by no later than thirty (30) calendar days after the end of the Review Period.
- e. Interested Parties shall have up to one-hundred-fifty (150) calendar days after each annual Publication Date (unless such period is extended with the written consent of AEP or by FERC order) to serve reasonable information requests on AEP (“Discovery Period”).

- f. Information requests shall be limited to what is necessary to determine: (i) the extent, effect, or impact of an Accounting Change; (ii) whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with the Protocols; (iii) the proper application of the Template and procedures in the Protocols; (iv) the accuracy of data and consistency with the Formula Rate of the charges shown in the Annual Update or Annual Projection; (v) the prudence of the actual costs and expenditures, including procurement methods and cost control methodologies; (vi) the effect of any change to the underlying USofA or FERC Form No. 1; and (vii) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Formula Rate. The information requests shall not otherwise be directed to ascertaining whether the Formula Rate is just and reasonable. Information requests shall not solicit information concerning costs or allocations where the costs or allocation methods have been determined to be appropriate by FERC in the context of prior AEP Annual Updates, except that such information requests shall be permitted if they (i) seek to determine if there has been a change in circumstances, (ii) are in connection with corrections pursuant to Section 6 of these Protocols, or (iii) relate to costs or allocations that have not previously been challenged and adjudicated by FERC.
- g. AEP shall make a good faith effort to respond to reasonable information requests pertaining to the Annual Update or Annual Projection within fifteen (15) business days of receipt of such requests. AEP shall respond to all reasonable information requests no later than thirty (30) calendar days after the end of the Discovery Period. AEP will cause to be posted on the SPP website and OASIS all information requests from Interested Parties and AEP's response(s) to such requests, and a link to the website will be e-mailed to the SPP Exploder List. Provided however, that information and document requests and responses to information and document requests that include material deemed by AEP to be confidential information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by AEP and the requesting party. Voluminous materials will be made available at a physical AEP site.

- h. AEP shall not claim that responses to information and document requests provided pursuant to these Protocols are subject to any settlement privilege in any subsequent FERC proceeding addressing AEP's Annual Update or Annual Projection.
- i. To the extent AEP and any Interested Party(ies) are unable to resolve disputes related to information requests submitted in accordance with these Annual Review Procedures, AEP or the Interested Party may petition the FERC to appoint an Administrative Law Judge as a discovery master to resolve the discovery dispute(s) in accordance with these Protocols and consistent with the FERC's discovery rules.
- j. Preliminary Challenges or Formal Challenges (as described in Sections 4 and 5) related to Accounting Changes shall be treated in the same manner under these Protocols as other challenges to the Annual Update or Annual Projection. Failure to make a Preliminary Challenge with respect to an Accounting Change in an Annual Update or Annual Projection shall not act as a bar with respect to a Formal Challenge with respect to that Annual Update or Annual Projection provided that the Interested Party submitted a Preliminary Challenge with respect to one or more other issues. Nor shall such failure bar a subsequent Preliminary Challenge related to a subsequent Annual Update or Annual Projection to the extent such Accounting Change affects the subsequent Annual Update or Annual Projection.
- k. If a change made by AEP to its accounting policies, practices, or procedures, or the application of the Formula Rate, is found by the FERC to be unjust, unreasonable, or unduly discriminatory or preferential, then the calculation of the charges to be assessed during the Rate Year then under review, and the charges to be assessed during any subsequent Rate Years, including any True-up Adjustments, shall not include such change, but shall include any remedy that may be prescribed by FERC in the exercise of its discretion as of the effective date of such remedy, to ensure that the Formula Rate continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential.

Section 5. Resolution of Challenges

- a. Interested Parties shall have up to two-hundred-seventy (270) days following the applicable Publication Date (unless such period is extended with the written consent of AEP or by FERC order), to file a challenge with the FERC (“Formal Challenge”). Such Formal Challenge shall be submitted in the same docket as the AEP informational filing and shall be served on AEP by electronic service on the date of such filing in accordance with Section 385.2010(f)(3) of the Commission’s regulations. Subject to any applicable confidentiality and Critical Energy Infrastructure Information restrictions, all information and correspondence produced by AEP pursuant to these Protocols may be included in any Formal Challenge or other FERC proceeding relating to the Formula Rate. This Section 5.a in no way shall affect a party’s rights under section 206 of the Federal Power Act as set forth in Section 5.g of these Protocols.
- b. Formal Challenges are to be filed pursuant to these Protocols, rather than under rule 206, and shall:
- (i) Clearly identify the action or inaction which is alleged to violate the Formula Rate Template or Protocols;
 - (ii) Explain how the action or inaction violates the filed rate Template or Protocols;
 - (iii) Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including
 - A. The extent or effect of an Accounting Change;
 - B. Whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with these Protocols;
 - C. The proper application of the Template and procedures in these Protocols;
 - D. The accuracy of the data and consistency with the Formula Rate of the charges shown in the Annual Update or Annual Projection;

- E. The prudence of actual costs and expenditures;
 - F. The effect of any change to the underlying Uniform System of Accounts or the FERC Form No. 1; or
 - G. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Template.
- (iv) Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;
 - (v) State whether the issues presented are pending in an existing Commission proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;
 - (vi) State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;
 - (vii) Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and
 - (viii) State whether the filing party utilized the Preliminary Challenge procedures described in these Protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.
- c. Preliminary and Formal Challenges shall be limited to issues that may be necessary to determine: (i) the extent or effect of an Accounting Change; (ii) whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with these Protocols; (iii) the proper application of the Formula Rate and procedures in these Protocols; (iv) the accuracy of data and consistency with the Formula Rate of the calculations shown in the Annual Update and Annual Projection; (v) the prudence of actual costs and expenditures; (vi) the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or (vii) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.

- d. Failure to raise an issue in a Preliminary Challenge shall not bar an Interested Party from raising that issue in a Formal Challenge, provided the Interested Party submitted a Preliminary Challenge during the Review Period with respect to one or more other issues. Failure to pursue an issue through a Preliminary Challenge or to lodge a Formal Challenge regarding any issue as to a given Annual Update shall bar pursuit of such issue with respect to that Annual Update, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual Update.
- e. Any response by AEP to a Formal Challenge must be submitted to the FERC within thirty (30) calendar days of the date of the filing of the Formal Challenge, and shall be served on the filing party(ies) and the SPP Exploder List on the date of such filing.
- f. In any Formal Challenge proceeding concerning a given year's Annual Update (including corrections), Annual Projection, or Accounting Change(s), AEP shall demonstrate the justness and reasonableness of the rate resulting from its application of the Formula Rate by demonstrating that it has reasonably and accurately calculated the Annual Update or Annual Projection and/or reasonably adopted and applied the Accounting Change. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.
- g. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of AEP to file unilaterally, pursuant to section 205 of the FPA and the regulations thereunder, an application seeking changes to the Formula Rate or to any of the stated value inputs requiring a section 205 filing under these Protocols (including, but not limited to, ROE and depreciation and amortization rates), or the right of any other party or the Commission to seek such changes pursuant to section 206 of the FPA and the regulations thereunder.
- h. AEP may, at its discretion and at a time of its choosing, make a limited filing pursuant to section 205 to modify stated values in the Formula Rate (i) for amortization and depreciation rates, or (ii) to correct obvious errors or omissions in the Formula Rate such as would result from changes to the FERC Form No. 1. The sole issue in any such limited section 205 proceeding shall be whether such proposed change(s) is

just and reasonable, and it shall not address other aspects of the Formula Rate or impose upon AEP any burden with respect to such other aspects of the Formula Rate.

Section 6. Changes to Annual Updates

If AEP determines or concedes that corrections to the Annual Update are required, whether under Sections 4 or 5 of these Protocols, including but not limited to those requiring corrections to its FERC Form No. 1, or input data used for a Rate Year that would have affected the Annual Update for that Rate Year, such corrections shall be reflected as adjustments in the Annual Update for the next Rate Year, with interest calculated in accordance with the FERC Interest Rate (as determined pursuant to 18 C.F.R. § 35.19a). This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments.

Addendum 12 to Attachment H –Part 1

~~ATTACHMENT C-2~~

~~BLANK FORMULA TEMPLATE – CLEAN~~

Projected
Year

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

SPP Zone 1 TOTAL
Projected
AEP Revenue
Requirements

AEP West SPP Member Transmission Companies
Calculation of Actual/ Projected Zonal Rate For Schedule 9
For the 2XXX Rate Year

SPP Zone 1 Actual/Projected AEP Transco Revenue Requirements

Line	AEP		<u>OKT</u>		<u>SWP</u>
No.	Transco Annual Revenue Requirement	=	Annual Revenue Requirement	+	Annual Revenue Requirement

A. AEP Network Integration
Transmission Service (NITS)

1	<u>RATE YEAR</u> REVENUE REQUIREMENT (w/o incentives)	(TCOS Line 1)	=		<u>\$0</u>
2	LESS: REVENUE CREDITS	(TCOS Line 5-2)	=		<u>\$0</u>
<u>3</u>	<u>NETWORK</u> <u>CUSTOMER</u> <u>OWNED</u> <u>FACILITY</u> <u>CREDITS</u>	(TCOS Line 3)		<u>-</u>	<u>\$0</u>
<u>34</u>	<u>CURRENT RATE</u> YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(TCOS Line 6-4)		<u>\$0</u>	<u>\$0</u>
<u>45</u>	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			<u>-</u>	
<u>56</u>	BASE PLAN UPGRADES (W/O INCENTIVES)	(TCOS Line 7-5)		<u>-</u>	
<u>67</u>	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet F/G)		<u>-</u>	
<u>78</u>	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet F/G)			
<u>89</u>	SUBTOTAL			<u>-</u>	
<u>910</u>	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 34 - Line 89)			
1011	INCENTIVE	(TCOS			

19	Hourly On Peak Point to Point Rate in \$/MW -Hour	(Line 14/ 4160)
20	Hourly Off Peak Point to Point Rate in \$/MW -Hour	(Line 14/ 8760)

Projected
Year

AEP West SPP Members Transmission Formula Rate Template Companies

Utilizing FERC Form 1 Data

For rates effective July-January 1, Projected Year 2XXX

SPP SCHEDULE 1 AEP Transco Revenue Requirements

Line No.	AEP Annual Revenue Requirement	<u>OKT</u> Annual Revenue Requirement	<u>SWT</u> Annual Revenue Requirement
-------------	--------------------------------------	--	--

**A. Schedule 1 ARR For Projected Year
Projected 2XXX Rate Year**

1	Total Load Dispatch & Scheduling (Account 561) (TCOS Line <u>7765</u>)		
2	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)		
3	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)		
4	Total 561 Internally Developed Costs	(Line 1 - Line 2 - Line 3)	
5	Less: PTP Service Credit (prior year Sched 1 revenue from PTP transactions)		
6	<u>PROJECTED</u> ZONAL ARR FOR <u>2008</u> <u>RATE YEAR</u>	(Line 4 - Line 5)	

**B. Schedule 1 Projected
7/1/Projected2XXX Rate -Year-Rate**

Calculations

7	Projected Year 1 Historic Rate Year AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, ln 4720)	MW
8	Annual Point-to-Point Rate in \$/MW - Year	(Line 6 / Line 7)	
9	Monthly Point-to-Point Rate (ln 8 / 12) \$/MW - Month	(Line 8 / 12)	
10	Weekly Point-to-Point Rate (ln 8 / 52) \$/MW - Weekly	(Line 8 / 52)	
11	Daily Off-Peak Point-to-Point Rate (ln 8 / 365) \$/MW - Day	(Line 8 / 365)	
12	Hourly Off-Peak Point-to- Point Rate (ln 8 / 8760) \$/MW - Hour	(Line 8 / 8760)	

Projected
Year

=

~~AEP Transmission
Formula Rate
Template
Calculation of True-
Up Rate For Schedule
9
For Calendar Year
Projected Year 1~~

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

Line
No.

~~AEP Annual
Revenue
Requirement~~

~~Annual
Revenue
Requirement~~

~~Annual
Revenue
Requirement~~

A. Network Service

1	TRUE UP YEAR Projected Year 1 REVENUE REQUIREMENT (w/o incentives)	(True Up TCOS Line 1-)
2	LESS: REVENUE CREDITS	(True Up TCOS Line 5-)
3	TRUE UP YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(True Up TCOS Line 6-)
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:	
5	— BASE PLAN UPGRADES (W/O INCENTIVES)	(True Up TCOS Line 7-)
6	— REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet G)
7	— ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet G)
8	— SUBTOTAL	
9	EXISTING ZONAL ATTR (W/O INCENTIVES)	(Line 3- Line 8)
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(True Up TCOS Line 15-)
11	- TRUED-UP ZONAL - -	(Line 9+ -

**ATTR (w/
INCENTIVES) FOR
Projected Year 1**

Line 10)

~~12~~ Projected Year 1 Historic
AEP West Zone SPP
Average 12 Mo. Peak
Demand

~~(Load WS,
ln 17)~~

~~-~~

~~MW~~

~~13~~ **Monthly NITS Rate in
\$/MW Month**

~~(Line 11/
Line 12)/12~~

Calculation of Schedule 11 Revenue Requirements For AEP Transmission Projects
For ~~Calendar Year~~ Projected Year 1 and Projected Year 2 ~~the 2XXX Rate~~ Year

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

COMPANY NAME

Note: Some project's final trued-up cost may not meet SPP's \$100,000 threshold for socialization. In that case a true-up of the 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)	(H)	(I)	(J)	(K) =	(L)	(M)	(N) =	(O)	(P) =	(Q) =
)	)	)	)	)	)	=	)	)	)	(I) -	)	)	(L) -	)	(H) +	(G) +
)	)	)	)	)	)	(E)	)	)	)	(J)	)	)	(M)	)	(K) +	(P)
)	)	)	)	)	)	+(F)	)	)	)	)	)	)	)	)	(N) +)
)	)	)	)	)	)	)	)	)	)	)	)	)	)	)	(O))

**Projected ARR
For Projected
Year From WS-F**

**True-Up ARR ~~CY~~ Projected Year 1 From Worksheet G (includes
adjustment for SPP Collections)**

<u>Li</u> <u>ne</u> <u>ite</u> <u>re</u>	<u>Sh</u> <u>ee</u> <u>t</u> <u>Na</u> <u>me</u>	<u>Q</u> <u>w</u> <u>n</u> <u>e</u> <u>r</u>	<u>Proje</u> <u>ct</u> <u>Descr</u> <u>iptio</u> <u>n</u>	<u>Yea</u> <u>r in</u> <u>Se</u> <u>rvice</u>	<u>Bas</u> <u>e</u> <u>AR</u> <u>R</u> (WS -F)	<u>Ince</u> <u>ntiv</u> <u>e</u>	<u>Tot</u> <u>al</u>	<u>Base ARR</u>			<u>Incentive ARR</u>				<u>Total</u> <u>ADJU</u> <u>STED</u> <u>Reven</u> <u>ue</u> <u>Requi</u> <u>remen</u> <u>t</u> <u>Effecti</u> <u>ve</u> <u>7/1/Pr</u> <u>ojecte</u> <u>d</u> <u>Year J</u> <u>anuar</u> <u>y 1,</u> <u>2XXX</u>
								<u>TRUE-</u> <u>UP</u> <u>Adjustme</u> <u>nt</u> (WS-G)	<u>Proj</u> <u>ecte</u> <u>Adj</u> <u>uste</u> <u>d</u> <u>AR</u> <u>R</u> <u>fr</u> <u>m</u> <u>Prio</u> <u>r</u> <u>Upd</u> <u>ate</u>	<u>As</u> <u>Bille</u> <u>d</u> <u>by</u> <u>SPP</u> (for <u>Prior</u> <u>Y+R</u> <u>ate</u> <u>Yr</u> <u>T-</u> <u>Serv</u> <u>ice</u>)	<u>COL</u> <u>LEC</u> <u>TION</u> <u>Adjus</u> <u>tment</u>	<u>Tr</u> <u>ue-</u> <u>up</u>	<u>As</u> <u>Bill</u> <u>ed</u>	<u>Chan</u> <u>ge</u>		INT ERE ST Adj ust men t	Tota l Adju stme nts (Tru e UpF oreca st, Billi ng, & Inter

11	Lighthouse (5)													
12	Bentonville, AR													
13	Prescott, AR (Entergy) (5)													
14	Minden, LA (Entergy) (5) (6)													
15	Hope, AR (5)													
16	Coffeyville, KS (5)													
17	Zone 1—System Firm Peak Demands	-	-	-	-	-	-	-	-	-	-	-	-	-

Supporting Data

18	PSO: PSO Native Load (5)													
19	KAMO													
20	GRDA load on PSO													
21	PSO Load Responsibility	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
22	SWEPCO SWEPCO Native ÷ Load (3) (5) (6)													
23	CLECO (9)													
24	Lafayette													
25	Dolet Hills Aux. Load (10)													
26	SWEPCO Load Responsibility	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Notes:

~~(1) MW, at the time of the AEP SPP Internal (MLR)
Peak~~

~~(5) At the generator. Transmission losses added to metered values which include appropriate dist. & xfmr losses.~~

~~(6) SWEPSCO Native load includes Minden from Jan through Mar. Minden converted to SPP network service March 18, 2009.~~

~~(7) OG&E includes Atoka and Coalgate~~

~~(8) reserved.~~

~~(9) Formerly LaGen/Cajun) [Robson Rd]~~

~~(10) Not self-generated~~

Unless noted (e.g., PSO), the loads reported on lines 1 through 20 are the customer's schedule 9 and 11 load.

Line	SPP Load Responsibility	Januar	Februar	Marc	Apri	May	Jun	July	August	Septembe	Octobe	Novembe	Decembe	12 Month Average MW		
		Y	Y	h	l		e		t	r	r	r	r			
		Peak Day	Day	Day	Day	Day	Day	Day	Day	Day	Day	Day	Day		Day	
		Hour	Hour	Hour	Hou	Hou	Hou	Hou	Hour	Hour	Hour	Hour	Hour			
1	PSO (2)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
2	SWEPSCO excl Valley (2)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
3	AECC (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
4	AECC-MISO	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
5	WFEC (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
6	OMPA (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
7	OG&E - ATOKA (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
8	OG&E COALGATE (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
9	OG&E - TALL BEAR (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
10	ETEC (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
11	GREENBELT (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
12	LIGHTHOUSE (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
13	BENTONVILLE, AR (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
14	PRESCOTT, AR (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
15	MINDEN, LA (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
16	HOPE, AR (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
17	COFFEYVILLE, KS (3)	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
18	SWEPSCO - VALLEY	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!	0	
19																
20																
	System Firm Peak Demands	0	0	0	0	0	0	0	0	0	0	0	0	0.000	Sched - 9 12CP	0

Supporting Data																
<u>21</u>	PSO:	PSO Native Load (2) (4)	-	-	-	-	-	-	-	-	-	-	-	-	0.000	<u>0</u>
<u>22</u>		KAMO	-	-	-	-	-	-	-	-	-	-	-	-		
<u>23</u>		GRDA load on PSO no longer used as of Dec 2015 (5)	-	-	-	-	-	-	-	-	-	-	-	-		
<u>24</u>		PSO E&W portion allocated to WFEC zone	-	-	-	-	-	-	-	-	-	-	-	-		
<u>25</u>		100% PSO E&W included in PSO native load	-	-	-	-	-	-	-	-	-	-	-	-		
<u>26</u>		Allen Holdenville	-	-	-	-	-	-	-	-	-	-	-	-		
<u>27</u>		PSO OATT Load Responsibility	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.000</u>	<u>0</u>
<u>28</u>	SWEPCO:															
<u>29</u>		SWEPCO Native Load (2)(5)	-	-	-	-	-	-	-	-	-	-	-	-		
<u>30</u>		Dolet Hills Aux. Load (not self-generated)	-	-	-	-	-	-	-	-	-	-	-	-		
<u>31</u>		Less: VALLEY	-	-	-	-	-	-	-	-	-	-	-	-		
<u>32</u>		SWEPCO OATT Load Responsibility	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.000</u>	<u>0</u>
<u>33</u>		TOTAL AEP Affiliate Schedule 11 Load														Sched - 11
															pr. yr	12CP
																0
AEP Schedule 11 Worksheet																
<u>34</u>		PSO OATT Sched 9 load, Ln 1	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
<u>35</u>		less GRDA load on PSO Jan-Nov(b) 2015 no longer used	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
<u>36</u>		WFEC load already subtracted from PSO schedule 9 load line 1	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
<u>37</u>		Subtotal PSO Schedule 11 load	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
<u>38</u>		SWEPCO Sched 11 load, Ln 2	0	0	0	0	0	0	0	0	0	0	0	0	0.000	0
<u>39</u>		TOTAL AEP Affiliate Schedule 11 Load	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.000</u>	<u>0</u>
<u>40</u>		TOTAL AEP ZONAL SCHEDULE 11	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.000</u>	

NOTES

- ;
- (1) Amounts are 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) PSO Native load includes PSO load on GRDA
- (5) SWEPCO Native Load includes Valley

AEP West SPP Member Companies

~~Projected Year~~ Transmission Cost of Service Formula Rate

Utilizing ~~Historic-Actual / Projected~~ Cost Data for ~~Historic Year and Projected Net Plant at Year-End Projected the 2XXX Rate~~ Year

AEP
~~TRANSMISSION COMPANY,~~
ING Company Name

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 1195)			
2	REVENUE CREDITS	(Note A) <u>(Worksheet H)</u>		DA 1.00000	
3	Transmission Credits <u>Network Customer Owned Facility Credits</u>	(Worksheet H) <u>B</u>		DA 1.00000	
4	Assoc. Business Development	(Worksheet H)	-	DA 1.00000	\$ -
5	Total Revenue Credits		-		\$ -
64	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 52 plus In 3)			

MEMO: The Carrying Charge Calculations on lines 97 to 1412 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 75 is included in the total on line 64.

75	<u>Trued-Up / Projected</u> Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet F/G)			DA 1.00000	
86	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)				

97 Annual Rate
108 Monthly Rate

$(\ln 1 / (\text{Sum of lns } 46, 47, 48, 49, 51 \ln 37)) \times 100\%$
 $(\ln 9-7 / 12)$

119 NET PLANT CARRYING CHARGE ON
LINE 9-7, W/O DEPRECIATION (w/o
incentives) (Note B)

1210 Annual Rate

$((\ln 1 - \ln 94 - \ln 9584) / (\text{Sum of lns } 46, 47, 48, 49, 51 \ln 37)) \times 100\%$

1311 NET PLANT CARRYING CHARGE ON
LINE 149, W/O INCOME TAXES,
RETURN (Note B)

1412 Annual Rate

$((\ln 1 - \ln 94-84 - \ln 95109 - \ln 146-110 - \ln 117) / (\text{Sum of lns } 46, 47, 48, 49, 51 \ln 37)) \times 100\%$

1513 ADDITIONAL REVENUE REQUIREMENT
for projects w/ incentive ROE's (Note C)
(Worksheet F/G)

AEP West SPP Member Transmission Companies
Projected Year Transmission Cost of Service Formula Rate
 Utilizing Historic-Actual / Projected Cost Data for Historic Year and Projected Net Plant at Year-End Projected the 2XXX Rate Year

AEP
TRANSMISSION
COMPANY,
IN COMPANY
NAME

(1)	(2)	(3)	(4)	(5)
<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General</u> <u>Notes")</u>	<u>TO</u> <u>Total</u> <u>NOTE</u> <u>D</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>
Line No.	GROSS PLANT IN SERVICE			
1416	Production Line Deliberately Left Blank	(Worksheet A In 3.E)	NANA	0.000000-000000
1517	Less: Production ARO (Enter Negative) Line Deliberately Left Blank	(Worksheet A In 6.E)	NANA	0.000000-000000
1618	Transmission Transmission	(Worksheet A In 9.E & Ln 119)(Worksheet A In 3.C & Hist. Template Ln 183)	DADA	
1719	Less: Transmission ARO (Enter Negative) Less: Transmission ARO (Enter Negative)	(Worksheet A In 12.E)(Worksheet A In 4.G)	TPTP	0.000000-000000
1820	Distribution Plus: Transmission Plant in Service Additions (Worksheet B)	(Worksheet A In 13.E)	NADA	0.000004-000000
1924	Less: Distribution ARO (Enter Negative) Plus: Additional Trans Plant on Transferred Assets (Worksheet B)	(Worksheet A In 14.E)	NATP	0.000000-000000
2022	General Plant Line Deliberately Left Blank	(Worksheet A In 15.E)	W/SNA	0.000000-000000
2123	Less: General Plant ARO (Enter	(Worksheet A In 16.E)	W/SNA	0.000000-000000

	<u>Negative</u>) <i>Line Deliberately Left Blank</i>			
<u>22</u> 24	<u>Intangible Plant</u> — <u>General Plant</u>	(Worksheet A In 17.E)(Worksheet A In 7.C)	<u>W/S</u> <u>W/S</u>	<u>0.00000</u> <u>0.00000</u>
<u>23</u> 25	<u>TOTAL GROSS PLANT</u> — <u>Less: General Plant ARO (Enter Negative)</u>	(sum Ins 14 to 22)(Worksheet A In 8.C)	<u>GP</u> — <u>W/S</u>	<u>0.00000</u> <u>0.00000</u>
<u>26</u>	— <u>Intangible Plant</u>	(Worksheet A In 9.C)	<u>GTD</u> — <u>W/S</u>	<u>-0.00000</u>
<u>24</u> 27	<u>ACCUMULATED DEPRECIATION AND AMORTIZATION</u> <u>TOTAL GROSS PLANT</u>	(sum Ins 16 to 26)		
<u>25</u>	<u>Production</u>	(Worksheet A In 22.E)	<u>NA</u>	<u>0.00000</u>
<u>26</u> 28	<u>Less: Production ARO (Enter Negative)</u> <u>ACCUMULATED DEPRECIATION AND AMORTIZATION</u>	(Worksheet A In 25.E)	<u>NA</u>	<u>0.00000</u>
<u>27</u> 29	<u>Transmission</u> <i>Line Deliberately Left Blank</i>	(Worksheet A In 28.E & 47.E)	<u>TP1</u> — <u>NA</u>	<u>0.00000</u> <u>0.00000</u>
<u>28</u> 30	<u>Less: Transmission ARO (Enter Negative)</u> <i>Line Deliberately Left Blank</i>	(Worksheet A In 31.E)	<u>TP1</u> — <u>NA</u>	<u>0.00000</u> <u>0.00000</u>
<u>29</u> 31	<u>Distribution</u> — <u>Transmission</u>	(Worksheet A In 32.E)(Worksheet A In 14.C & 28.C)	<u>NA</u> <u>TP1</u> —	<u>0.00000</u> <u>0.00000</u>
<u>30</u> 32	<u>Less: Distribution ARO (Enter Negative)</u> <u>Less: Transmission ARO (Enter Negative)</u>	(Worksheet A In 33.E)(Worksheet A In 15.C)	<u>NA</u> <u>TP1</u> —	<u>0.00000</u> <u>0.00000</u>
<u>31</u> 33	<u>General Plant</u> — <u>Plus: Transmission Plant- in-Service Additions (Worksheet B)</u>	(Worksheet A In 34.E)	<u>W/SDA</u>	<u>0.00000</u> <u>4.00000</u>
<u>32</u> 34	<u>Less: General Plant ARO (Enter Negative)</u> <u>Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)</u>	(Worksheet A In 35.E)	<u>W/SDA</u>	<u>0.00000</u> <u>4.00000</u>
<u>33</u> 35	<u>Intangible Plant</u> — <u>Plus: Additional Transmission Depreciation for Projected Year (In 94)</u>	(Worksheet A In 36.E)	<u>W/STP1</u>	<u>0.00000</u> <u>0.00000</u>
<u>34</u> 36	<u>TOTAL ACCUMULATED DEPRECIATION</u> — <u>Plus: Additional General & Intangible Depreciation for (In 96+In 97)</u>	(sum Ins 25 to 33)	<u>W/S</u>	<u>0.00000</u>
<u>35</u> 37	<u>NET PLANT IN SERVICE</u> — <u>Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)</u>		<u>DA</u>	<u>4.00000</u>

3638	Production Line Deliberately Left Blank	(ln 14 + ln 15 - ln 25 - ln 26)	NA	0.00000
3739	Transmission Line Deliberately Left Blank	(ln 16 + ln 17 - ln 27 - ln 28)	NA	0.00000
3840	Distribution General Plant	(ln 18 + ln 19 - ln 29 - ln 30)(Worksheet A ln 48.C)	W/S	0.00000
3941	General Plant Less: General Plant ARO (Enter Negative)	(ln 20 + ln 21 - ln 31 - ln 32)(Worksheet A ln 49.C)	W/S	0.00000
4042	Intangible Plant Intangible Plant	(ln 22 - ln 33)(Worksheet A ln 20.C)	W/S	0.00000
4143	TOTAL NET PLANT IN SERVICE TOTAL ACCUMULATED DEPRECIATION	(sum lns 36 to 40)(sum lns 29 to 42)	NP=	0.00000
42	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)		
4344	Account No. 281.1 (enter negative) NET PLANT IN SERVICE	272-273.8.k	NA	
4445	Account No. 282.1 (enter negative) Line Deliberately Left Blank	(Worksheet C, ln 4 C & ln 8 J)	DA	
4546	Account No. 283.1 (enter negative) Transmission	(Worksheet C, ln 12 C & ln 14 J)	DA	
4647	Account No. 190.1—Plus: Transmission Plant in Service Additions (ln 20—ln 33)	(Worksheet C, ln 18 C & ln 22 J)	DA	
4748	Account No. 255 (enter negative)—Plus: Additional Trans Plant on Transferred Assets (ln 21—ln 34)	(Worksheet C, ln 26 C & ln 28 J)	DA	
4849	TOTAL ADJUSTMENTS—Plus: Additional Transmission Depreciation for Projected Year (-ln 35)	(sum lns 43 to 47)		
4950	PLANT HELD FOR FUTURE USE Plus: Additional General & Intangible Depreciation for Projected Year (-ln 36)	(Worksheet A ln 48.E & 49.E)	DA	
5051	REGULATORY ASSETS—Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-ln 37)	(Worksheet A ln 55.E)	DA	
5152	WORKING CAPITAL Line Deliberately	(Note F)		

	<i>Left Blank</i>				
5253	Cash Working Capital—General Plant	(1/8 * In 68) (Note G) (In 24 + In 25 — In 40 — In 41)			
5354	Transmission Materials & Supplies Intangible Plant	(Worksheet D, In 3 F) (In 26 — In 42)		TP	0.00000
5455	A&G Materials & Supplies	(Worksheet D, In 4 E)(sum lns 45 to 54)		W/S	0.00000
	TOTAL-NET PLANT-IN-SERVICE				
55	Stores Expense	(Worksheet D, In 5 F)		GP	0.00000
56	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 8 G)		W/S	0.00000
5756	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 8 E)(Note E)		GP	0.00000
	DEFERRED-TAX ADJUSTMENTS TO RATE BASE				
5857	Prepayments (Account 165) - Transmission Only—Account No. 281.1 (enter negative)	(Worksheet D, In 8 E)272-273.8.k		DANA	1.00000
5958	Prepayments (Account 165) - Unallocable Account No. 282.1 (enter negative)	(Worksheet D, In 8 D)(Worksheet C, In 1.C & In 3.J)		NADA	0.00000
6059	TOTAL WORKING CAPITAL—Account No. 283.1 (enter negative)	(sum lns 52 to 59)(Worksheet C, In 10.C & In 12.J)		DA	
6160	IPP CONTRIBUTIONS FOR CONSTRUCTION—Account No. 190.1	(Note H) (Worksheet E, In 8 B)(Worksheet C, In 19.C & In 21.J)		DADA	
6261	RATE BASE (sum lns 41, 48, 49, 60, 61) Account No. 255 (enter negative)	(Worksheet C, In 28.C & In 30.J)			1.00000
62	TOTAL ADJUSTMENTS	(sum lns 57 to 61)	-	DA	
63	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	-	DA	-
63a	REGULATORY ASSETS	(Worksheet A In 41. (C))	-	DA	-
64	WORKING CAPITAL	(Note F)			
65	Cash Working Capital	(1/8 * In 80) (Note G)	-		-
66	Transmission Materials & Supplies	(Worksheet D, In		TP	0.00000

		2.(D))	-		-
67	-A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S	0.00000
68	-Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	0.00000
69	-Prepayments (Account 16) - Labor Allocated	(Worksheet D, In 5.G)	-	W/S	0.00000
70	-Prepayments (Account 16) - Gross Plant	(Worksheet D, In 5.F)	-	GP(h)	0.00000
71	-Prepayments (Account 16) - Transmission Only	(Worksheet D, In 5.E)	-	DA	1.00000
72	-Prepayments (Account 16) - Unallocable	(Worksheet D, In 5.D)	-	NA	0.00000
73	TOTAL WORKING CAPITAL	(sum lns 65 to 72)	-		-
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	-	-DA	1.00000
75	RATE BASE (sum lns 55, 62, 63, 73, 74)		-		-
			<u>#DIV/0!</u>		<u>#DIV/0!</u>

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

AEP
TRANSMISSION
COMPANY,
INC

(1)	(2)	(3)	(4)	(5)
EXPENSE, TAXES, RETURN & REVENUE	Data Sources (See "General Notes")	TQ Total	Allocator	Total Transmission
<u>REQUIREMENTS CALCULATION</u>				

Line

OPERATION & MAINTENANCE
EXPENSE

No.

76	-Transmission	321.112.b	-			
77	—Less: Total Account 564	(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 6 7 8 79)	-	TP	0.00000	-
81	-Administrative and General	323.197.b (Note K)	-			
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 1 - sum ln 82 to ln 85)	-	W/S	0.00000	-
87	—Plus: Acct. 924, Property Insurance	(ln 82)	-	GP(h)	0.00000	-
88	—Acct. 9-8-Transmission Specific	Worksheet J ln 9.(E) (Note L)	-	TP	0.00000	-
89	—Acct 930-1-Only safety related a- s-Direct	Worksheet J ln 26.(E) (Note L)	-	TP	0.00000	-
90	—Acct 930-2-Misc Gen. Ex- Trans	Worksheet J ln 32.(E) (Note L)	-	DA	1.00000	-
90a	—PBOP Adjustment	Worksheet O ln 16.B	-	DA	1.00000	-
91	—A & G Subtotal	(sum lns 86 to 90 less ln 90a)	-			-
92	TOTAL O & M EXPENSE	(ln 80 + ln 91)	-			-

93	DEPRECIATION AND AMORTIZATION EXPENSE					
94	—Transmission	336.7.f	-	TP	0.00000	-
95	— Plus: Transmission Plant-in-Service Additions (Worksheet B)		#DIV/0!	DA	1.00000	#DIV/0!
95a	— Plus: Formation Costs Amortization	(Worksheet A In 37.C)	-	DA	1.00000	-
96	—General	336.10.f	-	W/S	0.00000	-
97	—Intangible	336.1.f	-	W/S	0.00000	-
98	TOTAL DEPRECIATION AND AMORTIZATION	(sum lns 94 to 97)	#DIV/0!			#DIV/0!
99	TAXES OTHER THAN INCOME	(Note N)				
100	—Labor Related					
101	— Payroll	Worksheet L, Col. D	-	W/S	0.00000	-
102	—Plant Related					
103	— Property	Worksheet L, Col. G	-	GP(h)	0.00000	-
104	— Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000	-
105	— Other	Worksheet L, Col. E	-	GP(h)	0.00000	-
106	TOTAL OTHER TAXES	(sum lns 101 to 105)	-			-
107	INCOME TAXES	(Note O)				
108	— $T = 1 - [(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)$ =		35.00%			
109	— $EIT = (T / (1 - T)) * (1 - (WCLTD * WACC))$ =		0.00%			
110	— where WCLTD=(ln 164) and WACC = (ln 164)					
111	— and FIT, SIT & p are as given in Note O.					
112	— $GRCF = 1 / (1 - T)$ = (from ln 108)		1.5385			
113	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.e)	-			

114	Income Tax Calculation	(In 109 * In 117)	#DIV/0!			#DIV/0!
115	—ITC adjustment	(In 112 * In 113)	-	-NP(h)	0.00000	-
116	TOTAL INCOME TAXES	(sum Ins 114 to 115)	#DIV/0!			#DIV/0!
117	RETURN ON RATE BASE (Rate Base*WACC)	(In 75 * In 164)	#DIV/0!			#DIV/0!
118	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	-DA	1.00000	-
119	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		#DIV/0!			#DIV/0!
120	—(sum Ins 92, 98, 106, 116, 117, 118)					
121	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		#DIV/0!	-DA		#DIV/0!
122	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		#DIV/0!			#DIV/0!

AEP West SPP Member Transmission Companies
Transmission Cost of Service Formula Rate
Utilizing Actual / Projected Cost Data for the 2XXX Rate Year

COMPANY NAME

<u>Line</u>	(1)	(2)	(3)	(4)	(5)
<u>No.</u>	<u>EXPENSE, TAXES, RETURN & REVENUE</u>	<u>(See</u>	<u>TO Total</u>	<u>Allocator</u>	<u>Total</u>
<u>No.</u>	<u>REQUIREMENTS CALCULATION</u>	<u>"General</u>	<u></u>	<u></u>	<u>Transm</u>
<u>No.</u>	<u>OPERATION & MAINTENANCE EXPENSE</u>	<u></u>	<u></u>	<u></u>	<u>ission</u>
63	Transmission	321.112.b			
64	Less: Transmission Serving Generation	(Note U) Company Records			
65	Less: Total Account 561	(Note I) 321.84-92.b			
66	Less: Account 565	(Note J) 321.96.b			
67	Plus: Includable 561 and 565 Expenses	Worksheet I In 10			
68	Total O&M Allocable to Transmission	(lns 63 - 64- 65 - 66 + 67)	:	0.000 00	:
69	Administrative and General	323.197.b (Note K, M)			
70	Less: Acct. 924, Property Insurance	323.185.b			
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			
74	Balance of A & G	(ln 69 - sum ln 70 to ln 73)	:	0.000 00	:
75	Plus: Acct. 924, Property Insurance	(ln 70)	:	0.000 00	:
76	Acct. 928 - Transmission Specific	Worksheet J In 16.(E)	:	0.000 00	:
77	Acct 930.1 - Only safety related ads -Direct	(Note L) Worksheet J In 22.(E)	:	0.000 00	:
78	Acct 930.2 - Misc Gen. Exp. - Trans	(Note L) Worksheet J In 28.(E)	:	0.000 00	:
79	A & G Subtotal	(sum lns 74 to 78)	:	1.000 00	:
80	TOTAL O & M EXPENSE	(ln 68 + ln 79)	:	0.000 00	:
81	DEPRECIATION AND AMORTIZATION EXPENSE				
82	Transmission	336.7.b			
83	Less: Transmission Serving Generation	(Note U) Company Records			

84	<u>Includable Transmission</u>	<u>(ln 82 - ln 83)</u>	:	<u>0.000</u>	:
85	<u>General</u>	<u>336.10.b</u>		<u>0.000</u>	:
86	<u>Intangible</u>	<u>336.1.d</u>		<u>0.000</u>	:
87	<u>TOTAL DEPRECIATION AND AMORTIZATION</u>	<u>(sum lns 84 to 86)</u>	:	<u>0.000</u>	:
88	<u>TAXES OTHER THAN INCOME</u>	<u>(Note N)</u>			
89	<u>Labor Related</u>				
90	<u>Payroll</u>	<u>Worksheet L, Col. D</u>	:	<u>0.000</u>	:
91	<u>Plant Related</u>			<u>0.000</u>	:
92	<u>Property</u>	<u>Worksheet L, Col. C</u>	:	<u>0.000</u>	:
93	<u>Non-Allocable Taxes, incl. Transmission Serving Gen.</u>	<u>Worksheet L, Col. F</u>	:	<u>0.000</u>	:
94	<u>Other</u>	<u>Worksheet L, Col. E</u>		<u>0.000</u>	:
95	<u>TOTAL OTHER TAXES</u>	<u>(sum lns 90 to 94)</u>	:	<u>0.000</u>	:
96	<u>INCOME TAXES</u>	<u>(Note O)</u>			
97	$T=1 - ((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p) =$		<u>35.00%</u>		
98	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		<u>0.00%</u>		
99	<u>where WCLTD=(ln 139) and WACC = (ln 142)</u>				
100	<u>and FIT, SIT & p are as given in Note O.</u>				
101	$GRCF=1 / (1 - T) =$ (from ln 97)		<u>1.5385</u>		
102	<u>Amortized Investment Tax Credit (enter negative)</u>	<u>(FF1 p.114, ln 19.c)</u>			
103	<u>Excess / (Deficit) Deferred Income Tax</u>	<u>Company Records (Note O)</u>			
104	<u>Tax Effect of Permanent and Flow Through Differences</u>	<u>Company Records (Note O)</u>			
105	<u>Income Tax Prior to Adjustments</u>	<u>(ln 98 * ln 110)</u>	:		:
106	<u>ITC adjustment</u>	<u>(ln 101 * ln 102)</u>	:	<u>0.000</u>	:
107	<u>Excess / (Deficit) Deferred Income Tax</u>	<u>(ln 101 * ln 103)</u>	:	<u>0.000</u>	:
108	<u>Tax Effect of Permanent and Flow Through Differences</u>	<u>(ln 101 * ln 104)</u>	:		:
109	<u>TOTAL INCOME TAXES</u>	<u>(sum lns 105 to 108)</u>	:		:
110	<u>RETURN ON RATE BASE (Rate Base*WACC)</u>	<u>(ln 62 * ln 142) or ln 62 * ln 155) (Note T)</u>	:		:
111	<u>INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)</u>		:	<u>1.000</u>	:
112	<u>REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX</u>				
113	<u>(sum lns 80, 87, 95, 109, 110, 111)</u>				

114 TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)

-

-

115 REVENUE REQUIREMENT INCL GROSS MARGIN TAX

(In 112 + 114)

-

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

AEP
TRANSMISSION
COMPANY, INC

**SUPPORTING
CALCULATIONS**

In
No.

TRANSMISSION
PLANT
INCLUDED IN
SPP TARIFF

Total
transmission
123 plant (In 18, 19, 20, 21)
-Less transmission plant excluded from SPP
124 Tariff (Note Q)
-Less transmission plant included in OATT
Ancillary Services (Worksheet A, In 23,
125 Co(C)) (Note R)
Transmission
plant included in
126 SPP Tariff (1-123-1-124-In 125)

127 Percent of (In 126 / In 123)

-

-

-

-

TP= 0.0000

transmission
plant in SPP
Tariff

				Payroll-Billed from AEP Service Corp.	Total		
128	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll				
	<i>-Line</i>						
	<i>Deliberately Left</i>						
129	<i>Blank</i>			0	0	-	NA 0.00000 -
130	-Transmission -Regional Market	354.21.b		0	0	-	TP 0.00000 -
131	Expenses <i>-Line</i>	354.22.b		0	0	-	NA 0.00000 -
	<i>Deliberately Left</i>						
132	<i>Blank</i>			0	0	-	NA 0.00000 -
	<i>-Other</i>						
133	(Excludes A&G)	354.24,25,26.b		0	0	-	NA 0.00000 -
134	Total	(sum lns 129 to 133)		0	0	0	-

135 Transmission related amount W/S= 0.0000

STAND-ALONE
(Note T)

136	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
137		Long Term Interest (Worksheet M, ln. 18, col. (D))						-
138		Less Preferred Stock (ln 162)						-
139	Common Stock:	Development of						
140		Proprietary Capital						

	(112.16.c)	-			
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>Capital Structure Percentages</u>		<u>Cost (Note T)</u>	<u>Weighted</u>	
145		<u>\$</u>	<u>Actual</u>	<u>Cap Limit</u>		
146	Long Term Debt (Worksheet M, In. 18, col. (B))	-	0.00%	0.00%	-	0.000
147	Preferred Stock (Worksheet M, In. 24, col. (B))	-	0.00%	0.00%	-	0.000
148	-Common Stock (In 144) (Note U)	-	0.00%	0.00%	11.2%	0.000
149	-Total (sum Ins 146 to 148)	-			WACC=	0.000

150 Capital Structure Equity Limit (Note U) 50.0%

AEP OPERATING COMPANY (Note T)

151	WEIGHTED AVERAGE COST OF CAPITAL (WACC)					<u>\$</u>
152	Long Term Interest (Worksheet M, In. 18, col. (D))					
153	Preferred Stock Dividends (Worksheet M, In. 24, col. (D))					
154	Development of Common Stock:					

155		Proprietary Capital (112.16.c)					
156		Less Preferred Stock (ln 162)					
157		Less Account 216.1 (112.12.c)					
158		Less Account 219.1 (112.15.c)					-
159		Common Stock (ln 155 - ln 156 - ln 157 - ln 158)					-
				Capital Structure Percentages			
160			\$	Actual	Cap Limit	Cost (Note T)	Weight
	Long Term Debt (Worksheet M, ln. 18, col. (B))			0.00%	0.00%	-	0.00%
161	Preferred Stock (Worksheet M, ln. 24, col. (B))			0.00%	0.00%	-	0.00%
162	-Common Stock (ln 159) (Note U)	-		0.00%	0.00%	11.2%	0.00%
163	-Total (sum lns 161 to 163)	-					
164						WACC=	0.00%
165	Capital Structure Equity Limit (Note U)		52.5%				

AEP West SPP Member Transmission Companies
Transmission Cost of Service Formula Rate
Utilizing Actual / Projected Cost Data for the 2XXX Rate Year

COMPANY NAME

SUPPORTING CALCULATIONS

<u>In</u>							
<u>No.</u>	<u>TRANSMISSION PLANT</u>						
	<u>INCLUDED IN SPP TARIFF</u>						
<u>116</u>	<u>Total transmission plant</u>	<u>(In 16)</u>					=
	<u>Less transmission plant excluded from SPP Tariff</u>						=
<u>117</u>	<u>(Worksheet A, In 42 Col. (E)) (Note Q)</u>						=
	<u>Less transmission plant included in OATT Ancillary</u>						=
<u>118</u>	<u>Services (Worksheet A, In 39, Col. (E)) (Note R)</u>						=
<u>119</u>	<u>Transmission plant included in SPP Tariff</u>	<u>(In 116 - In 117 - In 118)</u>					=
<u>120</u>	<u>Percent of transmission plant in SPP Tariff</u>	<u>(In 119 / In 116)</u>					=
							<u>0.00000</u>
							T P =
<u>121</u>	<u>WAGES & SALARY ALLOCATOR (W/S)</u>	<u>(Note S)</u>	<u>Direct Payroll</u>	<u>Payroll Billed from AEP Service Corp.</u>	<u>Total</u>		
<u>122</u>	<u>Production</u>	<u>354.20.b</u>	-	-	=	<u>N</u> <u>0.0</u>	
<u>123</u>	<u>Transmission</u>	<u>354.21.b</u>	-	-		<u>A</u> <u>0</u>	=
						<u>I</u> <u>0.0</u>	

				=	P 000	=	
					0		
					0.0		
<u>124</u>	<u>Regional Market Expenses</u>	<u>354.22.b</u>		=	N 000	=	
			-	-	A 0	=	
					0.0		
<u>125</u>	<u>Distribution</u>	<u>354.23.b</u>		=	N 000	=	
			-	-	A 0	=	
					0.0		
<u>126</u>	<u>Other (Excludes A&G)</u>	<u>354.24,25,26.b</u>		=	N 000	=	
		<u>(sum Ins 122 to 126)</u>	-	-	A 0	=	
<u>127</u>	<u>Total</u>		=	=	0	=	
<u>128</u>	<u>Transmission related amount</u>						<u>0.00000</u>

STAND ALONE (Note T)

129WEIGHTED AVERAGE COST OF CAPITAL (WACC)

<u>130</u>	<u>Long Term Interest</u>	<u>Long Term Interest (Worksheet M, In. 21,</u>					
<u>131</u>	<u>Preferred Dividends</u>	<u>Preferred Stock Dividends (Worksheet</u>					
<u>132</u>	<u>Development of Common</u>				<u>Average</u>		
<u>133</u>	<u>Proprietary Capital</u>	<u>(Worksheet M, In. 1, col. (E))</u>					=
<u>134</u>	<u>Less Preferred Stock (In</u>	<u>(Worksheet M, In. 2, col. (E))</u>					=
<u>135</u>	<u>Less Account 216.1</u>	<u>(Worksheet M, In. 3, col. (E))</u>					=
<u>136</u>	<u>Less Account 219</u>	<u>(Worksheet M, In. 4, col. (E))</u>					=
<u>137</u>	<u>Common Stock</u>	<u>(In 133 - In 134 - In 135 - In 136)</u>				-	=

		<u>Capital Structure</u>			
	<u>Rate Year Average Balances</u>	<u>Percentage</u>	<u>Cost</u>	<u>(Note</u>	<u>Weighted</u>
<u>138</u>					
<u>139</u>	<u>Avg Long Term Debt</u>	=	<u>0.00%</u>	<u>0.00%</u>	<u>0.0000</u>
<u>140</u>	<u>Avg Preferred Stock</u>	=	<u>0.00%</u>	<u>0.00%</u>	<u>0.0000</u>
<u>14</u>	<u>Avg Common Stock (In</u>	=	<u>0.00%</u>	<u>11.20</u>	<u>0.0000</u>
<u>142</u>	<u>Total (sum Ins 139 to 141)</u>				

SOUTHWESTERN

143WEIGHTED AVERAGE

<u>144Long Term Interest</u>	<u>Long Term Interest (SWEPCO FR Worksheet M, In. 21, col. (E))</u>
<u>145Preferred Dividends</u>	<u>Preferred Stock Dividends (SWEPCO FR Worksheet M, In. 44, col. (E))</u>
<u>146Development of Common</u>	
<u>147Proprietary Capital</u>	<u>(SWEPCO Worksheet M, In. 1, col. (E))</u>
<u>148Less Preferred Stock (In</u>	<u>(SWEPCO Worksheet M, In. 2, col. (E))</u>
<u>149Less Account 216.1</u>	<u>(SWEPCO Worksheet M, In. 3, col. (E))</u>
<u>150Less Account 219</u>	<u>(SWEPCO Worksheet M, In. 4, col. (E))</u>
<u>151Common Stock</u>	<u>(In 147 - In 148 - In 149 - In 150)</u>

\$

Average

	<u>Rate Year Average Balances</u>	<u>Capital</u>	<u>Cost</u>	<u>(Note</u>	<u>Weighted</u>
		<u>Percen</u>			
<u>152Avg Long Term Debt (SWE</u>		<u>0.00%</u>		<u>0.00%</u>	<u>0.0000</u>
<u>153Avg Preferred Stock (SWE</u>		<u>0.00%</u>		<u>0.00%</u>	<u>0.0000</u>
<u>154Avg Common Stock (In</u>		<u>0.00%</u>		<u>11.20%</u>	<u>0.0000</u>
<u>155 Total (sum Ins 152 to 154)</u>				<u>-</u>	

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

~~AEP _____ TRANSMISSION COMPANY, INC COMPANY NAME~~

Letter

Notes

General Notes: ~~a) True Up~~ References to data from FERC Form 1 are indicated as: page#.line#.col.#. Rate Year Projections from Company forecasts.

~~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-H 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-true-up revenue requirement for each project, based on an FCR rate caclulated from inputs on ~~the this~~ Historic TCOS. Line ~~15~~ 13 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 and depreciation expense are reduced by the removal of balances-amounts 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 BC.
- 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 8068.
- 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 448111.
- I Line 65 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 or allocable to transmission service. Worksheet D-J 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 EH.
- M Recoverable PBOP expense is based on actual annual PBOP costs, including charges from the AEP Service Corporation. The PBOP amounts are included in the Administrative and General total, and are based on current year expenses. The annual actuarial valuation report supporting the derivation of the PBOP expense, along with an explanation of PBOP derivation process, is submitted during the formula rate annual update. 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 ~~49897~~) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.

Inputs Required:

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

Excess / (Deficit) Deferred Income Taxes will be amortized over the average remaining life of the assets to which it relates, unless the Commission requires a different amortization period. The Tax Effect of Permanent Differences captures the differences in the income taxes due under the Federal and State tax calculations that are not the result of a timing difference, including but not limited to depreciation related to capitalized AFUDC equity and meals and entertainment deductions. The Tax effect of Flow-Through differences captures current tax expense related to timing differences on items for which tax deductions were used to reduce customer rates through the use of flow-through accounting in a prior period.

The Texas Gross Margin tax is calculated on the Texas allocated revenue of the Company, reduced by a cost of goods sold deduction to derive a
~~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~~

P "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- other than Transmission Serving Generation which is removed at Worksheet A. See Note U.

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 _____ TRANSMISSION COMPANY, INC will be based on the Capital Structure of AEP Operating Company until AEP _____ 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 ~~452130~~) / long term debt (In ~~464139~~). Preferred Stock cost rate = preferred dividends (In ~~453131~~) / preferred outstanding (In ~~462140~~).

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.

The Capital Structure of AEP Southwestern Transmission Co. will be based on the Capital Structure of SWEPCO until it establishes a stand alone capital structure. AEP Oklahoma Transmission Company uses its own capital structure.

The amount of eligible hedging gains or losses included in total interest expense is limited to five basis points of the capital structure. Details and calculations of the weighted average cost of capital are shown on Worksheet M. Eligible Hedging Gains and Losses are computed on Worksheet M. The unamortized balance of eligible hedge gains/losses and related ADIT amounts shall not flow through the formula rate.

U Costs specifically incurred to build, operate, maintain, or depreciate assets which are dedicated to the interconnection of individual generation resources to the SPP transmission network, including generation tie-lines, are deemed to be production-related will be removed from the transmission cost of service. Such costs, referred to herein as Transmission Serving Generation, will be reported in the FERC Form 1 in Transmission functional accounts, and thus adjustments are needed to remove those costs from line items which include them. Per Settlement, equity is limited to 50% of AEP 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 Historic
Year with Year-End
Rate Base Balances

Historic/
True-Up
Year
Projected
Year

Historic Year
Projected Year

AEP
TRANSMISSION
COMPANY, INC -

Line No.	REVENUE REQUIREMENT (w/o incentives)	(In 284)	Total	Allocator	Transmission Amount
166					\$0

167	REVENUE CREDITS	(Note A)				\$
168	-Transmission Credits	(Worksheet H)	-	DA	1.00000	\$
169	-Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$
170	Total Revenue Credits		-			\$
171	REVENUE REQUIREMENT For All Company Facilities	(ln 166 less ln 170)				\$

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)		-	DA	1.00000	\$
173	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
174	-Annual Rate	(ln 166/ ln 211 x 100%)				0.00%
175	-Monthly Rate	(ln 174 / 12)				0.00%
176	NET PLANT CARRYING CHARGE ON LINE 174, W/O DEPRECIATION (w/o incentives) (Note B)					
177	-Annual Rate	(- (ln 166 - ln 259) / ln 211 x 100%)				0.00%
178	NET PLANT CARRYING CHARGE ON LINE 176, W/O INCOME TAXES, RETURN (Note B)					
179	-Annual Rate	(- (ln 166 - ln 259 - ln 281 - ln 282) / ln 211 x 100%)				0.00%
180	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C)					-

(Worksheet F)

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

AEP
TRANSMISSION
COMPANY, INC

Line No.	(1) <u>RATE-BASE CALCULATION</u>	(2) <u>Data Sources (See "General Notes")</u>	(3) <u>TO Total NOTE D</u>	(4) <u>Allocator</u>	(5) <u>Total Transmission</u>
	GROSS PLANT IN SERVICE				
181	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
182	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
183	-Transmission	(Worksheet A In 3.C & Ln 294)	-	DA	-
184	-Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 0.00000	-
185	— Plus: Transmission Plant in Service		-N/A	NA 0.00000	-N/A

	Additions (Worksheet B)				
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	0.00000	-
190	—Less: General Plant ARO (Enter Negative) (Worksheet A In 8.C)	-	W/S	0.00000	-
191	—Intangible Plant (Worksheet A In 9.C)	-	W/S	0.00000	-
192	TOTAL GROSS PLANT (sum lns 181 to 191)	-	GP(h)=	0.000000	-
			GTD=	-	
193	ACCUMULATED DEPRECIATION AND AMORTIZATION				
194	<i>Line Deliberately Left Blank</i>	-	NA	0.00000	-
195	<i>Line Deliberately Left Blank</i>	-	NA	0.00000	-
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	-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 Projected Year (In 259)	-N/A	TP1	0.00000	-N/A
201	— Plus: Additional General & Intangible Depreciation for Projected Year (In 261+In 262)	-N/A	W/S	0.00000	-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>	-	NA	0.00000	-
204	<i>Line Deliberately Left Blank</i>	-	NA	0.00000	-
205	—General Plant (Worksheet A		W/S	0.00000	

		In 18.C)	-			-
206	-Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	0.00000	-
207	-Intangible Plant	(Worksheet A In 20.C)	-	W/S	0.00000	-
208	TOTAL ACCUMULATED DEPRECIATION	(sum lns 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 Projected Year (In 200)		-N/A			-N/A
215	—Plus: Additional General & Intangible Depreciation for Projected Year (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 lns 210 to 219)	-	NP(h)=	0.000000	-
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)	-	DA		-
224	-Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	-	DA		-

225	-Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	-	DA	-
226	-Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
227	TOTAL ADJUSTMENTS	(sum lns 222 to 226)	-		-
228	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	-	DA	-
228a	REGULATORY ASSETS	(Worksheet A In 41.(C))	-	DA	-
229	WORKING CAPITAL	(Note F)			
230	Cash Working Capital	(1/8 * In 245)			
231	-Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP	0.00000
232	-A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S	0.00000
233	-Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	0.00000
234	-Prepayments (Account 16-)	(Worksheet D, In 5.G)	-	W/S	0.00000
235	-Labor Allocated	(Worksheet D, In 5.F)	-	GP(h)	0.00000
236	-Prepayments (Account 16-)	(Worksheet D, In 5.E)	-	DA	1.00000
237	-Transmission Only	(Worksheet D, In 5.D)	-	NA	0.00000
238	TOTAL WORKING CAPITAL	(sum lns 230 to 237)	-		-
239	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	-	DA	1.00000
240	RATE BASE (sum lns 220, 227, 228, 238, 239)		-		-

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Line No.	(1) <u>EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION</u>	(2) <u>Data Sources (See "General Notes")</u>	(3) <u>TO Total</u>	(4) <u>Allocator</u>	(5) <u>Total Transmission</u>
	OPERATION & MAINTENANCE EXPENSE				
241	—Transmission	321.112.b	-		
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, ln 14)		-		
245	Total O&M Allocable to Transmission	(lns 2-1-2-2-2-3-244)	-	TP 0.00000	-
246	—Administrative and General	323.197.b	-		
247	—Less: —Acct. 924, Property Insurance	(Note K) 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 2-6 sum In 247 to In 250)	-	W/S	0.00000	-
252	Plus: Acct. 924, Property Insurance	(In 247)	-	GP(h)	0.00000	-
253	Acct. 9-8- Transmission Specific	Worksheet J In 9.(E) (Note L)	-	TP	0.00000	-
254	Acct 930-1- Only safety related a-s Direct	Worksheet J In 26.(E) (Note L)	-	TP	0.00000	-
255	Acct 930-2- Misc Gen. Ex. - Trans	Worksheet J In 32.(E) (Note L)	-	DA	1.00000	-
255a	PBOP Adjustment	Worksheet O In 16.B	-	DA	1.00000	-
256	A & G Subtotal	(sum Ins 251 to 255 less In 255a)	-			-
257	TOTAL O & M EXPENSE	(In 245 + In 256)	-			-
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	0.00000	-
262	Intangible	336.1.f	-	W/S	0.00000	-
263	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 259 to 262)	-			-
264	TAXES OTHER THAN INCOME	(Note N)				
265	Labor Related					
266	Payroll	Worksheet L, Col. D	-	W/S	0.00000	-
267	Plant Related					
268	Property	Worksheet L,		GP(h)	0.00000	

		Col. G	-			-
269	—Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000	-
270	—Other	Worksheet L, Col. E	-	GP(h)	0.00000	-
271	TOTAL OTHER TAXES	(sum lns 266 to 270)	-			-
272	INCOME TAXES	(Note O)				
273	— $T = 1 - ((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p) =$		35.00%			
274	— $EIT = (T / (1 - T)) * (1 - (WCLTD / WACC)) =$		0.00%			
275	—where WCLTD = (ln 326) and WACC = (ln 329)					
276	—and FIT, SIT & p are as given in Note O.					
277	— $GRCF = 1 / (1 - T) =$ (from ln 273)		1.5385			
278	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-			
279	Income Tax Calculation	(ln 274 * ln 282)	-			-
280	—ITC adjustment	(ln 277 * ln 278)	-	NP(h)	0.00000	-
281	TOTAL INCOME TAXES	(sum lns 279 to 280)	-			-
282	RETURN ON RATE BASE (Rate Base * WACC)	(ln 240 * ln 329)	-			-
283	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		-	DA	1.00000	-
284	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		-			-
285	—(sum lns 257, 263, 271, 281, 282, 283)		-			-
286	TEXAS GROSS MARGIN			DA		

TAX (Note P) (Worksheet K)

-

-

287

REVENUE REQUIREMENT INCLUDING
GROSS MARGIN TAX

-

-

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SUPPORTING
CALCULATIONS

In

No.

TRANSMISSION PLANT
INCLUDED IN SPP TARIFF

288

Total transmission plant (In 183)

-

-Less transmission plant excluded from SPP

289

Tariff (Note Q)

-

-Less transmission plant included in OATT Ancillary Services

290

(Worksheet A, In 23, Co. (C)) (Note R)

-

Transmission plant included

291

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	-Line Deliberately Left Blank		-	-	-	NA	0.00000	-
295	-Transmission	354.21.b	-	-	-	TP	0.00000	-
296	-Regional Market Expenses	354.22.b	-	-	-	NA	0.00000	-
297	-Line Deliberately Left Blank		-	-	-	NA	0.00000	-
298	-Other (Excludes A&G)	354.24,25,26.b	-	-	-	NA	0.00000	-
299	Total	(sum lns 294 to 298)	0	0	0			-
300	Transmission related amount						W/S=	0.00000
301	<u>STAND ALONE (Note T)</u> <u>WEIGHTED AVERAGE</u> <u>COST OF CAPITAL (WACC)</u>							\$
302		Long Term Interest (Worksheet M, ln. 18, col. (D))						-
303		Preferred Stock Dividends (Worksheet M, ln. 24, col. (D))						-
304	Development of Common Stock:							
305		Proprietary Capital (112.16.c)						-
306		Less Preferred Stock (ln 312)						-
307		Less Account 216.1 (112.12.c)						-
308		Less Account 219.1 (112.15.c)						-
309		Common Stock (ln 305 - ln 306 - ln 307 - ln 308)						-
310		\$					Capital Structure Percentages	-Cost
			Actual	Cap Limit			(Note T)	Weighted

311	Long Term Debt (Worksheet M, In. 18, col. (B))	-	0.00%	0.00%	-	0.0000
312	Preferred Stock (Worksheet M, In. 24, col. (B))	-	0.00%	0.00%	-	0.0000
313	-Common Stock (In 309) (Note U)	-	0.00%	0.00%	11.2%	0.0000
314	-Total (sum lns 311 to 313)	-			WACC=	0.0000
315	Capital Structure Equity Limit (Note U)	50.0%				
<u>AEP OPERATING COMPANY (Note T)</u>						
<u>WEIGHTED AVERAGE COST OF CAPITAL (WACC)</u>						
316						\$
317	Long Term Interest (Worksheet M, In. 18, col. (D))					
318	Preferred Stock Dividends (Worksheet M, In. 24, col. (D))					
319	Development of Common Stock:					
320	Proprietary Capital (112.16.c)	-				
321	Less Preferred Stock (In 327)	-				
322	Less Account 216.1 (112.12.c)	-				
323	Less Account 219.1 (112.15.c)	-				
324	Common Stock (In 320 -- In 321 -- In 322 -- In 323)	-				
325		\$				
			<u>Capital Structure Percentages</u>		<u>Cost</u>	<u>Weighted</u>
			Actual	Cap Limit	(Note T)	
326	Long Term Debt (Worksheet M, In. 18, col. (B))	-	0.00%	0.00%	-	0.0000
327	Preferred Stock (Worksheet M, In. 24, col. (B))	-	0.00%	0.00%	-	0.0000
328	-Common Stock (In 324) (Note U)	-	0.00%	0.00%	11.2%	0.0000
329	-Total (sum lns 326 to 328)	-			WACC=	0.0000

330 Capital Structure Equity Limit (Note U) 52.5%

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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,
these 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) (ln 273) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.

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

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 will be based on the Capital Structure of AEP Operating Company until establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS.

Long Term Debt cost rate =
long term interest (ln 317) /
long term debt (ln 326).

~~Preferred Stock cost rate = preferred dividends (ln 318) / preferred outstanding (ln 327).~~

~~Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.~~

U

~~Per Settlement, equity is limited to 50% of '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.~~

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<u>Line No.</u>			<u>Total</u>	<u>Allocator</u>	<u>Transmission Amount</u>
1	REVENUE REQUIREMENT (w/o incentives)	(ln 106)			#DIV/0!
2	REVENUE CREDITS	(Note A) (Worksheet H)			\$
3	Transmission Credits		-	DA 1.00000	-

4	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$
5	Total Revenue Credits		-			\$
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 5)				#DIV/0!

~~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%)				0.00%
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)					-

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	(1)	(2)	(3)	(4)	(5)
		Data Sources (See "General Notes")	<u>TO Total</u> NOTE D	<u>Allocator</u>	<u>Total</u> Transmission
<u>Line</u> <u>No.</u>	<u>RATE BASE CALCULATION</u>				
	GROSS PLANT IN SERVICE				
16	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
17	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
18	-Transmission	(Worksheet A ln 3.E & Ln 113)	-	DA	-
19	-Less: Transmission ARQ (Enter Negative)	(Worksheet A ln 4.E)	-	TP 0.00000	-
20	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
21	<i>Line Deliberately Left Blank</i>			NA 0.00000	

			-			-
22	-General Plant	(Worksheet A ln 7.E)	-	W/S	0.00000	-
23	-Less: General Plant ARO (Enter Negative)	(Worksheet A ln 8.E)	-	W/S	0.00000	-
24	-Intangible Plant	(Worksheet A ln 9.E)	-	W/S	0.00000	-
25	TOTAL GROSS PLANT	(sum lns 16 to 24)	-	GP(TU)=	0.00000	-
				GTD=	#DIV/0!	
26	ACCUMULATED DEPRECIATION AND AMORTIZATION					
27	<i>Line Deliberately Left Blank</i>		-	NA	0.00000	-
28	<i>Line Deliberately Left Blank</i>		-	NA	0.00000	-
29	-Transmission	(Worksheet A ln 14.E & 28.E)	-	TP1=	0.00000	-
30	-Less: Transmission ARO (Enter Negative)	(Worksheet A ln 15.E)	-	TP1=	0.00000	-
31	<i>Line Deliberately Left Blank</i>		-	NA	0.00000	-
32	<i>Line Deliberately Left Blank</i>		-	NA	0.00000	-
33	-General Plant	(Worksheet A ln 18.E)	-	W/S	0.00000	-
34	-Less: General Plant ARO (Enter Negative)	(Worksheet A ln 19.E)	-	W/S	0.00000	-
35	-Intangible Plant	(Worksheet A ln 20.E)	-	W/S	0.00000	-
36	TOTAL ACCUMULATED DEPRECIATION	(sum lns 27 to 35)	-			-
37	NET PLANT IN SERVICE					
38	<i>Line Deliberately Left Blank</i>		-			-
39	-Transmission	(ln 18 + ln 19 - ln 29 - ln 30)	-			-
40	<i>Line Deliberately Left Blank</i>		-			-
41	-General Plant	(ln 22 + ln 23 - ln 33 - ln	-			-

		34)				
42	-Intangible Plant	(In 24 - In 35)	-			-
43	TOTAL NET PLANT IN SERVICE	(sum lns 38 to 42)	-		NP(TU)= 0.00000	-
44	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)				
45	-Account No. 281.1 (enter negative)	272-273.8.k (Worksheet C, In 7.C & In 9.J)	-		NA	-
46	-Account No. 282.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	-		DA	#DIV/0!
47	-Account No. 283.1 (enter negative)	(Worksheet C, In 25.C & Ln 27.J)	-		DA	#DIV/0!
48	-Account No. 190.1	(Worksheet C, In 34.C & Ln 36.J)	-		DA	#DIV/0!
49	-Account No. 255 (enter negative)	(sum lns 45 to 49)	-		DA	-
50	TOTAL ADJUSTMENTS		-			#DIV/0!
51	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	-		DA	-
51a	REGULATORY ASSETS	(Worksheet A In 41.(E))	-		DA	-
52	WORKING CAPITAL	(Note F)				
53	Cash Working Capital	(1/8 * In 68) (Note G)	-			-
54	-Transmission Materials & Supplies	(Worksheet D, In 2.(F))	-		TP	0.00000
55	-A&G Materials & Supplies	(Worksheet D, In 3.(F))	-		W/S	0.00000

56	Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	0.00000	-
57	Prepayments (Account 165)	(Worksheet D, In 7.G)	-	W/S	0.00000	-
58	Labor Allocated	(Worksheet D, In 7.F)	-	GP(TU)	0.00000	-
59	Gross Plant	(Worksheet D, In 7.E)	-	DA	1.00000	-
60	Prepayments (Account 165)	(Worksheet D, In 7.D)	-	NA	0.00000	-
61	TOTAL WORKING CAPITAL	(sum lns 53 to 60)	-			-
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	-	DA	1.00000	-
63	RATE BASE (sum lns 43, 50, 51, 61, 62)		-			#DIV/0!

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Member Companies
Transmission Cost of
Service Formula
Rate
Utilizing Actual Cost
Data for Historic
Year with Average
Ratebase Balances~~

~~AEP _____
TRANSMISSION
COMPANY, INC~~

(1)	(2)	(3)	(4)	(5)
<u>EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION</u>	<u>Data Sources (See "General</u>	<u>TO Total</u>	<u>Allocator</u>	<u>Total Transmission</u>

Notes")

Line No.	OPERATION & MAINTENANCE EXPENSE					
64	—Transmission	321.112.b (Note I)	-			
65	—Less: Total Account 564	321.84-92.b (Note J)	-			
66	—Less: Account 565	321.96.b	-			
67	Less: expenses 100% assigned to TO billed customers (Worksheet I, ln 14)			\$0		
68	Total O&M Allocable to Transmission	(lns 64—65— 66—67)	-		TP	0.00000 -
69	—Administrative and General	323.197.b (Note K)	-			
70	—Less: —Acct. 924, Property Insurance	323.185.b	-			
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	-			
74	—Balance of A & G	(ln 69—sum ln 70 to ln 73)	-		W/S	0.00000 -
75	—Plus: Acct. 924, Property Insurance	(ln 70)	-		GP(TU)	0.00000 -
76	—Acct. 928—Transmission Specific	(Note I)	-		TP	0.00000 -
77	—Acct 930.1—Only safety related ads—Direct	321.84-92.b (Note J)	-		GP(TU)	0.00000 -
78	—Acct 930.2—Misc Gen. Exp.—Trans	321.96.b Worksheet J ln 32.(E)	-		DA	1.00000 -
78a	—PBOP Adjustment	(Note L) Worksheet O ln 16.B	-		DA	1.00000 -
79	—A & G Subtotal	(sum lns 74 to 78 less ln 78a)	-			-
80	TOTAL O & M EXPENSE	(ln 68 + ln 79)	-			-

81	DEPRECIATION AND AMORTIZATION EXPENSE					
82	—Transmission	336.7.f	-	TP	0.00000	-
83	—General	336.10.f	-	W/S	0.00000	-
83a	—Plus: Formation Costs Amortization	(Worksheet A In 35.E)	-	DA	1.00000	-
84	—Intangible	336.1.f	-	W/S	0.00000	-
85	TOTAL DEPRECIATION AND AMORTIZATION	(sum lns 82 to 84)	-			-
86	TAXES OTHER THAN INCOME	(Note N)				
87	—Labor Related					
88	——Payroll	Worksheet L, Col. D	-	W/S	0.00000	-
89	—Plant Related					
90	——Property	Worksheet L, Col. C	-	GP(TU)	0.00000	-
91	——Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000	-
92	——Other	Worksheet L, Col. E	-	GP(TU)	0.00000	-
93	TOTAL OTHER TAXES	(sum lns 88 to 92)	-			-
94	INCOME TAXES	(Note O)				
95	— $T=1-\frac{\{(1-SIT) * (1-FIT)\}}{(1-SIT * FIT * p)}=$		35.00%			
96	— $EIT=(T/(1-T)) * (1-WCLTDWACC)=$		#DIV/0!			
97	—where WCLTD=(ln 148) and WACC = (ln 151)					
98	—and FIT, SIT & p are as given in Note O.					
99	— $GRCF=1 / (1-T) =$ (from ln 95)		4.5385			
100	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.e)	-			

101	Income Tax Calculation	(In 96 * In 104)	#DIV/0!		#DIV/0!
102	— ITC adjustment	(In 99 * In 100)	-	-NP(TU) 0.00000	-
103	TOTAL INCOME TAXES	(sum lns 101 to 102)	#DIV/0!		#DIV/0!
104	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 151)	#DIV/0!		#DIV/0!
105	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	-DA 1.00000	-
106	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		#DIV/0!		#DIV/0!
107	—(sum lns 80, 85, 93, 103, 104, 105)				
108	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		#DIV/0!	-DA	#DIV/0!
109	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		#DIV/0!		#DIV/0!

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AEP _____
TRANSMISSION
COMPANY, INC

**SUPPORTING
CALCULATIONS**

In No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF							
110	Total transmission plant (In 18)							-
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 10 - In 11 - In 112)							-
114	Percent of transmission plant in SPP Tariff (In 113 / In 110)						TP=	0.00000
115	WAGES & SALARY ALLOCATOR (W/S) (Note S)		Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
116	Line Deliberately Left Blank		0	0	-	NA	0.00000	-
117	Transmission 354.21.b		0	0	-	TP	0.00000	-
118	Regional Market Expenses 354.22.b		0	0	-	NA	0.00000	-
119	Line Deliberately Left Blank		0	0	-	NA	0.00000	-
120	Other (Excludes A&G) 0		0	0	-	NA	0.00000	-
121	Total (sum lns 116 to 120)		0	0	0			-
122	Transmission related amount						W/S=	0.00000
123	<u>STAND ALONE (Note T)</u> WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
124	Long Term Interest	Long Term Interest						#DIV/0!

		(Worksheet N, ln. 18, col. (E)) Preferred Stock Dividends (Worksheet N, ln. 47, col. (E))				
125	Preferred Dividends					-
126	<u>Development of Common Stock:</u>					<u>-Average</u>
127	Proprietary Capital	(Worksheet N, ln. 1, col. (E))				#DIV/0!
128	Less Preferred Stock (ln 134)	(Worksheet N, ln. 2, col. (E))				-
129	Less Account 216.1	(Worksheet N, ln. 3, col. (E))				#DIV/0!
130	Less Account 219	(Worksheet N, ln. 4, col. (E))				<u>#DIV/0!</u>
131	Common Stock	(ln 127 - ln 128 - ln 129 - ln 130)				<u>#DIV/0!</u>

		<u>Capital Structure Percentages</u>		Cost		
		<u>Projected Year Avg Balances</u>	<u>Actual</u>	<u>Cap Limit</u>	<u>(Note S)</u>	<u>Weighted</u>
132	Avg Long Term Debt					
133	(Worksheet N, ln. 10, col. (E))	-	#DIV/0!	#DIV/0!	0.00%	#DIV/0!
134	Avg Preferred Stock					
134	(Worksheet N, ln. 46, col. (E))	-	#DIV/0!	#DIV/0!	0.00%	#DIV/0!
135	Avg Common Stock (ln 131)					
135	(Note U)	#DIV/0!	#DIV/0!	#DIV/0!	11.20%	#DIV/0!
136	-Total (sum lns 133 to 135)	#DIV/0!			WACC=	#DIV/0!

137	Capital Structure Equity Limit (Note U)	50.0%
-----	--	-------

**AEP OPERATING
COMPANY (Note T)
WEIGHTED AVERAGE
COST OF CAPITAL (WACC)**

138 \$

139	Long Term Interest	Long Term Interest (Worksheet N, In. 18, col. (E))				-
140	Preferred Dividends	Preferred Stock Dividends (Worksheet N, In. 47, col. (E))				-
141	Development of Common Stock:					-Average
142	Proprietary Capital	(Worksheet N, In. 1, col. (E))				#DIV/0!
143	Less Preferred Stock (In 149)	(Worksheet N, In. 2, col. (E))				-
144	Less Account 216.1	(Worksheet N, In. 3, col. (E))				#DIV/0!
145	Less Account 219	(Worksheet N, In. 4, col. (E))				#DIV/0!
146	Common Stock	(In 142 - In 143 - In 144 - In 145)				#DIV/0!
Capital Structure Percentages						
147		Projected Year Avg Balances		Actual	Cap Limit	Cost (Note S)
148	Avg Long Term Debt (Worksheet N, In. 10, col. (E))	-		#DIV/0!	#DIV/0!	0.00%
149	Avg Preferred Stock (Worksheet N, In. 46, col. (E))	-		#DIV/0!	#DIV/0!	0.00%
150	Avg Common Stock (In 146) (Note U)	#DIV/0!		#DIV/0!	#DIV/0!	11.20%
151	-Total (sum Ins 148 to 150)	#DIV/0!				WACC= #DIV/0!
152	Capital Structure Equity Limit (Note U)	52.5%				

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~~Transmission Cost of
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~~AEP
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,
these 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.~~

~~This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach.~~

C ~~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 $p = \frac{\text{FIT}}{\text{FIT} + \text{SIT}}$ "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) $(\ln 95) \text{ multiplied by } (1/1-T)$. If the applicable tax rates are zero enter 0.~~

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

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 TRANSMISSION COMPANY, INC will be based on the Capital Structure of AEP Operating Company until AEP 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 139) /
long term debt (ln 148).
Preferred Stock cost rate =
preferred dividends (ln 140) /
preferred outstanding (ln 149).
Common Stock cost rate
(ROE) = 11.2%, the rate
accepted by FERC in Docket
Nos. ER07-1069 and ER10-

~~355. It includes an additional
50 basis points for remaining
a member of the SPP RTO.~~

U

~~Per Settlement, equity is limited to 50% of AEP _____ 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.~~

Addendum 12 to Attachment H – Part 2

AEP West SPP
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 COMPANY, INC**

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 106)			#DIV/0!
2	REVENUE CREDITS	(Note A) (Worksheet			\$
3	-Transmission Credits	H)	-	DA 1.00000	-
4	-Assec. Business Development	(Worksheet H)	-	DA 1.00000	-
5	Total Revenue Credits		-		-
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 5)			#DIV/0!

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	$(\ln 1 / \ln 39 \times 100\%)$			0.00%
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	$(-(\ln 1 - \ln 82) / \ln 39 \times 100\%)$			0.00%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)				
14	-Annual Rate	$(-(\ln 1 - \ln 82 - \ln 103 - \ln 104) / \ln 39 \times 100\%)$			0.00%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet G)				\$

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TRANSMISSION
COMPANY, INC

	(1)	(2)	(3)	(4)	(5)
	<u>RATE BASE CALCULATION</u>	Data Sources (See "General Notes")	<u>TO Total NOTE D</u>	<u>Allocator</u>	<u>Total Transmission</u>
Line No.					
	GROSS PLANT IN SERVICE				
16	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
17	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
18	-Transmission	(Worksheet A In 6.E & Ln 113)	-	DA	-
19	-Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E)	-	TP 0.00000	-
20	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
21	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
22	-General Plant	(Worksheet A In 7.E)	-	W/S 0.00000	-
23	-Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	-	W/S 0.00000	-
24	-Intangible Plant	(Worksheet A In 9.E)	-	W/S 0.00000	-
25	TOTAL GROSS PLANT	(sum lns 16 to 24)	-	GP(TU)= 0.00000 GTD= #DIV/0!	-

26	ACCUMULATED DEPRECIATION AND AMORTIZATION					
27	Line Deliberately Left Blank		-	NA	0.00000	-
28	Line Deliberately Left Blank		-	NA	0.00000	-
29	-Transmission	(Worksheet A In 14.E & 28.E)	-	TP1=	0.00000	-
30	-Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	0.00000	-
31	Line Deliberately Left Blank		-	NA	0.00000	-
32	Line Deliberately Left Blank		#VALUE!	NA	0.00000	#VALUE!
33	-General Plant	(Worksheet A In 18.E)	-	W/S	0.00000	-
34	-Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	-	W/S	0.00000	-
35	-Intangible Plant	(Worksheet A In 20.E)	-	W/S	0.00000	-
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	#VALUE!			#VALUE!
37	NET PLANT IN SERVICE					
38	Line Deliberately Left Blank		-			-
39	-Transmission	(In 18 + In 19 - In 29 - In 30)	-			-
40	Line Deliberately Left Blank		#VALUE!			#VALUE!
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)	#VALUE!	NP(TU)=	#VALUE!	#VALUE!
44	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)				

45	-Account No. 281.1 (enter negative)	272-273.8.k (Worksheet C, In 7.C & In 9.J)	-	NA		-
46	-Account No. 282.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	-	DA		#DIV/0!
47	-Account No. 283.1 (enter negative)	(Worksheet C, In 25.C & Ln 27.J)	-	DA		#DIV/0!
48	-Account No. 190.1	(Worksheet C, In 34.C & Ln 36.J)	-	DA		#DIV/0!
49	-Account No. 255 (enter negative)	(sum lns 45 to 49)	-	DA		-
50	TOTAL ADJUSTMENTS		-			#DIV/0!
51	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	-	DA		-
51a	REGULATORY ASSETS	(Worksheet A In 51.)	-	DA		-
52	WORKING CAPITAL	(Note F)				
53	Cash Working Capital	(1/8 * In 68)	-			-
54	-Transmission Materials & Supplies	(Worksheet D, In 2.(F))	-	TP	0.00000	-
55	-A&G Materials & Supplies	(Worksheet D, In 3.(F))	-	W/S	0.00000	-
56	-Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	0.00000	-
57	-Prepayments (Account 165) -Labor Allocated	(Worksheet D, In 7.G)	-	W/S	0.00000	-
58	-Prepayments (Account 165) -Gross Plant	(Worksheet D, In 7.F)	-	GP(TU)	0.00000	-
59	-Prepayments (Account 165) -Transmission Only	(Worksheet D, In 7.E)	-	DA	1.00000	-
60	-Prepayments (Account 165) -Unallocable	(Worksheet D, In 7.D)	-	NA	0.00000	-
61	TOTAL WORKING CAPITAL	(sum lns 53 to 60)	-			-

62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	-	-DA	1.00000	-
63	RATE BASE (sum lns 43, 50, 51, 61, 62)		-			-
			<u>#VALUE!</u>			<u>#DIV/0!</u>

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Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
	OPERATION & MAINTENANCE EXPENSE				
64	-Transmission	321.112.b (Note I)	-		
65	-Less: Total Account 564	321.84-92.b (Note J)	-		
66	-Less: Account 565	321.96.b	-		
67	Less: expenses 100% assigned to TO billed customers (Worksheet I, In 14)		<u>\$0</u>		

68	Total O&M Allocable to Transmission	(Ins 64-65- 66-67)	-	TP	0.00000	-
69	Administrative and General	323.197.b (Note K)	-			
70	Less: Acct. 924, Property Insurance	323.185.b	-			
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 <u>(In 69 - sum In 70 to In 73)</u>	-			
74	Balance of A & G Plus: Acct. 924, Property Insurance	(In 70) (Note I)	-	W/S	0.00000	-
75	Acct. 928 - Transmission Specific	321.84-92.b (Note J)	-	-GP(TU)	0.00000	-
76	Acct 930.1 - Only safety related ads - Direct	321.96.b Worksheet J	-	TP	0.00000	-
77	Acct 930.2 - Misc Gen. Exp. - Trans	In 32.(E) (Note L) Worksheet O	-	GP(TU)	0.00000	-
78	PBOP Adjustment	In 16.B (sum Ins 74 to 78 less In 78a)	-	DA	4.00000	-
78a	A & G Subtotal	(In 68 + In 79)	-	DA	4.00000	-
79	TOTAL O & M EXPENSE		-			-
81	DEPRECIATION AND AMORTIZATION EXPENSE					
82	Transmission	336.7.f	-	TP	0.00000	-
83	General	336.10.f	-	W/S	0.00000	-
83a	Plus: Formation Costs Amortization	(Worksheet A In 46.E)	-	DA	4.00000	-
84	Intangible	336.1.f	-	W/S	0.00000	-

85	TOTAL DEPRECIATION AND AMORTIZATION	(sum lns 82 to 84)	-			-
86	TAXES OTHER THAN INCOME	(Note N)				
87	-Labor Related					
88	— Payroll	Worksheet L, Col. D	-	W/S	0.00000	-
89	-Plant Related					
90	— Property	Worksheet L, Col. G	-	GP(TU)	0.00000	-
91	— Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000	-
92	— Other	Worksheet L, Col. E	-	GP(TU)	0.00000	-
93	TOTAL OTHER TAXES	(sum lns 88 to 92)	-			-
94	INCOME TAXES	(Note O)				
95	— $T=1 - \frac{\{(1 - SIT) * (1 - FIT)\}}{(1 - SIT * FIT * p)}$		35.00%			
96	— $EIT=(T/(1-T)) * (1 - (WCLTD/WACC))$		#DIV/0!			
97	— where WCLTD=(ln 148) and WACC = (ln 151)					
98	— and FIT, SIT & p are as given in Note O.					
99	— $GRCF=1 / (1 - T)$ = (from ln 95)		1.5385			
100	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-			
101	Income Tax Calculation	(ln 96 * ln 104)	#DIV/0!			#DIV/0!
102	— ITC adjustment	(ln 99 * ln 100)	-	NP(TU)	#VALUE!	#VALUE!
103	TOTAL INCOME TAXES	(sum lns 101 to 102)	#DIV/0!			#DIV/0!
104	RETURN ON RATE BASE (Rate Base*WACC)	(ln 63 * ln 151)	#DIV/0!			#DIV/0!

105	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)	-	-DA	1.00000	-
		-			-
106	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX	#DIV/0!			#DIV/0!
107	—(sum lns 80, 85, 93, 103, 104, 105)				
108	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)	#DIV/0!	-DA		#DIV/0!
109	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX	#DIV/0!			#DIV/0!

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

AEP
TRANSMISSION
COMPANY, INC

**SUPPORTING
CALCULATIONS**

ln					
No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF				
110	Total transmission plant (ln 18)				-
111	—Less transmission plant excluded from SPP Tariff (Note Q)				-

112	—Less transmission plant included in OATT Ancillary Services (Worksheet A, In 24, Col.) (Note R)								-
113	Transmission plant included in SPP-Tariff	(In 110—In 111—In 112)							-
114	Percent of transmission plant in SPP-Tariff	(In 113 / In 110)						TP=	0.00000
115	WAGES & SALARY ALLOCATOR (W/S)	(Note-S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total				
116	—Line Deliberately Left Blank		0	0	-	NA	0.00000		-
117	—Transmission	354.21.b	0	0	-	TP	0.00000		-
118	—Regional Market Expenses	354.22.b	0	0	-	NA	0.00000		-
119	—Line Deliberately Left Blank		0	0	-	NA	0.00000		-
120	—Other (Excludes A&G)	0	0	0	-	NA	0.00000		-
121	Total	(sum Ins 116 to 120)	0	0	0				-
122	Transmission-related amount							W/S=	0.00000
123	<u>STAND ALONE (Note T)</u> WEIGHTED-AVERAGE COST OF CAPITAL (WACC)								\$
124	Long Term Interest	Long Term Interest (Worksheet N, In. 18, col. (E))							#DIV/0!
125	Preferred Dividends	Preferred Stock Dividends (Worksheet N, In. 47, col. (E))							-

126	<u>Development of Common Stock:</u>				<u>Average</u>
127	Proprietary Capital	(Worksheet N, ln. 1, col. (E))			#DIV/0!
128	Less Preferred Stock (ln 134)	(Worksheet N, ln. 2, col. (E))			-
129	Less Account 216.1	(Worksheet N, ln. 3, col. (E))			#DIV/0!
130	Less Account 219	(Worksheet N, ln. 4, col. (E))			#DIV/0!
131	Common Stock	(ln 127 - ln 128 - ln 129 - ln 130)			#DIV/0!

		<u>Capital Structure Percentages</u>		Cost		
		Projected Year Avg Balances	Actual	Cap Limit	(Note S)	Weighted
132	Avg Long Term Debt					
133	(Worksheet N, ln. 10, col. (E))	-	#DIV/0!	#DIV/0!	0.00%	#DIV/0!
134	Avg Preferred Stock					
134	(Worksheet N, ln. 46, col. (E))	-	#DIV/0!	#DIV/0!	0.00%	#DIV/0!
135	Avg Common Stock (ln 131)					
135	(Note U)	#DIV/0!	#DIV/0!	#DIV/0!	11.20%	#DIV/0!
136	Total (sum lns 133 to 135)	#DIV/0!			WACC=	#DIV/0!
137	Capital Structure Equity Limit (Note U)	50.0%				

138	<u>AEP OPERATING COMPANY (Note T)</u> WEIGHTED AVERAGE COST OF CAPITAL (WACC)					<u>\$</u>
139	Long Term Interest	Long Term Interest (Worksheet N, ln. 18, col. (E))				-

140	Preferred Dividends	Preferred Stock Dividends (Worksheet N, ln. 47, col. (E))			-	
141	Development of Common Stock:				-	Average
142	Proprietary Capital	(Worksheet N, ln. 1, col. (E))				#DIV/0!
143	Less Preferred Stock (ln 149)	(Worksheet N, ln. 2, col. (E))			-	
144	Less Account 216.1	(Worksheet N, ln. 3, col. (E))				#DIV/0!
145	Less Account 219	(Worksheet N, ln. 4, col. (E))				#DIV/0!
146	Common Stock	(ln 142–ln 143–ln 144–ln 145)				#DIV/0!
				Capital Structure Percentages		
147		Projected Year Avg Balances			Cost	
			Actual	Cap Limit	(Note S)	Weighted
148	Avg Long Term Debt (Worksheet N, ln. 10, col. (E))	-	#DIV/0!	#DIV/0!	0.00%	#DIV/0!
149	Avg Preferred Stock (Worksheet N, ln. 46, col. (E))	-	#DIV/0!	#DIV/0!	0.00%	#DIV/0!
150	Avg Common Stock (ln 146) (Note U)	#DIV/0!	#DIV/0!	#DIV/0!	11.20%	#DIV/0!
151	Total (sum lns 148 to 150)	#DIV/0!				WACC= #DIV/0!
152	Capital Structure Equity Limit (Note U)	52.5%				

AEP West SPP
Member Companies
Transmission Cost
of Service Formula

Rate
Utilizing Actual Cost
Data for Historic
Year with Average
Ratebase Balances

AEP _____
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.~~

- ~~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 405.~~

~~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 95) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.~~

~~Inputs Required: FIT = 35.00%~~

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

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 _____ TRANSMISSION COMPANY, INC will be based on the Capital Structure of AEP Operating Company until AEP _____ 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 139) /
 long term debt (ln 148).
 Preferred Stock cost rate =
 preferred dividends (ln 140) /
 preferred outstanding (ln 149).
 Common Stock cost rate
 (ROE) = 11.2%, the rate
 accepted by FERC in Docket
 Nos. ER07-1069 and ER10-
 355. It includes an additional

50 basis points for remaining a member of the SPP RTO.

U Per Settlement, equity is limited to 50% of AEP 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 Transmission Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet A - Detailed Plant and Accumulated Depreciation Balances
COMPANY NAME

<u>Line Number</u>	<u>(A) Rate Base Item & Supporting Balance</u>	<u>(B) Source of Data</u>	<u>(C) Balances @ 12/31/2XXX</u>	<u>(D) Balances 12/31/2XXX-1</u>	<u>(E) Average Balance for 2XXX</u>
--------------------	--	-------------------------------	--	--	---

Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.

See Note U at the TCOS worksheet for a description of Transmission Serving Generation.

Plant Investment Balances

1	<u>Production Plant In Service</u>	<u>FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 46</u>	-	-	:
2	<u>Add: Transmission Serving Generation</u>	<u>Company Records</u>	-	-	:
3	<u>Formula Production Plant In Service</u>		0	0	:
4	<u>Production Asset Retirement Obligation (ARO)</u>	<u>FF1, page 205&204, Col.(g)&(b), lns 15,24,34,44</u>	-	-	:

5	<u>Add: Transmission Serving Generation ARO</u>	<u>Company Records</u>	-	-	:
6	<u>Formula Production ARO</u>		0	0	:
7	<u>Transmission Plant In Service</u>	<u>FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58</u>	-	-	:
8	<u>Less: Transmission Serving Generation</u>	<u>Company Records</u>	-	-	:
9	<u>Formula Transmission Plant In Service</u>		0	0	:
10	<u>Transmission Asset Retirement Obligation (Acct. 359.1)</u>	<u>FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57</u>	-	-	:
11	<u>Less: Transmission Serving Generation ARO</u>	<u>Company Records</u>	-	-	:
12	<u>Formula Transmission ARO</u>		0	0	:
13	<u>Distribution Plant In Service</u>	<u>FF1, page 207 Col.(g) & pg. 206 Col. (b), In 75</u>	-	-	:
14	<u>Distribution Asset Retirement Obligation</u>	<u>FF1, page 207 Col.(g) & pg. 206 Col. (b), In 74</u>	-	-	:
15	<u>General Plant In Service</u>	<u>FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99</u>	-	-	:
16	<u>General Asset Retirement Obligation (Acct. 399.1)</u>	<u>FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98</u>	-	-	:
17	<u>Intangible Plant In Service</u>	<u>FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5</u>	-	-	:
18	<u>Total Property Investment Balance</u>	<u>(Sum of Lines: 3, 9, 13, 15, 17)</u>	-	-	:
19	<u>Total ARO Balance (included in total on line 18)</u>	<u>(Sum of Lines: 6, 12, 14, 16)</u>	-	-	:
<u>Accumulated Depreciation & Amortization Balances</u>					
20	<u>Production Accumulated Depreciation</u>	<u>FF1, page 219, Ins 20-24,</u>	-	-	:

		<u>Col. (b)</u>		:
21	<u>Add: Transmission Serving Generation</u>	<u>Company Records</u>		:
22	<u>Formula Production Plant In Service</u>		0	0
23	<u>Production ARO Accumulated Depreciation (included in total on line 20)</u>	<u>Company Records - Note 1</u>		:
24	<u>Add: Transmission Serving Generation ARO</u>	<u>Company Records</u>		:
25	<u>Formula Production ARO</u>		0	0
26	<u>Transmission Accumulated Depreciation</u>	<u>FF1, page 219, ln 25, Col. (b)</u>		:
27	<u>Less: Transmission Serving Generation</u>	<u>Company Records</u>		:
28	<u>Formula Transmission Plant In Service</u>		0	0
29	<u>Transmission ARO Accumulated Depreciation (included in total on line 26)</u>	<u>Company Records - Note 1</u>		:
30	<u>Less: Transmission Serving Generation ARO</u>	<u>Company Records</u>		:
31	<u>Formula Transmission ARO</u>		0	0
32	<u>Distribution Accumulated Depreciation</u>	<u>FF1, page 219, ln 26, Col. (b)</u>		:
33	<u>Distribution ARO Accumulated Depreciation (included in total on line 32)</u>	<u>Company Records - Note 1</u>		:
34	<u>General Accumulated Depreciation</u>	<u>FF1, page 219, ln 28, Col. (b)</u>		:
35	<u>General ARO Accumulated Depreciation (included in total on line 34)</u>	<u>Company Records - Note 1</u>		:
36	<u>Intangible Accumulated Amortization</u>	<u>FF1, page 200, ln 21, Col. (b)</u>		:
37	<u>Total Accumulated Depreciation or Amortization</u>	<u>(Sum of Lines: 22, 28, 32,</u>		:

34, 36) FF1, page 200, In
22, Col (b)

=	=	=
=	=	=

38 Total ARO Balance (included in total on line 37) (Sum of Lines: 25, 31, 33, 35)

Generation Step-Up Units

39	<u>GSU Investment Amount (included in total on line 7)</u>	Company Records - Note 1	-	-	-
40	<u>GSU Accumulated Depreciation (Included in total on line 26)</u>	Company Records - Note 1	-	-	-
41	<u>GSU Net Balance</u>	(Line 39 - Line 40)	-	-	-

Transmission Plant Excluded from SPP Tariff (see TCOS Note Q)

42	<u>Excluded Facilities Investment Amount</u>	Company Records - Note 1	-	-	-
43	<u>Excluded Facilities Accumulated Depreciation</u>	Company Records - Note 1	-	-	-
44	<u>Excluded Facilities Net Balance</u>	(Line 42 - Line 43)	-	-	-

Transmission Accumulated Depreciation Net of GSU/Excluded Facilities Accumulated Depreciation

45	<u>Transmission Accumulated Depreciation</u>	(Line 28 Above)	=	=	=
46	<u>Less: GSU & Excl Facilities Acc Dep</u>	(Line 40 + Line 43 Above)	=	=	=
47	<u>Subtotal of Transmission Accumulated Depreciation Net of GSU/Excluded Facilities</u>	(Line 45 - Line 46)	=	=	=

Plant Held For Future Use

48	<u>Plant Held For Future Use</u>	FF1, page 214, In 47, Col. (d)	-	-	-
49	<u>Transmission Plant Held For Future Use (Included in total on line 48)</u>	Company Records - Note 1	-	-	-

~~AEP TRANSMISSION HOLDING COMPANY~~ West SPP Member Transmission Companies

~~Actual / Projected Year Cost of Service Formula Rate Projected on Historic Year FF1 Balances 2XXX Rate Year Cost of Service Formula Rate~~

~~Worksheet B - Projected Transmission Plant in Service Additions~~ Third Party Facility Credits

~~AEP _____ TRANSMISSION COMPANY, INC COMPANY NAME~~

<u>Line No.</u>	<u>Source</u>	<u>Amount</u>
1	Facility Credits under the SPP OATT	-

Note:1 Under Section 30.9 of the SPP OATT, a network customer that owns existing transmission facilities that are integrated with the Transmission Provider's Transmission System may be eligible to receive consideration either through a billing credit or some other mechanism. Calculation of any credit under this subsection, pursuant to approval by FERC for inclusion in this formula rate for collection on behalf of the network customer, shall be addressed in either the Network Customer's Service Agreement or any other agreement between the parties. **Calculation of Composite Depreciation Rate**

STAND-ALONE (Note 1)

1	Transmission Plant @ Beginning of Historic Period (Historic Year) (P.206, In 58,(b)):	_____
2	Transmission Plant @ End of Historic Period (Historic Year) (P.207, In 58,(g)):	_____
3		_____
4	Average Balance of Transmission Investment	_____
5	Annual Depreciation Expense, True-up TCOS, In 82	_____
6	Composite Depreciation Rate	0.00%
7	Average Depreciable Life (Years)	0

AEP OPERATING COMPANY (Note 1)

8	Transmission Plant @ Beginning of Historic Period (Historic Year) (P.206, In 58,(b)):	_____
9	Transmission Plant @ End of Historic Period (Historic Year) (P.207, In 58,(g)):	-

10		
11	Average Balance of Transmission Investment	#DIV/0!
12	Annual Depreciation Expense, True-up TCOS, ln 83	
13	Composite Depreciation Rate	#DIV/0!
14	Average Depreciable Life (Years)	#DIV/0!

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	-	#DIV/0!	#DIV/0!	#DIV/0!	14	#DIV/0!
17	February	-	#DIV/0!	#DIV/0!	#DIV/0!	10	#DIV/0!
18	March	-	#DIV/0!	#DIV/0!	#DIV/0!	9	#DIV/0!
19	April	-	#DIV/0!	#DIV/0!	#DIV/0!	8	#DIV/0!
20	May	-	#DIV/0!	#DIV/0!	#DIV/0!	7	#DIV/0!
21	June	-	#DIV/0!	#DIV/0!	#DIV/0!	6	#DIV/0!
22	July	-	#DIV/0!	#DIV/0!	#DIV/0!	5	#DIV/0!
23	August	-	#DIV/0!	#DIV/0!	#DIV/0!	4	#DIV/0!
24	September	-	#DIV/0!	#DIV/0!	#DIV/0!	3	#DIV/0!
25	October	-	#DIV/0!	#DIV/0!	#DIV/0!	2	#DIV/0!
26	November	-	#DIV/0!	#DIV/0!	#DIV/0!	1	#DIV/0!
27	December	-	#DIV/0!	#DIV/0!	#DIV/0!	0	#DIV/0!
28	Investment	<u>-\$</u>				Depreciation Expense	<u>#DIV/0!</u>

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)	#DIV/0!	<== This input area is for additional Depreciation Expense

Note 1: ~~Until AEP _____ 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 _____ TRANSMISSION COMPANY, INC is based on Plant Balances and Depreciation Expense for AEP Operating Company and shown on lines 8 through 14.~~

~~AEP TRANSMISSION HOLDING COMPANY~~ AEP West SPP Member Transmission Companies

Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet C - ADIT and ADITC Balances ~~used in Projection & True-Up~~

~~AEP~~ _____ TRANSMISSION COMPANY, INC COMPANY NAME

Line	(A)	(B)	(C)	(E)	(F)	(G)	(H)	(I)	(J)
No.	Acc. No.	Description	YE Balance	Exclusions *	100% Transmission Related	PTD Plant Related	Transmission & Distribution Plant Related	Labor Related	Total Included in Rate base (E)+(F)+(G)+(H)
		<u>Account 282 - Form-1</u> <u>page 274.2.b and -275, Ln</u> <u>.2 Col. (k)</u>							
1	282.1	2XXX Year End Tax Deferrals - WS C-1	=	=	=	=	=	=	
		<u>282 Balance to Use in Projection</u>							
24	282.1	2XXX-1 Year End Tax Deferrals - WS C-2	=	=	=	=	=	=	
		Historic Year-End Tax Deferrals - WS C-4	=	=	=	=	=	=	
32	282.4	<u>Subtotal Transmission Allocator from Historic TCOS [GP or W/S]</u>	=	<u>-0.0000%</u>	<u>-100.0000%</u>	<u>-0.0000%</u>	<u>-0.0000%</u>	<u>-0.0000%</u>	
43	282.4	<u>Average Balance before Proration</u>	0	00	00	00	00	-0	0
		<u>Allocated Total Proration Adjustment - WS C-3</u>	0						
6		<u>Prorated Average balance</u>	0	0	0	0	0	0	
		<u>282 Balance to Use in True-Up</u>							
74	282.4	<u>Transmission Allocator from</u>		<u>0.0000%</u>	<u>100.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>	

		TCOS Historic Year Year	-	-	-	-	-	-	-
		End Tax Deferrals - Ws C-1							
85	282.4	Allocated Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
		1 Year End Tax Deferrals -	-	-	-	-	-	-	-
		Ws C-2							
<hr/>									
6		Subtotal	-	-	-	-	-	-	-
7		Average Balance	0	0	0	0	0	0	0
		Transmission Allocator							
		from True-Up TCOS [GP	<u>0.0000%</u>	<u>100.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>#DIV/0!</u>	<u>0.0000%</u>	
8		or W/S]							
9		Allocated Total	0	0	0	0	#DIV/0!	0	#DIV/0!

Account 283 - Form-1
page 276.9.b and- 277, Ln
9, Col (k)

283 Balance to Use in
Projection

10	282.4	Historic Year Year End Tax	-	-	-	-	-	-	-
		Deferrals - Ws C-1							
<hr/>									
		Transmission Allocator							
		from Historic TCOS [GP or	<u>0.0000%</u>	<u>100.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>	
14	282.4	W/S]							
12	282.4	Allocated Total	0	0	0	0	0	0	0

283 Balance to Use in
True-Up

439	2823.1	Historic Year 2XXX Year							
		End Tax Deferrals - Ws C-1							
		Historic Year-1 2XXX-1							
		Year End Tax Deferrals -							
4410	2823.1	Ws C-2							
<hr/>									
4511		Subtotal							
4612		Average Balance							
		Transmission Allocator							
		from True-Up TCOS [GP							
4713		or W/S]							
4814		Allocated Total							

Account 190 - Form-1
page 234, Ln 8, Col. (b) & (c)

190 Balance to Use in Projection

49	190.4	Historic Year Year End Tax Deferrals - Ws C-1	-	-	-	-	-	-	-
20	190.4	Transmission Allocator from Historic TCOS [GP or W/S]	0.0000%	100.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
24	190.4	Allocated Total	0	0	0	0	0	0	0

190 Balance to Use in True-Up

2215	190.1	Historic Year 2XXX Year End Tax Deferrals - Ws C-1
2316	190.1	Historic Year 12XXX-1 Year End Tax Deferrals - Ws C-2

2417		Subtotal							
2518		Average Balance before Proration							
19		Proration Adjustment - WS C-3							
20		Prorated Average Balance							
2621		Transmission Allocator from True-Up TCOS [GP or W/S]							
2722		Allocated Total							

Account 255 - Form-1
page 266-267

255 Balance to Use in Projection

28	255.0	Acc Defrd ITC - Federal-12/31/Historic Year (FF1 p.	-	-	-	-	-	-	-
----	-------	---	---	---	---	---	---	---	---

Pre 1971 ITC Includable in Rate Base

		267, Ln 2.h)						
		Transmission Allocator						
		from Historic TCOS [GP or						
		W/S]						
29	255.0					0.0000%		
30	255.0	Allocated Total	N/A	N/A	0	N/A	N/A	0
		255 Balance to Use in						
		True-Up						
		Acc Defrd ITC - Federal -						
		12/31/ Historic Year 2XXX						
3423	255.0	(FF1 p. 267, Ln 2.h)						
		Acc Defrd ITC - Federal -						
		12/31/ Historic Year 12XXX-						
3224	255.0	1 (FF1 p. 266, Ln 2.b)						
		Subtotal						
3325		Average Balance						
3426		Transmission Allocator						
		from True-Up TCOS [GP						
		or W/S]						
3527		Allocated Total						
3628								

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

2821001

2821001

282.1001

TOTAL ELECTRIC ACCOUNT SUBTOTAL

(absolute value Total Company Amount Ties to FF1
p.275(k) -- Acct 282 Electric)

0

0

0

0

0

0

2831001

2831001

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283,1004

TOTAL ELECTRIC ACCOUNT SUBTOTAL

(absolute value Total Company Amount Ties to FF1
p.277(k) -- Acct 283 Electric)

0

0

0

0

0

0

1901001

1901001

1901001

1901001

1901001

1901001

1901001

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AEP West SPP Member Transmission Companies

COMPANY NAME

WORKSHEET C-3 -PRORATION OF PROPERTY-RELATED DEFERRED INCOME TAX BALANCES
AS OF DECEMBER 31, 2XXX

Note: This workpaper documents the calculation of the rate base adjustment to prorate forecasted activity in ADIT required by IRS regulation Section 1.167(l)-l(h)(6)(ii) when preparing forecasted rates. This worksheet is not used during Annual True-Ups. Proratable activity in Account 282 results from the use of accelerated tax depreciation on additions to plant in service. The adjustment on line 19 is included on Worksheet C as a reduction to the ending forecasted ADIT balance of account 282. A proration adjustment for account 190, if any, will be calculated beginning on line 20.

Account 282 Proration Adjustment

	<u>Source</u>	
<u>1</u> <u>Transmission Functional Rate Year ending balance</u>	<u>WS C-1</u>	<u>-</u>
<u>2</u> <u>Transmission Functional Rate Year beginning balance</u>	<u>WS C-2</u>	<u>-</u>
<u>3</u> <u>Annual forecasted change</u>	<u>Line 1 less Line 2</u>	<u>0</u>
<u>4</u> <u>Monthly forecasted change</u>	<u>Line 3 / 12</u>	<u>0</u>

	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	<u>(D)</u>	<u>(E)</u>	<u>(F)</u>	<u>(G)</u>	<u>(H)</u>
<u>Line</u>	<u>Future Test Period</u>	<u>Proratable Deferred Tax Activity</u>	<u>Deferred Tax Balance</u>	<u>Days in Month</u>	<u>Number of Days Left in Period</u>	<u>Proration Amount</u>	<u>Prorated Item</u>	<u>Prorated Balance</u>
<u>5</u>	<u>Beginning Balance</u>	<u>-</u>	<u>-</u>		<u>365</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>
<u>6</u>	<u>January (line 4)</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>335</u>	<u>91.78%</u>	<u>-</u>	<u>-</u>
<u>7</u>	<u>February</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>307</u>	<u>84.11%</u>	<u>-</u>	<u>-</u>
<u>8</u>	<u>March</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>276</u>	<u>75.62%</u>	<u>-</u>	<u>-</u>
<u>9</u>	<u>April</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>246</u>	<u>67.40%</u>	<u>-</u>	<u>-</u>
<u>10</u>	<u>May</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>215</u>	<u>58.90%</u>	<u>-</u>	<u>-</u>
<u>11</u>	<u>June</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>185</u>	<u>50.68%</u>	<u>-</u>	<u>-</u>
<u>12</u>	<u>July</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>154</u>	<u>42.19%</u>	<u>-</u>	<u>-</u>
<u>13</u>	<u>August</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>123</u>	<u>33.70%</u>	<u>-</u>	<u>-</u>
<u>14</u>	<u>September</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>93</u>	<u>25.48%</u>	<u>-</u>	<u>-</u>
<u>15</u>	<u>October</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>62</u>	<u>16.99%</u>	<u>-</u>	<u>-</u>
<u>16</u>	<u>November</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>32</u>	<u>8.77%</u>	<u>-</u>	<u>-</u>
<u>17</u>	<u>December</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>1</u>	<u>0.27%</u>	<u>-</u>	<u>-</u>

18	Ending Balance	-	-	-	-	-	-	-
19	Proration Adjustment - Line 18 Col. (H) less Col. (C)	-	-	-	-	-	-	\$ -

Account 190 Proration Adjustment

	Source	
20	Transmission Functional Rate Year ending balance	WS C-1
21	Transmission Functional Rate Year beginning balance	WS C-2
22	Annual forecasted change	Line 20 less Line 21
23	Monthly forecasted change	Line 22 / 12

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Line	Future Test Period	Proratable Deferred Tax Activity	Deferred Tax Balance	Days in Month	Number of Days Left in Period	Proration Amount	Prorated Item	Prorated Balance
24	Beginning Balance	-	-		365	100.00%	-	-
25	January (line 4)	-	-	31	335	91.78%	-	-
26	February	-	-	28	307	84.11%	-	-
27	March	-	-	31	276	75.62%	-	-
28	April	-	-	30	246	67.40%	-	-
29	May	-	-	31	215	58.90%	-	-
30	June	-	-	30	185	50.68%	-	-
31	July	-	-	31	154	42.19%	-	-
32	August	-	-	31	123	33.70%	-	-
33	September	-	-	30	93	25.48%	-	-
34	October	-	-	31	62	16.99%	-	-
35	November	-	-	30	32	8.77%	-	-
36	December	-	-	31	1	0.27%	-	-
37	Ending Balance	-	-					-
38	Proration Adjustment - Line 37 Col. (H) less Col. (C)	-	-	-	-	-	-	\$ -

AEP West SPP Member Transmission Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet D - Working Capital Rate Base Adjustments

COMPANY NAME

(A) (B) (C) (D) (E) (F) (G) (H) (I)

Materials & Supplies

<u>Line</u> <u>Number</u>	<u>Source</u>	<u>Balance @</u> <u>December</u> <u>31, Historic</u> <u>Year 2XXX</u> FF1, p. 227, Col. (c)	<u>Balance @</u> <u>December 31,</u> <u>Historic Year-</u> <u>12XXX-1</u> FF1, p. 227, Col. (b)	<u>Average</u> <u>Balance for</u> <u>Rate Year</u> <u>Historic</u> <u>Year</u>
4				
21	Transmission Materials & Supplies <u>Less: Transmission</u> <u>Serving Generation</u> <u>Transmission M&S,</u> <u>Excl Trans Serving</u> <u>Gen</u>	FF1, p. 227, In 8, Col. (c & b) <u>Company</u> <u>Records</u>		
2				
3				
34	General Materials & Supplies	FF1, p. 227, In 11, Col. (c & b)		
45	Stores Expense (Undistributed) = <u>Account 163</u>	FF1, p. 227, In 16, Col. (c & b)		

Prepayment Balance Summary

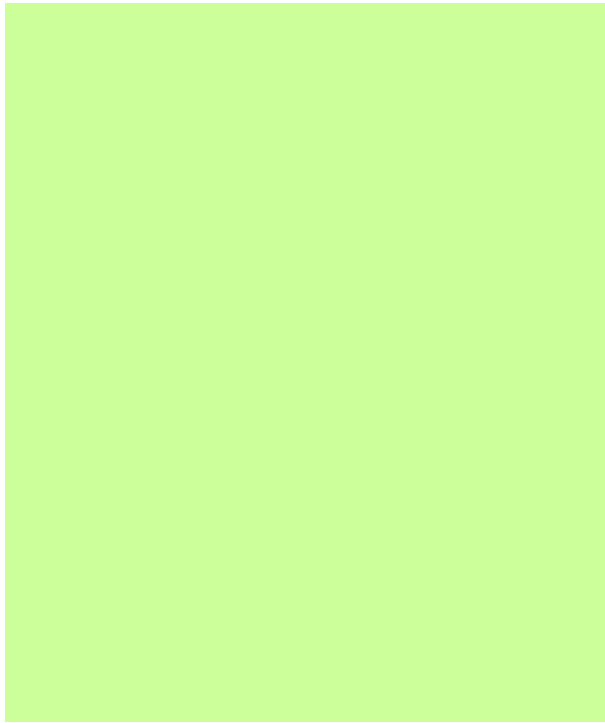
Average of	Excludable	Transmission	Plant	Labor	Total Included in Rate Base
		100%			

	<u>YE Balance</u>	<u>Balances</u>	<u>Related</u>	<u>Related</u>	<u>Related</u>	<u>(E)+(F)+(G)</u>
56	Totals as of December 31, Historic Year2XXX					
67	Totals as of December 31, Historic Year- 12XXX-1					
78	Average Balance					

Prepayments Account 165 - Balance @ 12/31/~~Historic Year2XXX~~

8	<u>Acc. No.</u>	<u>Description</u>	Historic Year2XXX <u>YE Balance</u>	<u>Excludable</u> <u>Balances</u>	100% <u>Transmission</u> <u>Related</u>	<u>Plant</u> <u>Related</u>	<u>Labor</u> <u>Related</u>	<u>Total</u> <u>Included</u> <u>in Rate</u> <u>Base</u> <u>(E)+(F)+(G)</u>
9	1650001							
10	165000206							
11	1650004							
12	1650005							
13	1650006							
14	1650009							
15	1650010							
16	1650014							
17	1650014							
18	1650016							

19
20
21
22
23
24
25
26
27
28
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31
32
33
34
35
36
37
38
39



Subtotal - Form
1, p 111.57.c

check
against F4

Prepayments Account 165 - Balance @ 12/31/~~Historic Year-12XXX-1~~

<u>4941</u>	<u>Acc. No.</u>	<u>Description</u>	Historic Year <u>2XXX-1</u> <u>YE Balance</u>	<u>Excludable</u> <u>Balances</u>	<u>100%</u> <u>Transmission</u> <u>Related</u>	<u>Plant</u> <u>Related</u>	<u>Labor</u> <u>Related</u>	<u>Total</u> <u>Included</u> <u>in Rate</u> <u>Base</u> <u>(E)+(F)+(G)</u>
<u>2042</u>	1650001							
<u>2143</u>	165000206							
<u>2244</u>	1650004							

2345 1650005

2446 1650006

2547 1650009

2648 1650010

2749 1650014

2850

2951

52

53

54

55

56

57

58

59

60

61

62

63

64

65

66

67

68

69

70

71

72

73

7430

Subtotal - Form

1, p 111.57.ed

check
against F4

AEP West SPP Member Transmission Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet E - IPP Credits

COMPANY NAME

Line
Number

(A)
Description

(B)
Historic Year 2XXX

1	Net Funds from IPP Customers @ 12/31/ Historic Year 12XXX-1 (Historic Year 2XXX 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/ Historic Year 2XXX (Historic Year 2XXX FORM 1, P269, (F))	
8	Average Balance for Historic Year 2XXX ((ln 1 + ln 7)/2)	

AEP West SPP Member Transmission Companies
AEP TRANSMISSION HOLDING COMPANY

P Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Projected Year Cost of Service Formula Rate Projected on Historic Year FF1 Balances

Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for BPU Base Plan and Special-billed Projects

~~Based on a Carrying Charge Derived from Historic Historic Year Data~~

~~AEP _____ TRANSMISSION COMPANY, INC~~
COMPANY NAME

Line Number 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**

<u>1</u>	ROE w/o incentives (Attachment H, In 163 <u>141</u>)		11.20%	
<u>2</u>	Project ROE Incentive Adder (Enter as whole number)			basis points <= Incentive ROE Cannot Exceed
<u>3</u>	ROE with additional 0 basis point incentive		11.20%	11.20% 12.45%
<u>4</u>	Determine R (cost of long term debt, cost of preferred stock and percent is from Attachment H, Ins 158 <u>139</u> through 160 <u>through 141</u>)			
<u>5</u>		<u>%</u>	<u>Cost</u>	<u>Weighted cost</u>
<u>6</u>	Long Term Debt			
<u>7</u>	Preferred Stock			
<u>8</u>	Common Stock			

Note: Worksheets F and G are both populated from the TCOS worksheet every update. Worksheet F is only used in Projections. Worksheet G is used only in True-Ups. These worksheets add up all of the individual SPP Base Plan projects, Requested Upgrades, Economic Upgrades, or any other projects billed by SPP through other than the NITS rate.

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR	<u>Projected Year</u> <u>2XXX</u>		

9

R =

~~Note: Review formulas in summary to ensure the proper year's revenue requirement is being~~

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

~~accumulated for each project from the tables below.~~

10

Rate Base (~~Attachment HTCOS, Ln 7562~~)

11

R (from A. above)
Return (Rate Base x

12

R)

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

NOTE: PART IV --- BPU Project Tables

are contained in separate *.xls file

13

Return (from B. above)

14

Tax Rate (~~Attachment HTCOS, Ln 10597~~)

15

$EIT = (T / (1 - T)) * (1 - (WCLTD / WACC)) =$

Income Tax Calculation (Return x EIT)

16

ITC Adjustment (~~Attachment HTCOS, Ln 115106~~)

17

~~Excess DFIT Adjustment (TCOS, Ln 107)~~

18

~~Tax Effect of Permanent and Flow Through Differences (TCOS, Ln~~

19

~~108)~~

20

Income Taxes

**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.**

21 Net Revenue Requirement (~~Attachment~~
~~HTCOS~~, In ~~422115~~)
22 Return (~~Attachment~~ ~~HTCOS~~,
In ~~447110~~)
23 Income Taxes (~~Attachment~~
~~HTCOS~~, In ~~446109~~)
24 Gross Margin Taxes
(~~Attachment~~ ~~HTCOS~~, In ~~424114~~) _____
25 Net Revenue
Requirement, Less
Return and Taxes

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

26 Net Revenue Requirement, Less Return
and Taxes
27 Return (from I.B.
above)
28 Income Taxes (from I.C.
above)
29 Net Revenue Requirement, with 0 Basis
Point ROE increase
30 Gross Margin Tax with 0 Basis Point ROE
Increase (II C. below) _____
31 Revenue Requirement w/
Gross Margin Taxes

Less: Depreciation
(Attachment ~~HTCOS~~, In
~~9484~~)

32

Net Rev. Req, w/0 Basis Point ROE
increase, less Depreciation

33

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

Net Revenue Requirement before Gross
Margin Taxes, with 0

34

Basis Point ROE increase (Il
B. above)

35

Apportionment Factor to Texas
(Worksheet K, In 12)

36

Apportioned Texas

37

Revenues

Taxable Percentage of
Revenue (70%)

38

Taxable, Apportioned Margin
Texas Gross Margin Tax

39

Rate

40

Texas Gross Margin Tax

41

Expense

Gross-up Required for Gross Margin Tax

42

Expense

Total Additional Gross Margin Tax Revenue
Requirement

43

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

Net Transmission
Plant (Attachment
~~HTCOS~~, In ~~s 46, 47, 48,~~
~~49, 54 37~~)

44

Net Revenue Requirement, with 0 Basis
Point ROE increase

45

FCR with 0 Basis Point
increase in ROE

46

Net Rev. Req, w / 0 Basis Point ROE
increase, less Dep.

47

FCR with 0 Basis Point ROE increase, less

48

Depreciation
FCR less Depreciation
(Attachment HTCOS, In
4210)

49
50

Incremental FCR with 0 Basis Point ROE
increase, less Depreciation

III. Calculation of Composite Depreciation Rate

51

Transmission Plant @ Beginning of Period
(P.206, In 58 Worksheet A In 9 col. (D))

<==From
Input on
Worksheet
B

52

Transmission Plant @ End of Period (P.207,
In 58 Worksheet A In 9 col. (C))

<==From
Input on
Worksheet
B

53

Transmission Plant Average Balance for
Historic Year 2XXX
Annual Depreciation

54

Expense (Attachment
HTCOS, In 25984)

55

Composite Depreciation Rate

56

Depreciable Life for Composite Depreciation
Rate

57

Nearest whole year

Note 1: Until AEP _____ 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 _____ TRANSMISSION COMPANY, INC is based on Plant Balances and Depreciation Expense for AEP Operating Company and shown on lines 8 through 14 of Worksheet B.

..	-	-	-	-	-	-
..	-	-	-	-	-	-
..	-	-	-	-	-	-
..	-	-	-	-	-	-
..	-	-	-	-	-	-
						
Project Totals							..	..	..	..	..	..	..	..	..	..	..	..	..

**** This is the calculation of additional incentive revenue on projects deemed by the FERC to be eligible for an incentive return. This additional incentive requirement is applicable for the life of this specific project. Each year the revenue requirement calculated for SPP should be incremented by the amount of the incentive revenue calculated for that year on this project.**

~~AEP West SPP Member Transmission Companies~~
~~AEP TRANSMISSION HOLDING COMPANY~~
~~Actual / Projected 2XXX Rate Year Cost of Service Formula Rate~~
~~Projected Year Cost of Service Formula Rate Projected on Historic Year FF1 Balances~~

Worksheet G - Calculation of TRUED-UP Annual Revenue Requirement for BPU Base Plan and Special-billed Projects

~~Based on a Carrying Charge Derived from Trued-Up Historic Year Data~~

~~AEP _____ TRANSMISSION COMPANY, INC~~
~~COMPANY NAME~~

Note: Worksheets F and G are both populated from the TCOS worksheet every update. Worksheet F is only used in Projections. Worksheet G is used only in True-Ups. These worksheets add up all of the individual SPP Base Plan projects, Requested Upgrades, Economic Upgrades, or any other projects billed by SPP through other than the NITS rate.

Line
Number

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

<u>1</u>	ROE w/o incentives (Attachment <u>HTCOS</u> , In <u>159-141</u>)	11.20%	
<u>2</u>	Project ROE Incentive Adder (Enter as whole number)		basis points <==Incentive ROE Cannot Exceed 12.45%
<u>3</u>	ROE with additional 0 basis point incentive Determine R (cost of long term debt, cost of preferred stock and percent is from <u>Attachment HTCOS</u> , Ins <u>158-139</u> through 160 <u>through 141</u>)	11.20%	
<u>4</u>			
<u>5</u>	%	<u>Cost</u>	<u>Weighted cost</u>

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR SPP BPU & NON-BPU PROJECTS		Rev Require	W Incentives	Incentive Amounts
<u>TRUE-UP YEAR</u>	<u>True- Up Rate</u>			
	<u>Historic Year 2XXX</u>			

6

Long Term Debt

7

Preferred Stock

8

Common Stock

9

R =

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

10

Rate Base (Attachment TCOSH₇ in 6362)

11

R (fom A. above)

12

Return (Rate Base x R)

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

Year

Σ Prior Year Projected (WS-F) Σ Prior Year True-Up (WS-G) True-up Adjustment For ~~Historic Year~~2XXX

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

13 Return (from B. above)
 Tax Rate (~~Attachment~~ HTCOS,
14 In 27397)
 $EIT = (T / (1 - T)) * (1 -$
15 $(WCLTD / WACC)) =$
 Income Tax
 Calculation (Return x
16 EIT)
 ITC Adjustment (~~Attachment~~
17 HTCOS, In 402106)
Excess DFIT
Adjustment (TCOS, In
18 107)
Tax Effect of Permanent and
Flow Through Differences
19 (TCOS, In 108)
20 Income Taxes

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.

21 Net Revenue Requirement (~~Attachment~~
~~HTCOS~~, In 409115)
22 Return (~~Attachment~~ HTCOS, In
404110)
23 Income Taxes (~~Attachment~~
~~HTCOS~~, In 403109)
24 Gross Margin Taxes
~~(Attachment~~ HTCOS, In 408114)
 Net Revenue
 Requirement, Less
25 Return and Taxes

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

ROE.

|	<u>26</u>	Net Revenue Requirement, Less Return and Taxes	
|	<u>27</u>	Return (from I.B. above)	
|	<u>28</u>	Income Taxes (from I.C. above)	
|	<u>29</u>	Net Revenue Requirement, with 0 Basis Point ROE increase	_____
|	<u>30</u>	Gross Margin Tax with Basis Point ROE Increase (II C. below)	
|	<u>31</u>	Revenue Requirement w/ Gross Margin Taxes	_____
|	<u>32</u>	Less: Depreciation (Attachment HTCOS, In 8284)	
|	<u>33</u>	Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	

C. Determine Gross Margin Tax with hypothetical 0.412 basis point increase in ROE.

|	<u>34</u>	Net Revenue Requirement before Gross Margin Taxes, with 0 Basis Point ROE increase (II B. above)	
|	<u>35</u>	Apportionment Factor to Texas (Worksheet K, In 12)	
|	<u>36</u>	Apportioned Texas Revenues	_____
|	<u>37</u>	Taxable Percentage of Revenue (70%)	
|	<u>38</u>	Taxable, Apportioned Margin	_____
|	<u>39</u>	Texas Gross Margin Tax Rate	
|	<u>40</u>	Texas Gross Margin Tax Expense	_____
|	<u>41</u>	Gross-up Required for Gross Margin Tax Expense	
|	<u>42</u>	Total Additional Gross Margin Tax Revenue Requirement	_____
|	<u>43</u>		

D. Determine FCR with hypothetical 0 basis point

ROE increase.

44 Net Transmission
Plant (~~Attachment~~
~~HTCOS~~, In ~~3937~~)
45 Net Revenue Requirement, with 0 Basis
Point ROE increase
46 FCR with 0 Basis Point
increase in ROE

47 Net Rev. Req, w / 0 Basis Point ROE
increase, less Dep.
48 FCR with 0 Basis Point ROE increase, less
Depreciation
FCR less
Depreciation
49 (~~Attachment~~ ~~HTCOS~~,
In ~~4210~~)
50 Incremental FCR with 0 Basis Point ROE
increase, less Depreciation

III. Calculation of Composite Depreciation Rate

51 Transmission Plant @ Beginning of Period ~~====From Input~~
(~~P.206, In 58Worksheet A In 9 col. (D)~~) ~~on Worksheet B~~
52 Transmission Plant @ End of Period (~~P.207,~~
~~In 58Worksheet A In 9 col. (C)~~) ~~====From Input~~
~~on Worksheet B~~

53 Transmission Plant Average Balance for
~~Historic Year2XXX~~
54 Annual Depreciation
Expense (~~Attachment~~
~~HTCOS~~, In ~~8284~~)
55 Composite Depreciation Rate
56 Depreciable Life for Composite Depreciation
Rate
57 Round to nearest whole year

~~Note 1: Until AEP _____
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 _____
TRANSMISSION COMPANY, INC is
based on Plant Balances and~~

Depreciation Expense for AEP
Operating Company and shown on
lines 8 through 14 of Worksheet B.

Worksheet G -- COMPANY NAME-- Calculation of Trued-Up ARR for SPP Base Plan Upgrade Projects

IV. Determine the Revenue Requirement, and Additional Revenue Requirement for facilities receiving incentives.

A. Facilities receiving incentives accepted by FERC in Docket No.

Project Description:

2XXX	Rev Require	w/Incentives	Incentive Amounts
-	Rate Year Projected (WS-F)		-
-	Rate Year True-Up (WS-G)		-
-	True-Up Adjustment		-

Details	Project Number
Investment (EOY)	True-Up Year
Service Year (www)	ROE increase accepted by FERC (Basis Points)
Service Month (1-12)	FCR w/o incentives, less depreciation
Useful life	FCR w/incentives approved for these facilities, less dep.
CIAC (Yes or No)	Annual Depreciation Expense

CUMMULATIVE HISTORY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS:

_____ | INPUT TRUE-UP ARR (WITH & WITHOUT INCENTIVES) FROM EACH PRIOR YEAR

_____ | TEMPLATE BELOW TO MAINTAIN HISTORY OF TRUED-UP ARRS OVER THE LIFE OF THE PROJECT.

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	Average Balance	Annual Revenue Requirement	Annual Revenue Req't. with Incentives	Incentive Rev. Requirement **	BPU Rev. Req't. From Prior Year Template w/o Incentives	BPU Rev Req't True-up w/o Incentives	BPU Rev. Req't. From Prior Year Template with Incentives **	BPU Rev Req't True-up with Incentives **	True-up of Incentive with Incentives **
2013	-	-	-	-	\$0	\$0	\$ -	-	\$ -	-	-	-
2014	-	-	-	-	-	-	\$ -	-	\$ -	-	-	-
2015	-	-	-	-	-	-	\$ -	-	\$ -	-	-	-
2016	-	-	-	-	-	-	\$ -	-	\$ -	-	-	-
2017	-	-	-	-	-	-	\$ -	-	\$ -	-	-	-
2018	-	-	-	-	-	-	\$ -	-	\$ -	-	-	-
2019	-	-	-	-	-	-	\$ -	-	\$ -	-	-	-
2020	-	-	-	-	-	-	\$ -	-	\$ -	-	-	-
2021	-	-	-	-	-	-	\$ -	-	\$ -	-	-	-
2022	-	-	-	-	-	-	\$ -	-	\$ -	-	-	-
2023	-	-	-	-	-	-	\$ -	-	\$ -	-	-	-
2024	-	-	-	-	-	-	\$ -	-	\$ -	-	-	-
2025	-	-	-	-	-	-	\$ -	-	\$ -	-	-	-

2063	=	=	=	=	=	-	\$ -	-	-	\$ -	-	-	-
2064	=	=	=	=	=	-	\$ -	-	-	\$ -	-	-	-
2065	=	=	=	=	=	-	\$ -	-	-	\$ -	-	-	-
2066	=	=	=	=	=	-	\$ -	-	-	\$ -	-	-	-
2067	=	=	=	=	=	-	\$ -	-	-	\$ -	-	-	-
2068	=	=	=	=	=	-	\$ -	-	-	\$ -	-	-	-

Project Totals

** This is the total amount that needs to be reported to SPP for billing to all regions.

-

**** This is the calculation of additional incentive revenue on projects deemed by the FERC to be eligible for an incentive return. This additional incentive requirement is applicable for the life of this specific project. Each year the revenue requirement calculated for SPP should be incremented by the amount of the incentive revenue calculated for that year on this project.**

AEP West SPP Member Transmission Companies

Actual / Projected 2XXX Rate Year Cost of Service Formula Rate Cost of Service Formula Rate Using Historic Year FF1 Balances

Worksheet H - Revenue Credits for Historic Period

COMPANY NAME

Revenue Credits for Line:

		Total Company	Non- Transmission	Transmission
<u>I.1</u>	Account 450, Forfeited Discounts <u>(FF1 p.300.16.(b); Company Records - Note 1)</u>	[Green Box]		[Green Box]
<u>II.2</u>	Account 451, Miscellaneous Service Revenues <u>(FF1 p.300.17.(b); Company Records - Note 1)</u>	[Green Box]		[Green Box]
<u>III.3</u>	Account 454, Rent from Electric Property <u>(FF1 p.300.19.(b); Company Records - Note 1)</u>			
4	Account 4540001 - Rent from Elect Property-Aff	[Green Box]		[Green Box]
2	Account 4540002 - Rent from Elect Property - Non-Aff	[Green Box]		[Green Box]
3	Account 4540003 - Rent from Elect Property - ABD - Aff <u>Pole Attach</u>	[Green Box]		[Green Box]
4	Account 4540004 - Rent from Elect Property - ABD - Non-Aff	[Green Box]		[Green Box]
	<u>Other 454 Accounts</u>	[Olive Box]		[Olive Box]
5	Total Rents from Electirc Property			

~~(Revenue related to transmission facilities for pole attachments, rentals, etc. Provide data sources and explanations in Section VIII, Notes below)~~

IV.4. Account 456.00015, ~~Revenues from Associated Business Development~~ Other Operating Revenues (FF1 p.302.21.(b); Company Records – Note 1)

1 Account 4560015, Revenues from Associated Business Development

2 All other 456.0 Revenues

Total 456.0 Other Operating Revenues

V. ~~Total Other Operating Revenues To Reduce Revenue Requirement~~

-

VI.5 Account 456.1, Revenues from Transmission of Electricity of Others (FF1 p.300.22.(b); Company Records - Note 1)

(Provide data sources and any detailed explanations necessary in Section VIII Notes below)

Less:

1 Transmission Direct Assignment Revenue (if costs not in the ARR)

2 Sponsored Upgrade Revenue

3 Credits against Transmission Service Revenue related to Generation Interconnections

4 Revenue for GFA's (Relative to SPP OATT) Associated with Load Included in the Divisor

5 Network Service Revenue (SPP Schedule 9) Associated with Load included in the Divisor

6 Revenue Associated with Transmission Plant Excluded From SPP Tariff

7 Distribution and 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 456.1 Transmission Credits

\$0

6 Account 457.1, Regional Control Service Revenues (FF1 p.300.23.(b); Company Records - Note 1)

7 Account 457.2, Miscellaneous Revenues (FF1p.300.24.(b); Company Records - Note 1)



~~VII.8~~ **Total ~~Worksheet A~~ Revenue Credits- Sum lines 1 through 7**

\$0

~~VIII.~~ **Data Sources:**

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

AEP West SPP Member Transmission Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate~~Cost of Service Formula Rate Using Historic Year FF1 Balances~~

Worksheet I - Supporting Transmission Expense Adjustments

COMPANY NAME

Note: This worksheet is used to include any FERC jurisdictional transmission-related (i.e. non-retail) expenses recorded in Accounts 561 or 565 which are includable in the formula on the TCOS line 66, and make any other necessary FERC jurisdictional adjustments to Transmission O&M

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2XXX</u>
1	Other Expenses	
2	Direct Assignment Charge	
3	Sponsored Upgrades Charge	
4	Firm and Non-Firm Point-To-Point Charges	
5	Base Plan Charges	
6	Schedule 9 Charges	
7	SPP Schedule 12 - FERC Assessment	
8	SPP Schedule 1-A	
9	SPP Annual Assessment	

10	Ancillary Services Expenses		
11	Other		
12	Other		
13	Other		
1410	Total	(sum of lines 2 through 13-9)	_____

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

~~AEP West SPP Member Transmission Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate Cost of Service Formula Rate Using Historic Year FF1 Balances
Worksheet J - Allocation of Specific O&M or A&G Expenses~~

~~COMPANY NAME~~

	(A)	(B)	(C)	(D)	(E)	(F)
	FERC		Historic Year 2XXX	100%	100%	
<u>Line</u>	<u>Acct No.</u>	<u>Description</u>	<u>Expense</u>	<u>Non-Transmission</u>	<u>Transmission</u>	<u>Explanation of Transmission</u>
<u>Number</u>					<u>Specific</u>	<u>Specific Items</u>
		Account 928				
1	9280000	-Regulatory Commission Expense				

2 9280004

3 9280002

4 9280002

5 9280002

6 9280002

7 9280002

8

9

10

11

12

13

14

15

916

Total (FERC Form 1 p.323.189.b)

Account 930.1

4017 9304004-9301000 -General Advertising Expense

4418 9301004

4219 9301006

4320 9301008

4421 9301009

45 9301010 - - - -

46 9301011 - - - -

47 9301012 - - - -

48 9301013 - - - -

49 9301014 - - - -

20 9301015 - - - -

24 - - - -

22 - - - -

23 - - - -

24

- - - -

25

- - - -

2622

Total (FERC Form 1 p.323.189.b)

Account 930.2

2723

9302000

-Misc General Expenses

2824

2925

3026

3427

- -

3228

Total (FERC Form 1 p.323.192.b)

AEP West SPP Member Transmission Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Cost of Service Formula Rate Using Historic Year FF1 Balances

Worksheet K - Development of Composite State Income Tax Rate

COMPANY NAME

DEVELOPMENT OF COMPOSITE STATE INCOME TAX RATES FOR

I. Historic Year 2XXX

State Income Tax Rate - Oklahoma	Note 1	-
Apportionment Factor		-
Effective State Income Tax Rate		-

State Income Tax Rate - Ohio Texas		-
Apportionment Factor		-
Tax Phase-out Factor	Note 2	-
Effective State Income Tax Rate		-

<u>State Income Tax Rate - Louisiana</u>		-
<u>Apportionment Factor</u>		-
<u>Effective State Income Tax Rate</u>		-

<u>State Income Tax Rate - Arkansas</u>		-
<u>Apportionment Factor</u>		-
<u>Effective State Income Tax Rate</u>		-

<u>State Income Tax Rate -</u>		-
<u>Apportionment Factor</u>		-

Effective State Income
Tax Rate

Total Effective State Income
Tax Rate

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

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

II. CALCULATION OF TEXAS GROSS MARGIN TAX

Line #		<u>Projected</u>		<u>Historic</u>		<u>Projected / Actual</u>	
		Total Company	Trans. Only	Total Company	Trans. Only	Total Company	Trans. Only
	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX (In 117-114 of Template)	#DIV/0!	#DIV/0!	#VALUE!	#VALUE!		
1	Apportionment Factor to Texas (In12) Apportioned Texas	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>		
2	Revenues Taxable Percentage of Revenue (70%)	#DIV/0!	#DIV/0!	#VALUE!	#VALUE!		
3	Taxable, Apportioned Margin	<u>70%</u>	<u>70%</u>	<u>70%</u>	<u>70%</u>		
4	Texas Gross Margin Tax Rate (1%)	#DIV/0!	#DIV/0!	#VALUE!	#VALUE!		
5	Texas Gross Margin Tax Expense	<u>1%</u>	<u>1%</u>	<u>1%</u>	<u>1%</u>		
6		#DIV/0!	#DIV/0!	#VALUE!	#VALUE!		

7 Gross-up Required for Texas Gross Margin Expense

((In 6 *
In 3 * In
1)/(1- In
5) * In 5)

#DIV/0!

#DIV/0!

#VALUE!

#VALUE!

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)

AEP West SPP Member Transmission Companies

Actual / Projected 2XXX Rate Year Cost of Service Formula Rate~~Cost of Service Formula Rate Using Historic Year FF1 Balances~~

Worksheet L - Taxes Other than Income

~~COMPANY NAME~~AEP ~~TRANSMISSION COMPANY, INC~~

~~HISTORIC PERIOD EXPENSE (Historic Year) - TO BE USED ON TRUE-UP TEMPLATE~~

Line No.	(A) Account	(B) Total Company	(C) Property	(D) Labor	(E) Other	(F) Non- Allocable
1	<u>Revenue Taxes</u>					
2						
3						
34	<u>Real Estate and Personal Property Taxes</u>					
45	Oklahoma Ad Valorum					
56	Texas Ad Valorum					
67	Louisiana Ad Valorum					
78	Nevada Ad Valorum					
9						

|	<u>810</u>	Payroll Taxes	
|	<u>911</u>	Federal Insurance Contribution (FICA)	
|	<u>4012</u>	Federal Unemployment Tax	
|	<u>4413</u>	State Unemployment Insurance	
|	<u>14</u>		
|	<u>4215</u>	Line Deliberately Left Blank Production Taxes	
|	<u>4316</u>		
|	<u>4417</u>		
|	<u>18</u>		
|	<u>4519</u>	Miscellaneous Taxes	
|	<u>2046</u>	Federal Excise Tax	
|	<u>2147</u>	Ok State Franchise Tax	
|	<u>2248</u>	Ok Sales & Use Taxes	
|	<u>2349</u>	Ok Local Franchise Tax -- 2008	
|	<u>2420</u>	Ok Local Franchise Tax -- 2007	
|	<u>2524</u>	Ohio State Franchise	
|	<u>2622</u>	Tx Sales & Use Taxes	
|	<u>2723</u>	Tx State Franchise	
|	<u>2428</u>	Tx Misc Tax	
|	<u>2529</u>	Ok Misc Tax	
|	<u>3026</u>	MT Misc Tax	

2631
32
33
34

Wy Misc Tax

2735

Total Taxes by Allocable Basis

(Total Company Amount Ties to FF1 p.114, Ln 14,(c))

NOTE: As a check, the difference between the total from Ln 35 above and the total on FF1 p.263 line 41(i) should equal the sum of the 'income' tax line items within FF1 p262.x-263.x

~~AEP TRANSMISSION HOLDING COMPANY~~
 Cost of Service Formula Rate Using Historic Year FF1 Balances
Worksheet M – Cost of Debt Based on Outstanding Balances as of 12/31/Historic Year
~~AEP _____ 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>
	<u>Long Term Debt (FF1.p. 256-257.h)</u>				
1	<u>Bonds – Acc 221</u>				
2	-	-	-	-	-
3	<u>Reacquired Bonds – Total Account 222</u>				
4	-	-	-	-	-
4	-	-	-	-	-
5	-	-	-	-	-
6	<u>Advances from Assoc Companies</u>				

7	-	-	-	-	-
8	-	-	-	-	-
9	-	-	-	-	-
10	-	-	-	-	-
11	<u>Other Long Term Debt - Acc 224</u>	-	-	-	-
12	-	-	-	-	-
13	-	-	-	-	-

Issuance Discount, Premium, & Expenses:

14	Amort of Debt Discount and Expenses	-FF1,p. 117.63.c	-	-	-
15	Less: Amor of Debt Premimums	-FF1,p. 117.65.c	-	-	-

Reacquired Debt:

16	Amortization of Loss	-FF1,p. 117.64.c	-	-	-
17	Less: Amortization of Gain	-FF1,p. 117.66.c	-	-	-

18	Total Interest on Long Term Debt		-	0.00%	-
----	---	--	---	-------	---

Preferred Stock (FF1.p. 250-251)

Preferred Balance Outstanding

19	-	-	-	-	-
20	-	-	-	-	-
21	-	-	-	-	-
22	-	-	-	-	-
23	-	-	-	-	-

24	Dividends on Preferred Stock		-	0.00%	-
----	-------------------------------------	--	---	-------	---

AEP West SPP Member Transmission Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet M
COMPANY NAME

Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2XXX-1 and 12/31/2XXX

<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	<u>(D)</u>	<u>(E)</u>
<u>Line</u>		<u>Balances @</u> <u>12/31/2XXX</u>	<u>Balances @</u> <u>12/31/2XXX-1</u>	<u>Average</u>
<u>Development of Average Balance of Common Equity</u>				

1	Total Proprietary Capital (p. 112.16.c&d)	-	-	#DIV/0!
2	Less Preferred Stock from Ln 43 below	0	0	-
3	Less Account 216.1 (p. 112.12.c&d)	-	-	#DIV/0!
4	Less Account 219.1 (p. 112.15.c&d)	-	-	#DIV/0!
5	Average Balance of Common Equity	-	-	#DIV/0!

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

6	Bonds (221) (p. 112.18.c&d)	-	-	#DIV/0!
7	Less: Account 222 Reacquired Bonds (112.19.c&d)	-	-	#DIV/0!
8	Account 223 LT Advances from Assoc. Comp. (112.20.c&d)	-	-	#DIV/0!
9	Account 224 Senior Unsecured Notes (112.21.c&d)	-	-	#DIV/0!
10	Less: Non-Transmission Securitization (Co. Records)	-	-	
11	Total Long-Term Debt	-	-	-

Annual Interest Expense

12	Interest on Long Term Debt – Accts 221-224 (256-257.33.i)	-	-	
13	Less: Financial Hedge (Gain)/Expense Accumulated from Ln 28 included in Ln 13.	-	-	-
14	Plus: Allowed Hedge Recovery from Ln 32 below	-	-	
15	Amort of Debt Discount & Expense – Acct 428 (117.63.c)	-	-	
16	Amort of Loss on Reacquired Debt – Acct. 428.1 (117.64.c)	-	-	
17	Less: Amort of Premium on Debt – Acct. 429 (117.65.c)	-	-	
18	Less: Amort of Gain on Reacquired Debt – Acct. 429.1 (117.66.c)	-	-	
19	Less: Non-Trans. Securitization (Company Records)	-	-	
20	Total Interest Expense (Ln 13 + Ln 14 + Ln 15 + Ln 16 + Ln 17 - Ln 18 - Ln 19 - Ln 20)	-	-	-

Average Cost of Debt for Projected Year (Ln 21/Ln 11) **#DIV/0!**

23	Financial Hedge Amortization Reported in Column (i) on Page 256-257 (Enter Gains as a Negative Number)	-	-	-	-
24	-	-	-	-	-
24	-	-	-	-	-
26	-	-	-	-	-
27	-	-	-	-	-

28	Total Hedge Amortization	-	
29	Total Average Capital Balance (TCOS, Ln 142)		=
30	Financial Hedge Recovery Limit - Five Basis Points of Total Capital		0.0005
31	Limit of Recoverable Amount		=
32	Recoverable Hedge Amortization (Lesser of Ln 28 or 31)		=

(lesser of 5 basis point Cap or Actual (Gain)/Expense based on magnitude as indicated on Ln 28 or Ln 31)

Development of Cost of Preferred Stock

	Preferred Stock		Average
33	% Series - - Dividend Rate (p. 250-251. .a)	-	-
34	% Series - - Par Value (p. 250-251. .c)	-	-
35	% Series - - Shares O/S (p.250-251. .e)	-	-
36	% Series - - Monetary Value (Ln 34 * Ln 35)	-	-
37	% Series - - Dividend Amount (Ln 33 * Ln 36)	-	-
38	% Series - - Dividend Rate (p. 250-251. .a)	-	-
39	% Series - - Par Value (p. 250-251. .c)	-	-
40	% Series - - Shares O/S (p.250-251. .e)	-	-
41	% Series - - Monetary Value (Ln 39 * Ln 40)	-	-
42	% Series - - Dividend Amount (Ln 38 * Ln 41)	-	-
43	Balance of Preferred Stock (Lns 36,41)	-	-
44	Dividens on Preferred Stock (Lns 37,42)	-	-
45	Average Cost of Preferred Stock (Ln 44/43)	0.00%	0.00%

AEP TRANSMISSION HOLDING COMPANY
 Cost of Service Formula Rate Using Historic Year FF1 Balances
 AEP _____ TRANSMISSION COMPANY, INC

Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/Historic Year-1 and 12/31/Historic Year

(A)	(B)	(C)	(D)	(E)
<u>Line</u>		<u>Balances @</u> <u>12/31/Historic Year</u>	<u>Balances @</u> <u>12/31/Historic</u>	<u>Average</u>

Year-1

Development of Average Balance of Common Equity

1	Total Proprietary Capital (p. 112.16.c&d)	-	-	#DIV/0!
2	Less Preferred Stock from Ln 46 below		0	0
3	Less Account 216.1 (p. 112.12.c&d)	-	-	#DIV/0!
4	Less Account 219.1 (p. 112.15.c&d)	-	-	#DIV/0!
5	Average Balance of Common Equity			#DIV/0!

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

6	Bonds (221) (p. 112.18.c&d)	-	-	#DIV/0!
7	Less: Reacquired Bonds (222) (p. 112.19.c&d)	-	-	#DIV/0!
8	Advances from Assoc. Companies (223) (p.112.20.c&d)	-	-	#DIV/0!
9	Senior Unsecured Notes (224) (p. 112.21.c&d)	-	-	#DIV/0!
10	Total Average Debt			

11 Annual Interest Expense for Projected Year

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 30 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 14 + Ln 15 - Ln 16 - Ln 17)			

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

#DIV/0!

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 Historic Year	-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

	<u>Preferred Stock</u>		<u>Average</u>
31	0% Series Dividend Rate (p. 250-251. 9.a)	-	-
32	0% Series Par Value (p. 250-251. 9.c)	-	-
33	0% Series Shares O/S (p.250-251. 9.e)	-	-
34	0% Series Monetary Value (Ln 32 * Ln 33)	-	-
35	0% Series Dividend Amount (Ln 31 * Ln 34)	-	-
36	0% Series Dividend Rate (p. 250-251. 10.a)	-	-
37	0% Series Par Value (p. 250-251. 10.c)	-	-
38	0% Series Shares O/S (p.250-251. 10.e)	-	-
39	0% Series Monetary Value (Ln 37 * Ln 38)	-	-
40	0% Series Dividend Amount (Ln 36 * Ln 39)	-	-
41	0% Series Dividend Rate (p. 250-251.)	-	-
42	0% Series Par Value (p. 250-251.)	-	-
43	0% Series Shares O/S (p.250-251.)	-	-
44	0% Series Monetary Value (Ln 42 * Ln 43)	-	-
45	0% Series 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% #DIV/0!

AEPTCo subsidiaries in SPP

Cost of Service Formula Rate Using 2009 FF1 Balances

Calculation of Post-employment Benefits Other than Pensions Expenses Allocable to Transmission Service

Worksheet O – PBOP Support
AEP _____ TRANSMISSION COMPANY, INC

PBOP	(A)	(B)
4	<u>Calculation of PBOP Expenses</u>	
2	<u>AEP TransCo – AEP Service Corp Employees</u>	
3	Total AEP System PBOP expenses	-
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	\$0
6	Total AEP System Direct Labor Expense	-
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	#DIV/0!
8	Currently Approved PBOP Rate	\$0.094
9	Base PBOP TransCo labor expensed in current year	\$0
10	Allowable TransCo PBOP Expense for current year (Line 8 * Line 9)	\$0
11	Direct PBOP Expense per Actuarial Report	-
12	Additional PBOP Ledger Entry (From Company Records)	-
13	Medicare Credit	-
14	PBOP Expenses From AEP Affiliates (From Company Records)	-
15	Actual PBOP Expense (Sum Lines 11-14)	\$0
16	PBOP Adjustment (Line 10 less Line 15)	\$0

Addendum 12 to Attachment H

THE AEP WEST TRANSMISSION COMPANIES FORMULA RATE IMPLEMENTATION PROTOCOLS

The formula rate template (“Template”), and these formula rate implementation protocols (“Protocols”) together comprise the filed rate (“Formula Rate”) of AEP Oklahoma Transmission Company, Inc. and AEP Southwestern Transmission Company, Inc. (collectively “AEP West Transcos” or “AEP”) for transmission revenue requirement determinations under the Southwest Power Pool (“SPP”) Open Access Transmission Tariff (“SPP Tariff”). AEP shall follow the instructions specified in the Formula Rate to calculate annually its net annual transmission revenue requirement, as set forth in the Template (“Net Revenue Requirement”). The Net Revenue Requirement shall be determined for January 1 to December 31 of a given calendar year (the “Rate Year”). The Formula Rate shall become effective for recovery of AEP’s Net Revenue Requirement upon the effective date for incorporation into the SPP Tariff through a filing with the Federal Energy Regulatory Commission (“FERC” or “Commission”) under Section 205 of the Federal Power Act (“FPA”), 16 U.S.C. § 824d.

Section 1. Annual Projection

- a. No later than October 31 preceding a Rate Year, and each subsequent Rate Year, AEP shall determine its projected Net Revenue Requirement for the upcoming Rate Year in accordance with the Formula Rate (“Annual Projection”). The Annual Projection shall include the True-Up Adjustment described and defined in Section 2 below, if applicable. AEP shall cause an electronic version of the Annual Projection to be posted in both a Portable Document Format (“PDF”) and fully-functioning Excel file at a publicly accessible location on SPP’s internet website and OASIS. The date on which the posting occurs shall be that year’s “True-Up Publication Date.”
- b. The posting of the Annual Projection shall:

- (i) Provide the Formula Rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the projected Net Revenue Requirement;
- (ii) Include all inputs in sufficient detail to identify the components of AEP's projected Net Revenue Requirement, explanations of the bases for the projections and input data, and sufficient detail and explanation to enable Interested Parties¹ to replicate the calculation of the projected Net Revenue Requirement;
- (iii) With respect to any Accounting Changes (as that term is defined in Section 3.e.iii)
 - A. Identify any Accounting Changes including:
 - i. The initial implementation of an accounting standard or policy;
 - ii. The initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
 - iii. Correction of errors and prior period adjustments that impact the projected Net Revenue Requirement calculation;
 - iv. The implementation of new estimation methods or policies that change prior estimates; and
 - v. Changes to income tax elections;
 - B. Identify items included in the projected Net Revenue Requirement at an amount other than on a historic cost basis (e.g., fair value adjustments);
 - C. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the projected Net Revenue Requirement; and
 - D. Provide, for each item identified pursuant to Section 1.b.iii.A - C of these Protocols, a narrative explanation of the individual impact of such changes on the projected Net Revenue Requirement.

- c. If the date for making the posting of the Annual Projection should fall on a weekend or a holiday recognized by FERC, then the posting shall be made no later than the next business day.² Within five (5) calendar days of the posting, AEP shall notify interested parties via the SPP email exploder.
- d. Together with the posting of the Annual Projection, AEP shall cause to be posted on the SPP internet website and OASIS, and distributed to the SPP Exploder List, the time, date, location, and remote-access information for a stakeholder meeting with Interested Parties in order for AEP to explain its Annual Projection and to provide Interested Parties an opportunity to seek information and clarifications regarding the Annual Projection (“Annual Projection Meeting”). The Annual Projection Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after the posting of the Annual Projection. Notice of the Annual Projection Meeting shall be provided via the SPP Exploder List no less than seven (7) calendar days prior to the meeting. AEP will provide remote access to the Annual Projection Meeting in order to ease burdens (e.g. travel costs) to ensure all Interested Parties have the opportunity to participate.
- e. To the extent AEP agrees to make changes in the Annual Projection for a given Rate Year, such revised Annual Projection shall be promptly posted at a publicly accessible location on SPP’s internet website and OASIS, and e-mailed to the SPP Exploder List. Changes posted prior to November 30 preceding the Rate Year, or the next business day if November 30 is not a business day (or such later date as can be accommodated under SPP’s billing practices), shall be reflected in the Annual Projection for the Rate Year; changes posted after that date will be reflected, as appropriate, in the True-Up Adjustment for the Rate Year.
- f. The Annual Projection, including the True-Up Adjustment, for each Rate Year shall be subject to review, challenge, true-up, and refunds or surcharges with interest, to the extent and in the manner provided in these Protocols.

¹ As used in these Protocols, “Interested Parties” shall include but not be limited to: (i) any Eligible Customer under the SPP Tariff; (ii) any regulatory agency with rate jurisdiction over a public utility located within the SPP footprint; (iii) any consumer advocate

authorized by state law to review and contest the rates for any such public utility; and (iv) any party with standing under FPA section 205 or section 206.

2 For the purposes of these Protocols, if any deadline included in these Protocols should fall on a weekend or a holiday recognized by FERC, then the deadline shall be extended to no later than the next business day.

Section 2. True-Up Adjustment

AEP will calculate the amount of under- or over-collection of its actual Net Revenue Requirement during the preceding Rate Year (“True-Up Adjustment”) after the FERC Form No. 1 data for that Rate Year has been filed with the Commission. The True-Up Adjustment shall be the sum of the True-Up Adjustment Over/Under Recovery as determined in Section 2(a) and the Interest on the True-Up Adjustment Over/Under Recovery as determined in Section 2(b):

- a. AEP’s projected Net Revenue Requirement collected during the previous Rate Year³ will be compared to AEP’s actual Net Revenue Requirement for the previous Rate Year calculated in accordance with AEP’s Formula Rate and based upon (i) AEP’s FERC Form No. 1 for that same Rate Year, (ii) any FERC orders specifically applicable to AEP’s calculation of its annual revenue requirement, (iii) the books and records of AEP (which shall be maintained consistent with the FERC Uniform System of Accounts (“USofA”)), (iv) FERC accounting policies and practices applicable to the calculation of annual revenue requirements under formula rates, and (v) any aspects of the SPP Tariff Governing Documents that apply to the calculation of annual revenue requirements under individual transmission owner formula rates,⁴ to determine any over- or under-recovery (“True-Up Adjustment Over/Under Recovery”).
- b. Interest on any True-Up Adjustment Over/Under Recovery shall be calculated for the thirty-six (36) months during which the over or under recovery in the revenue requirement exists, i.e., January 1 of the Rate Year being trued-up through December 31 of the year in which the

true-up is collected. The interest rate to be applied to the over-recovery or under-recovery amounts will be determined using the average monthly FERC Interest Rate (as determined pursuant to 18 C.F.R. § 35.19a) for the twenty (20) months from the beginning of the Rate Year being trued-up through August 31 of the following year.

- 3 If the initial use of this Formula Rate covers only part of a calendar year, the initial projected annual Net Revenue Requirement will be divided by 12 to calculate the monthly projected cost of service to be collected each month, or portion thereof, it is effective that first year. Similarly, the actual Net Revenue Requirement will be divided by 12 to calculate the actual cost of service to be collected during those same months of that year. Similar calculations of projected Net Revenue Requirement and actual Net Revenue Requirement will be made for the months prior to the effective date of this Formula Rate using the previous formula rate in effect during those months. The actual Net Revenue Requirements computed under each of the two formula rate periods that initial Rate Year will be added together to obtain the total actual Net Revenue Requirement. The first True-up Adjustment will compare this total actual Net Revenue Requirement to the Net Revenue Requirement collected under the two formulas for that initial Rate Year.
- 4 SPP Tariff Governing Documents include the SPP Tariff, Bylaws, Criteria, and Membership Agreements.

Section 3. Annual Update

- a. On or before May 25 following each Rate Year, AEP shall calculate its actual Net Revenue Requirement and the True-Up Adjustment as described in Section 2 (“Annual Update”) for such Rate Year and, together with such other information described in this Section 3, shall cause such Annual Update to be posted, in both a PDF and fully-functioning Excel format, at a publicly accessible location on SPP’s internet website and OASIS. Within five (5) calendar days of such posting, SPP shall provide notice of such posting via the SPP Exploder List.
- b. If the date for making the Annual Update posting should fall on a weekend or a holiday recognized by the FERC, then the posting shall be due on the next business day.
- c. The date on which the posting occurs shall be that year’s “Annual Update Publication Date.”

- d. Together with the posting of the Annual Update, AEP shall cause to be posted on the SPP website and OASIS the time, date, location, and remote-access information for a stakeholder meeting with Interested Parties in order for AEP to explain its Annual Update and to provide Interested Parties an opportunity to seek information and clarifications regarding the Annual Update (“Annual Update Meeting”). Notice of the Annual Update Meeting shall be provided via the SPP Exploder List no less than seven (7) calendar days prior to the meeting. The Annual Update Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after the Annual Update Publication Date. SPP will provide remote access to the Annual Update Meeting in order to ease burdens (e.g. travel costs) to ensure all Interested Parties have the opportunity to participate.
- e. The Annual Update posting for the Rate Year:
- (i) Shall provide, via the Formula Rate worksheets, sufficiently detailed supporting documentation for data (and all adjustments thereto or allocations thereof) used in the Formula Rate that are not stated in the FERC Form No. 1;⁵
- (ii) Shall provide sufficient detail and sufficient explanation to enable Interested Parties to replicate the calculation of the Annual Update results from the FERC Form No. 1 and verify that each input to the Template is consistent with the requirements of the Formula Rate;
- (iii) Shall identify:
- A. Any change in accounting that affects inputs to the Template or the resulting charges billed under the Formula Rate (“Accounting Change”), including:
- i. The initial implementation of an accounting standard or policy;

- ii. The initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
- iii. Correction of errors and prior period adjustments that impact the True-Up Adjustment calculation;
- iv. The implementation of new estimation methods or policies that change prior estimates; and
- v. Changes to income tax elections;

B. Any items included in the Annual Update at an amount other than on a historic cost basis (e.g., fair value adjustments);

C. Any reorganization or merger transaction during the previous year and an explanation of the effect of the accounting for such transaction(s) on inputs to the Annual Update;

D. For each item identified pursuant to Sections 3.e.iii.A – C of these Protocols, the individual impact (in narrative format) of such changes on the Annual Update.

(iv) Shall be subject to review and challenge in accordance with the procedures set forth in Sections 4, 5, and 6 of these Protocols.

(v) Shall be subject to review and challenge in accordance with the procedures set forth in these Protocols with respect to the prudence of any costs and expenditures included for recovery in the Annual Update; provided, however, that nothing in these Protocols is intended to modify the Commission's applicable precedent with respect to the burden of going forward or burden of proof under formula rates in such prudence challenges; and

(vi) Shall not seek to modify the Formula Rate and shall not be subject to challenge by any Interested Party seeking to modify the Formula Rate (i.e., any modifications to the Formula Rate will require, as applicable, an FPA section 205 or section 206 filing or initiation of a section 206 investigation).

f. The following Formula Rate inputs shall be stated values to be used in the Formula Rate until changed pursuant to an FPA section 205 or section 206 proceeding: (i) rate of return on common equity (“ROE”); and (ii) the depreciation and/or amortization rates as set forth in Attachment 10 to the Formula Rate template.

g. **Example – Timelines for 2018 Annual Projection and 2019 Annual Update:**

On or before October 31, 2017, AEP will determine the projected Net Revenue Requirement for the 2018 Rate Year. AEP will post the Annual Projection for the 2018 Rate Year in accordance with Section 1 above. On or before May 25, 2019, AEP will post its Annual Update, consisting of the actual Net Revenue Requirement and True-Up Adjustment for the 2018 Rate Year determined pursuant to Section 2 above. Such True-Up Adjustment will be reflected in the Annual Projection of the Net Revenue Requirement for the 2020 Rate Year posted on or before October 31, 2019.

5 It is the intent of the Formula Rate, including the supporting explanations and allocations described therein, that each input to the Formula Rate for purposes of determining the actual Net Revenue Requirement for a given Rate Year will be either taken directly from the FERC Form No. 1 or reconcilable to the FERC Form No. 1 by the application of clearly identified and supported information. If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form is discontinued, equivalent information as that provided in the discontinued form shall be utilized.

Section 4. Annual Review Procedures

Each Annual Update and Annual Projection shall be subject to the following review procedures (“Annual Review Procedures”):

a. Interested Parties shall have up to the later of two-hundred-ten (210) calendar days after the applicable Publication Date, or thirty (30) calendar days after the receipt of all responses to timely submitted information requests (unless such period is extended with the written consent of AEP or by FERC order) (“Review Period”), to review the calculations and to notify AEP in writing of any specific challenges to

the Annual Update or Annual Projection (“Preliminary Challenge”), including challenges related to Accounting Changes. An Interested Party submitting a Preliminary Challenge must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. AEP shall cause to be posted all Preliminary Challenges at a publicly accessible location on SPP’s internet website and OASIS, and a link to the website will be e-mailed to the SPP Exploder List.

b. In the event of a Preliminary Challenge, AEP will appoint a senior representative to work with the Interested Party (or its representatives) toward a resolution of the dispute.

c. AEP shall respond in writing to a Preliminary Challenge within twenty (20) business days of receipt, and its response shall notify the challenging party of the extent to which AEP agrees or disagrees with the challenge. If AEP disagrees with the Preliminary Challenge, it will provide the Interested Party with an explanation supporting the challenged inputs, explanations, allocations, calculations, or other information. AEP shall promptly cause to be posted its responses to all Preliminary Challenges at a publicly accessible location on SPP’s internet website and OASIS, and a link to the website will be e-mailed to the SPP Exploder List. Provided however, that Preliminary Challenges and responses to Preliminary Challenges that include material deemed by AEP to be confidential information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by AEP and the requesting party.

d. AEP shall respond to all Preliminary Challenges submitted during the Review Period by no later than thirty (30) calendar days after the end of the Review Period.

e. Interested Parties shall have up to one-hundred-fifty (150) calendar days after each annual Publication Date (unless such period is extended with the written consent of AEP or by FERC order) to serve reasonable information requests on AEP (“Discovery Period”).

- f. Information requests shall be limited to what is necessary to determine: (i) the extent, effect, or impact of an Accounting Change; (ii) whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with the Protocols; (iii) the proper application of the Template and procedures in the Protocols; (iv) the accuracy of data and consistency with the Formula Rate of the charges shown in the Annual Update or Annual Projection; (v) the prudence of the actual costs and expenditures, including procurement methods and cost control methodologies; (vi) the effect of any change to the underlying USofA or FERC Form No. 1; and (vii) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Formula Rate. The information requests shall not otherwise be directed to ascertaining whether the Formula Rate is just and reasonable. Information requests shall not solicit information concerning costs or allocations where the costs or allocation methods have been determined to be appropriate by FERC in the context of prior AEP Annual Updates, except that such information requests shall be permitted if they (i) seek to determine if there has been a change in circumstances, (ii) are in connection with corrections pursuant to Section 6 of these Protocols, or (iii) relate to costs or allocations that have not previously been challenged and adjudicated by FERC.
- g. AEP shall make a good faith effort to respond to reasonable information requests pertaining to the Annual Update or Annual Projection within fifteen (15) business days of receipt of such requests. AEP shall respond to all reasonable information requests no later than thirty (30) calendar days after the end of the Discovery Period. AEP will cause to be posted on the SPP website and OASIS all information requests from Interested Parties and AEP's response(s) to such requests, and a link to the website will be e-mailed to the SPP Exploder List. Provided however, that information and document requests and responses to information and document requests that include material deemed by AEP to be confidential information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by AEP and the requesting party. Voluminous materials will be made available at a physical AEP site.

- h. AEP shall not claim that responses to information and document requests provided pursuant to these Protocols are subject to any settlement privilege in any subsequent FERC proceeding addressing AEP's Annual Update or Annual Projection.
- i. To the extent AEP and any Interested Party(ies) are unable to resolve disputes related to information requests submitted in accordance with these Annual Review Procedures, AEP or the Interested Party may petition the FERC to appoint an Administrative Law Judge as a discovery master to resolve the discovery dispute(s) in accordance with these Protocols and consistent with the FERC's discovery rules.
- j. Preliminary Challenges or Formal Challenges (as described in Sections 4 and 5) related to Accounting Changes shall be treated in the same manner under these Protocols as other challenges to the Annual Update or Annual Projection. Failure to make a Preliminary Challenge with respect to an Accounting Change in an Annual Update or Annual Projection shall not act as a bar with respect to a Formal Challenge with respect to that Annual Update or Annual Projection provided that the Interested Party submitted a Preliminary Challenge with respect to one or more other issues. Nor shall such failure bar a subsequent Preliminary Challenge related to a subsequent Annual Update or Annual Projection to the extent such Accounting Change affects the subsequent Annual Update or Annual Projection.
- k. If a change made by AEP to its accounting policies, practices, or procedures, or the application of the Formula Rate, is found by the FERC to be unjust, unreasonable, or unduly discriminatory or preferential, then the calculation of the charges to be assessed during the Rate Year then under review, and the charges to be assessed during any subsequent Rate Years, including any True-up Adjustments, shall not include such change, but shall include any remedy that may be prescribed by FERC in the exercise of its discretion as of the effective date of such remedy, to ensure that the Formula Rate continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential.

Section 5. Resolution of Challenges

- a. Interested Parties shall have up to two-hundred-seventy (270) days following the applicable Publication Date (unless such period is extended with the written consent of AEP or by FERC order), to file a challenge with the FERC (“Formal Challenge”). Such Formal Challenge shall be submitted in the same docket as the AEP informational filing and shall be served on AEP by electronic service on the date of such filing in accordance with Section 385.2010(f)(3) of the Commission’s regulations. Subject to any applicable confidentiality and Critical Energy Infrastructure Information restrictions, all information and correspondence produced by AEP pursuant to these Protocols may be included in any Formal Challenge or other FERC proceeding relating to the Formula Rate. This Section 5.a in no way shall affect a party’s rights under section 206 of the Federal Power Act as set forth in Section 5.g of these Protocols.
- b. Formal Challenges are to be filed pursuant to these Protocols, rather than under rule 206, and shall:
- (i) Clearly identify the action or inaction which is alleged to violate the Formula Rate Template or Protocols;
 - (ii) Explain how the action or inaction violates the filed rate Template or Protocols;
 - (iii) Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including
 - A. The extent or effect of an Accounting Change;
 - B. Whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with these Protocols;
 - C. The proper application of the Template and procedures in these Protocols;
 - D. The accuracy of the data and consistency with the Formula Rate of the charges shown in the Annual Update or Annual Projection;

E. The prudence of actual costs and expenditures;

F. The effect of any change to the underlying Uniform System of Accounts or the FERC Form No. 1; or

G. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Template.

(iv) Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;

(v) State whether the issues presented are pending in an existing Commission proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;

(vi) State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;

(vii) Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and

(viii) State whether the filing party utilized the Preliminary Challenge procedures described in these Protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

c. Preliminary and Formal Challenges shall be limited to issues that may be necessary to determine: (i) the extent or effect of an Accounting Change; (ii) whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with these Protocols; (iii) the proper application of the Formula Rate and procedures in these Protocols; (iv) the accuracy of data and consistency with the Formula Rate of the calculations shown in the Annual Update and Annual Projection; (v) the prudence of actual costs and expenditures; (vi) the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or (vii) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.

- d. Failure to raise an issue in a Preliminary Challenge shall not bar an Interested Party from raising that issue in a Formal Challenge, provided the Interested Party submitted a Preliminary Challenge during the Review Period with respect to one or more other issues. Failure to pursue an issue through a Preliminary Challenge or to lodge a Formal Challenge regarding any issue as to a given Annual Update shall bar pursuit of such issue with respect to that Annual Update, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual Update.
- e. Any response by AEP to a Formal Challenge must be submitted to the FERC within thirty (30) calendar days of the date of the filing of the Formal Challenge, and shall be served on the filing party(ies) and the SPP Exploder List on the date of such filing.
- f. In any Formal Challenge proceeding concerning a given year's Annual Update (including corrections), Annual Projection, or Accounting Change(s), AEP shall demonstrate the justness and reasonableness of the rate resulting from its application of the Formula Rate by demonstrating that it has reasonably and accurately calculated the Annual Update or Annual Projection and/or reasonably adopted and applied the Accounting Change. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.
- g. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of AEP to file unilaterally, pursuant to section 205 of the FPA and the regulations thereunder, an application seeking changes to the Formula Rate or to any of the stated value inputs requiring a section 205 filing under these Protocols (including, but not limited to, ROE and depreciation and amortization rates), or the right of any other party or the Commission to seek such changes pursuant to section 206 of the FPA and the regulations thereunder.
- h. AEP may, at its discretion and at a time of its choosing, make a limited filing pursuant to section 205 to modify stated values in the Formula Rate (i) for amortization and depreciation rates, or (ii) to correct obvious errors or omissions in the Formula Rate such as would result from changes to the FERC Form No. 1. The sole issue in any such limited section 205 proceeding shall be whether such proposed change(s) is

just and reasonable, and it shall not address other aspects of the Formula Rate or impose upon AEP any burden with respect to such other aspects of the Formula Rate.

Section 6. Changes to Annual Updates

If AEP determines or concedes that corrections to the Annual Update are required, whether under Sections 4 or 5 of these Protocols, including but not limited to those requiring corrections to its FERC Form No. 1, or input data used for a Rate Year that would have affected the Annual Update for that Rate Year, such corrections shall be reflected as adjustments in the Annual Update for the next Rate Year, with interest calculated in accordance with the FERC Interest Rate (as determined pursuant to 18 C.F.R. § 35.19a). This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments.

ATTACHMENT B-2

~~AEP Transmission Company Formula Rate Implementation Protocols~~

~~I. Annual Update~~

~~1. The formula rate template (“Template”) and these Formula Rate Implementation Protocols (“Protocols”) together comprise the filed rate (“Formula Rate”) of AEP Southwestern Transmission Company Inc., and AEP Oklahoma Transmission Co., Inc (collectively, “AEP Transmission Companies”) for transmission service under the Southwest Power Pool (“SPP”) OATT. AEP must follow the instructions specified in the Formula Rate to calculate annually its Zonal Annual Transmission Revenue Requirements (“Zonal ATRR”), the monthly rate for Network Integration Transmission Service (“NITS Rate”), the rate for point to point transmission service (“PTP”) over AEP facilities in SPP Zone 1 (“PTP Rate”), the ATRR for Base Plan Upgrades (“BPU ATRR”), and the ATRR and rates for Scheduling System Control and Dispatch Service (“Schedule 1 Rates”) based on the populated Template (collectively, the “Annual Update”). Recovery of costs associated with new facilities, e.g., Base Plan Upgrades, shall be consistent with Attachment J of the SPP OATT.~~

~~2. The Formula Rate and the Annual Update produced by application of the Formula Rate shall initially be effective for service on and after July 1, 2010. The Formula Rate shall be recalculated each year, with the resulting Annual Update to become effective for service on and after July 1 of each year through June 30 of the subsequent year (“Rate Year”). The Annual Update implemented each July 1 shall be subject to review, challenge, true-up and refunds or surcharges with interest, to the extent provided in these Protocols.~~

~~3. On or before May 25 of each calendar year, AEP shall: prepare the Annual Update to be effective during the next Rate Year; provide an electronic version of the Annual Update to SPP for concurrent posting on the publicly accessible portion of the SPP website; and submit the Annual Update to the Commission in an informational filing. Each Annual Update, so posted and filed, shall include the following:~~

~~a notice to all interested parties that an open stakeholder meeting will be held, on a date specified in the notice that shall be no earlier than ten (10) business days from the date of posting of the Annual Update and no later than June 25, to discuss the Annual Update (“Stakeholder Meeting”). The Stakeholder Meeting shall be held on the same date and at the same location as the stakeholder meeting for the AEP West Operating Companies.~~

~~a recalculation of the Zonal ATRR, NITS Rate, PTP Rate, BPU ATRR and the Schedule 1 Rates for the new Rate Year;~~

~~(c) supporting information including a data populated Template showing all calculations as well as supporting calculations and workpapers that demonstrate and explain information not otherwise set out in AEP’s FERC Forms No. 1;~~

~~(d) disclosure of any changes in (i) FERC’s Uniform System of Accounts (“USoA”), (ii) FERC Form No. 1 reporting requirements as applicable,¹ (iii) FERC’s orders establishing generally applicable transmission ratemaking policies, (iv) AEP accounting policies, practices or procedures, or (v) SPP policies and the SPP OATT, to the extent that the changes in (i) through (v) that have occurred since February 1, 2008, or since the posting of the most recent Annual Update, impact the Formula Rate or calculation of the Annual Update, as applicable; and~~

~~(e) notice to transmission customers and affected regulatory commissions of the availability of the Annual Update posting. To expedite review, the Annual Update posting shall include fully functioning spreadsheet files or, as applicable, other native format data.~~

¹ ~~If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form(s) is (are) discontinued, equivalent information as that provided in the discontinued form(s) shall be utilized.~~

~~4. The informational filing with the Commission is not intended to be subject to the Commission's notice requirements, but any such lack of notice does not limit the Commission's authority to initiate a proceeding on its own motion.~~

~~5. The Annual Update for the Rate Year shall:~~

~~be based upon AEP's FERC Forms No. 1 for the most recently completed calendar year, FERC's orders establishing generally applicable transmission ratemaking policies, and, to the extent specified in the Formula Rate, upon the books and records of AEP consistent with the USoA, FERC accounting policies and practices, and SPP policies and the SPP OATT;~~

~~include adjustments reflecting the additional transmission plant in service, and related depreciation, accumulated depreciation, return, and income taxes that are reasonably projected to be recorded upon the books and records of AEP consistent with the Formula Rate and FERC accounting policies and practices, so as to create a projected cost of service study ("Projected TCOS") and thereby to estimate the Zonal ATRR, the NITS Rate, the PTP Rate and the BPU ATRR as of the end of the calendar year in which the Annual Update is produced, while the Schedule 1 Rates will be estimated based on the prior year actual transmission dispatch costs (collectively the "Projected Rates");~~

~~as and to the extent specified in the Formula Rate, provide sufficiently detailed supporting documentation for data (and all adjustments thereto or allocations thereof) that are used to develop the Formula Rate and are not otherwise available directly from the FERC Form No. 1; and~~

~~beginning with the second Annual Update (2011), compute a true up cost of service for the most recent prior year ("True Up TCOS") to establish the actual Zonal ATRR and NITS Rate, BPU ATRR and Schedule 1 Rates ("True Up Rates") to be applied as described in section I.7 below.~~

~~6. The Projected Rates billed for service each month starting July and running through June of the next year will be based on an end-of-year rate base style annual transmission revenue requirement calculation pursuant to the Projected TCOS section of the Template. This means there will be two sets of Projected Rates billed during each calendar year. The first Annual Update will be posted in May 2010, and the charges calculated in such Annual Update will apply July 1, 2010 through June 30, 2011, based on the Projected TCOS reflecting the 2009 FERC Form No. 1 plus the projected 2010 plant in service additions.~~

~~7. By way of example, the NITS Rate and associated Schedule 1 Rates billed pursuant to the Formula Rate during 2010 will be trued up in 2011 using rates calculated in the manner specified in the True Up TCOS section of the Template, including rate base components, other than Cash Working Capital, and a capital structure that each reflects the average of the true up year's opening and closing balances, according to the Formula Rate, and actual expenses for such true up year. The monthly charges that each SPP Zone 1 NITS Customer should have paid during the true up year under the True Up Rates based on its actual monthly Network Loads will be computed ("True Up Bills"). The difference between the actual charges paid during the true up calendar year and the True Up Bills, including interest as provided in Section III.6 below ("Interest"), will be credited or charged in billings for July service in the current Rate Year (or as soon thereafter as is practicable). A true up adjustment shall also be calculated for the BPU ATRR collected~~

~~during the prior calendar year, and such adjustment will be rolled together with the Projected BPU ATRR and collected or refunded over the ensuing Rate Year, including Interest applicable during the prior Rate Year. The PTP and associated PTP Schedule 1 Rates shall not require true-up. Price certainty is important in transactions that utilize PTP service.~~

~~Further, the revenues from PTP service are included as credits in the calculation of the NITS Rates and associated NITS Schedule 1 Rates, both of which will be trueed up.~~

~~8. A change to the Formula Rate inputs related to (1) revised return on equity (“ROE”), (2) depreciation rates, composite rate methodology, and amortization periods; (3) or Post-Employment Benefits Other than Pensions (“PBOP”) expenses may not be made absent an appropriate filing with the FERC pursuant to Federal Power Act Section 205 or Section 206. AEP will make a Section 205 filing to change the production or distribution amounts from zero in the formula rate.~~

~~9. AEP may not propose any changes to the Formula Rate in conjunction with the Annual Update. Any changes to the Formula Rate may not be made absent an appropriate filing with FERC pursuant to Federal Power Act Section 205 or 206; however, AEP may be required by FERC to modify the Formula Rate in response to a Formal Challenge if the circumstances set forth in Section II.1.(c) apply.~~

H. Review Procedures for Annual Update

~~1. Each Annual Update shall be subject to the following review procedures (“Annual Review Procedures”):~~

~~(a) Interested parties will have one hundred and thirty five (135) days after the Posting Date to serve reasonable information requests on AEP for information and workpapers supporting an Annual Update. Such information requests shall be limited to that which is necessary to determine if AEP has properly calculated the Annual Update under review (including any corrections pursuant to Section IV), and whether the costs included in the Annual Update are properly recordable, recorded and prudently incurred, and otherwise consistent with AEP accounting policies, practices or procedures, and that the Formula Rate has been applied according to its terms including the procedures in these Protocols. Further, such information requests shall not include requests for information related to Annual Updates from prior years except (i) to determine whether a prior year’s approach on a given matter was the same or different from the current year’s approach, or (ii) in connection with corrections pursuant to Section IV.~~

~~(b) AEP shall make a good faith effort to respond to information requests pertaining to an Annual Update within fifteen (15) business days of receipt of such requests. Information requests received after 4 p.m. CPT shall be considered received the next business day.~~

~~(c) To the extent AEP and any interested party(ies) are unable to resolve disputes related to information requests submitted in accordance with these Annual Review Procedures, AEP or any interested party may petition the FERC to appoint an Administrative Law Judge as a discovery master. The discovery master shall have the power to issue binding orders to resolve discovery disputes and compel the production of discovery, as appropriate, in accordance with the Annual Review Procedures and consistent with the FERC’s discovery rules.~~

~~(d) — Any interested party shall have until the later of one hundred and sixty five (165) days after the Posting Date or fifteen (15) days after AEP's last response to reasonable information requests submitted and responded to pursuant to Section II.1 (a) and (b) above, to review the calculation of the Annual Update ("Review Period") and to notify AEP in writing of any specific challenges to the Annual Update or any specific challenges based on changes in items (i) through (v) set forth in Section I.3.(d) that may produce consequences from the application of the Formula Rate subsequent to such change ("Issues"). Challenges to the Formula Rate itself shall not be considered "Issues" for purposes of these Annual Review Procedures.~~

~~(e) — If a change by AEP to its accounting policies, practices or procedures, or the application of the Formula Rate in light of any change that occurs to items (i) through (v) set forth in Section I.3(d), is found by FERC to be unjust, unreasonable, and/or unduly discriminatory or preferential, then the calculation for the Rate Year then under review, and any subsequent Rate Years or True Ups, shall not include such change, and shall include any such other remedy prescribed by FERC, including adjustments to the Formula Rate, to restore the intent of the Formula Rate as of February 1, 2008, or as may be subsequently modified by FERC or through settlement, and to ensure that the Formula Rate continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential~~

III. — Resolution of Challenges

For each Annual Update:

~~1. — AEP shall provide a written response to any Issues submitted to it within fifteen (15) days of receipt. Its written response shall notify the interested party of the extent to which AEP agrees or disagrees with the position raised by the interested party, and what, if any, modifications to the Annual Update will result. If AEP disagrees with the Issue, it shall provide supporting documentation with its response.~~

~~2. — If any Issue identified pursuant to Section II.1(d) is not fully resolved to all interested party(ies)' satisfaction within thirty (30) days after receipt of AEP's response to an Issue, any interested party may file a challenge to the Annual Update with regard to such Issue(s) in a proceeding at the FERC ("Formal Challenge") within 30 days after receipt of AEP's response to an Issue or sixty (60) days after the Review Period for a given Update, whichever is later.~~

~~— (a) — Failure to notify AEP of an Issue shall not bar pursuit of such Issue in the filing of a Formal Challenge.~~

~~— (b) — Failure to notify AEP of an Issue shall not bar pursuit of such Issue in a subsequent Annual Update review.~~

~~— (c) — Failure to file a Formal Challenge regarding an Issue(s) as to a given Annual Update shall not bar pursuit of such Issue(s) or the filing of a Formal Challenge as to such Issue(s) as relates to a subsequent Annual Update review.~~

- ~~3. All information and correspondence produced pursuant to these Protocols may be included in any Formal Challenge, in any other proceeding concerning the Formula Rate initiated at FERC pursuant to the Federal Power Act, or in any proceeding before the U.S. Court of Appeals to review a FERC decision.~~
- ~~4. Any response by AEP to a Formal Challenge must be submitted to the FERC within thirty (30) days of the date of the filing of the Formal Challenge and shall be served on the filing party(ies) by electronic service on the date of such filing.~~
- ~~5. In any proceeding ordered by the FERC in response to a Formal Challenge properly raised under the timeline set out above, AEP will bear the burden of demonstrating the justness and reasonableness of the rate resulting from its application of the Formula Rate and of proving that it has properly calculated the challenged Annual Update pursuant to the Formula Rate, reasonably adopted and applied a change in AEP's accounting policies, practices or procedures, a change in FERC's accounting policies, practices, or procedures, and/or a change in SPP policies or the SPP OATT.~~
- ~~6. Any refunds or surcharges resulting from a Preliminary Challenge, a Formal Challenge or a correction to an Annual Update or True Up shall be calculated, with Interest, in accordance with 18 C.F.R. § 35.19a, and consistent with the methodology illustrated in Attachment D of the Settlement Agreement filed in Docket No. ER07-1069-000, from January 1 of the calendar year being trued up until the date of billing for such refund or surcharge, and shall, unless otherwise agreed by the parties, be reflected in the billing for July service in the next effective Rate Year, or as soon thereafter as practicable when such refund or surcharge is not resolved prior to such July service billing, consistent with the procedure described in Section I.7.~~
- ~~7. These Protocols in no way limit the rights of AEP or any interested party to initiate a proceeding at FERC at any time with respect to the Formula Rate or any Annual Update consistent with the party's full rights under the Federal Power Act, including Sections 205, 206 and 306, and FERC's regulations.~~
- ~~(a). Neither failure to notify AEP of an Issue nor failure to file a Formal Challenge nor failure to exercise any rights under FPA Sections 205, 206, and 306 and FERC's regulations in any given year shall be construed as a bar to raising any issue in any proceeding initiated at FERC; however, neither AEP nor any interested party shall be precluded from raising any such failure or the reason for such failure as a factor(s) to be considered by the Commission in resolving such issue.~~

~~IV. Corrections to Annual Update~~

~~If AEP determines or concedes that corrections to the Annual Update pursuant to the Formula Rate, whether under Sections I, II or III of these Protocols and including but not limited to those requiring corrections to its FERC Form No. 1, or input data used for a Rate Year or calendar year that would have affected the Annual Update for that Rate Year or calendar year, AEP shall promptly notify the transmission customers and affected regulatory commissions, file a correction to the Annual Update with FERC as an amended informational filing and provide a copy to the SPP for prompt posting by SPP. Such corrections shall be reflected in the next Annual Update affected by such corrections. Any~~

~~resulting refunds or surcharges for corrected past charges, with Interest, shall be reflected in billing adjustments made for NITS and long term firm PTPS as soon as reasonably practicable. Notice of needed corrections to any Annual Update provided hereunder must be made within three years of the Posting Date of the Annual Update.~~

~~A corrected posting shall reset the performance dates under Sections II and III of these Protocols for interested party review, and the revised dates shall run from the posting date(s) for each of the corrections. The scope of review shall be limited to the aspects of the Formula Rate affected by the corrections.~~