

AEP Transmission Formula Rate Template
 Calculation of Schedule 11 Revenue Requirements For AEP Transmission Projects
 For Calendar Year 2008 and Projected Year 2009

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

PUBLIC SERVICE COMPANY OF OKLAHOMA

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

(A)	(B)	(C)	(D)	(E)	(F)	(G) = (E) + (F)	(H)	(I)	(J)	(K) = (I) - (J)	(L)	(M)	(N) = (L)-(M)	(O)	(P) = (H)+(K)+(N)+(O)	(Q) = (G) + (P)	
			<u>Projected ARR For 2009 From WS-F</u>				<u>True-Up ARR CY2008 From Worksheet G (includes adjustment for SPP Collections)</u>										<u>Total</u>
							<u>Base ARR</u>					<u>Incentive ARR</u>					<u>ADJUSTED</u>
<u>Sheet</u>	<u>Name</u>	<u>Owner</u>	<u>Project Description</u>	<u>Year in Service</u>	<u>Base ARR (WS-F)</u>	<u>Incentive</u>	<u>Total</u>	<u>TRUE-UP Adjustment (WS-G)</u>	<u>Adjusted ARR from Prior Update</u>	<u>by SPP (for Prior Yr T-Service)</u>	<u>COLLECTION Adjustment</u>	<u>True-up</u>	<u>As Billed</u>	<u>Change</u>	<u>Interest</u>	<u>Total Adjustments (True-Up, Billing, & Interest)</u>	<u>Requirement Effective 7/1/2009</u>
P.001	PSO	Riverside-Glenpool (81-523) Reconductor	2009	56,661	-	56,661	-	-	-	-	-	-	-	-	-	-	56,661
P.002	PSO	Craig Jct. to Broken Bow Dam 138 Rebuild (7.7mi)	2009	750,106	-	750,106	-	-	-	-	-	-	-	-	-	-	750,106
P.003	PSO	WFEC New 138 kV Ties: Sayre to Erick (WFEC) Line & Atoka and Tupelo station work	2009	388,147	-	388,147	-	-	-	-	-	-	-	-	-	-	388,147
P.004	PSO	Cache-Snyder to Altus Jct. 138 kV line (w/2 ring bus stations)	2008	2,440,252	-	2,440,252	2,014,177	197,847	135,082	62,765	-	-	-	-	132,050	2,208,992	4,649,245
P.005	PSO	Catoosa 138 kV Device (Cap. Bank)	2006	62,631	-	62,631	3,864	124,202	38,952	85,250	-	-	-	-	5,666	94,780	157,411
P.006	PSO	Pryor Junction 138/69 Upgrade Transf	2008	254,011	-	254,011	237,302	-	-	-	-	-	-	-	15,087	252,389	506,401
P.007	PSO	Elk City - Elk City 69 kV line (CT Upgrades)*	2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-
P.008	PSO	Weleetka & Okmulgee Wavetrap replacement 81-805*	2006	-	-	-	-	-	-	-	-	-	-	-	-	-	-
P.009	PSO	Tulsa Southeast Upgrade (repl switches)*	2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PSO Total				3,951,809	-	3,951,809	2,255,343	322,049	174,034	148,015	-	-	-	-	152,804	2,556,162	\$ 6,507,971
*<\$100K investment							11/12	11/12									

Error -- OK, this yr ONLY, 2255343 total above is 11/12ths of value in WS-G Summary Table because of Feb 1, 2008 eff. date.

AEP West SPP Member Companies
 2009 Cost of Service Formula Rate Projected on 2008 FF1 Balances
Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for BPU and Special-billed Projects
 Based on a Carrying Charge Derived from "Historic" 2008 Data
PUBLIC SERVICE COMPANY OF OKLAHOMA

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

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

ROE w/o incentives (Attachment H, In 149)	11.20%
Project ROE Incentive Adder (Enter as whole number)	0 basis points
ROE with additional 0 basis point incentive	11.20% <==Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from Attachment H, Ins 158 through160)	
	<u>Cost</u>
Long Term Debt	54.06%
Preferred Stock	0.32%
Common Stock	45.62%
	<u>Weighted cost</u>
	0.0636
	0.0404
	0.0511
R =	0.0856

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR	2009	3,951,809	3,951,809 \$ -

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

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

Rate Base (Attachment H, In 75)	361,307,355
R (from A. above)	0.0856
Return (Rate Base x R)	30,928,179

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

Return (from B. above)	30,928,179
Tax Rate (Attachment H, In 106)	37.56%
EIT=(T/(1-T)) * (1-(WCLD/WACC)) =	35.99%
Income Tax Calculation (Return x EIT)	11,131,666
ITC Adjustment (Attachment H, In 116)	(259,592)
Income Taxes	10,872,074

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

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

Net Revenue Requirement (Attachment H, In 123)	79,720,533
Return (Attachment H, In 118)	30,928,179
Income Taxes (Attachment H, In 117)	10,872,074
Gross Margin Taxes (Attachment H, In 122)	-
Net Revenue Requirement, Less Return and Taxes	37,920,280

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

Net Revenue Requirement, Less Return and Taxes	37,920,280
Return (from I.B. above)	30,928,179
Income Taxes (from I.C. above)	10,872,074
Net Revenue Requirement, with 0 Basis Point ROE increase	79,720,533
Gross Margin Tax with 0 Basis Point ROE increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	79,720,533
Less: Depreciation (Attachment H, In 95)	11,310,832
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	68,409,701

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

Net Revenue Requirement before Gross Margin Taxes, with 0	79,720,533
Basis Point ROE increase (II B. above)	-
Apportionment Factor to Texas (Worksheet K, In 12)	0.00%
Apportioned Texas Revenues	-
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	-
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	-
Gross-up Required for Gross Margin Tax Expense	-
Total Additional Gross Margin Tax Revenue Requirement	-

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

Net Transmission Plant (Attachment H, Ins 46, 47, 48, 49, 51)	447,110,006
Net Revenue Requirement, with 0 Basis Point ROE increase	79,720,533
FCR with 0 Basis Point increase in ROE	17.83%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	68,409,701
FCR with 0 Basis Point ROE increase, less Depreciation	15.30%
FCR less Depreciation (Attachment H, In 12)	15.30%
	0.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	569,745,856	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	622,664,895	<==From Input on Worksheet B
	1,192,410,751	
Transmission Plant Average Balance for 2008	596,205,376	
Annual Depreciation Expense (Attachment H, In 246)	11,282,331	
Composite Depreciation Rate	1.89%	
Depreciable Life for Composite Depreciation Rate	52.84	
Round to nearest whole year	53	

AEP West SPP Member Companies
 2009 Cost of Service Formula Rate Projected on 2008 FF1 Balances
Worksheet G - Calculation of TRUED-UP Annual Revenue Requirement for BPU and Special-billed Projects
 Based on a Carrying Charge Derived from "Trued-Up" 2008 Data
PUBLIC SERVICE COMPANY OF OKLAHOMA

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

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

ROE w/o incentives (Attachment H, In 136)			11.20%
Project ROE Incentive Adder (Enter as whole number)			0 basis points
ROE with additional 0 basis point incentive			11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from Attachment H, Ins 158 through 160)			
	%	Cost	Weighted cost
Long Term Debt	56.35%	0.0632	0.0356
Preferred Stock	0.33%	0.0404	0.0001
Common Stock	43.32%	0.1120	0.0485
			R = 0.0843

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

Rate Base (Attachment H, In 63)	299,334,230	-
R (from A. above)	0.0843	-
Return (Rate Base x R)	25,229,120	-

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

Return (from B. above)	25,229,120	-
Tax Rate (Attachment H, In 260)	37.56%	-
EIT=(R/(1-T)) * (1-(WCLTD/WACC)) =	34.72%	-
Income Tax Calculation (Return x EIT)	8,760,169	-
ITC Adjustment (Attachment H, In 103)	(262,679)	-
Income Taxes	8,497,490	-

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

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

Net Revenue Requirement (Attachment H, In 110)	71,363,816	-
Return (Attachment H, In 105)	25,229,120	-
Income Taxes (Attachment H, In 104)	8,497,490	-
Gross Margin Taxes (Attachment H, In 109)	-	-
Net Revenue Requirement, Less Return and Taxes	37,637,205	-

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

Net Revenue Requirement, Less Return and Taxes	37,637,205	-
Return (from I.B. above)	25,229,120	-
Income Taxes (from I.C. above)	8,497,490	-
Net Revenue Requirement, with 0 Basis Point ROE increase	71,363,816	-
Gross Margin Tax with 0 Basis Point ROE Increase (I.C. below)	-	-
Revenue Requirement w/ Gross Margin Taxes	71,363,816	-
Less: Depreciation (Attachment H, In 83)	11,275,658	-
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	60,088,158	-

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

Net Revenue Requirement before Gross Margin Taxes, with 0 Basis Point ROE increase (I.B. above)	71,363,816	-
Apportionment Factor to Texas (Worksheet K, In 12)	0.00%	-
Apportioned Texas Revenues	-	-
Taxable Percentage of Revenue (70%)	70%	-
Taxable, Apportioned Margin	-	-
Texas Gross Margin Tax Rate	1%	-
Texas Gross Margin Tax Expense	-	-
Gross-up Required for Gross Margin Tax Expense	-	-
Total Additional Gross Margin Tax Revenue Requirement	-	-

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

Net Transmission Plant (Attachment H, In 39)	378,678,064	-
Net Revenue Requirement, with 0 Basis Point ROE increase	71,363,816	-
FCR with 0 Basis Point increase in ROE	18.85%	-
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	60,088,158	-
FCR with 0 Basis Point ROE increase, less Depreciation	15.87%	-
FCR less Depreciation (Attachment H, In 12)	15.87%	-
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%	-

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	569,745,856	<=From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	622,664,895	<=From Input on Worksheet B
	1,192,410,751	
Transmission Plant Average Balance for 2008	596,205,376	
Annual Depreciation Expense (Attachment H, In 83)	11,282,331	
Composite Depreciation Rate	1.89%	
Depreciable Life for Composite Depreciation Rate	52.84	
Round to nearest whole year	53	

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR SPP BPU & NON-BPU PROJECTS						
TRUE-UP YEAR	2008	Rev Require	W Incentives	Incentive Amounts		
Σ Prior Year Projected (WS-F)	\$	278,041	\$	278,041	\$	-
Σ Prior Year True-Up (WS-G)	\$	2,738,415	\$	2,738,415	\$	-
True-up Adjustment For 2008		2,460,374		2,460,374		-

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

