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May 3, 2010

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

Re: American Electric Power Service Corporation
Docket No. ER10-__-__

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. Section 824(d) (2010), American Electric Power Service Corporation (“AEPSC”), on behalf its affiliates, Public Service Company of Oklahoma (“PSO”) and Southwestern Electric Power Company (“SWEPCO”) (AEPSC, PSO and SWEPCO are collectively referred to herein as “AEP”), submits for filing updated depreciation rates for SWEPCO and PSO approved by state utility commissions in Arkansas, Oklahoma and Texas which will be reflected in the formula rate approved in Docket No. ER07-1069-000 for service in Southwest Power Pool Zone 1.

I. Background

In Docket No. ER07-1069, AEP submitted for filing a formula rate and implementation protocols contained in tariff sheets for the AEP pricing zone under Schedule 1, Addendum 1 to Schedule 1, Attachment H and Addendum 1 to Attachment H and Attachment T of the Southwest Power Pool, Inc. (“SPP”) Open Access Transmission Tariff (“OATT”). The revised tariff sheets approved in that docket establish a formula rate for transmission service over PSO and SWEPCO facilities that is updated annually.

The Commission accepted AEP’s rate filing subject to hearing and settlement judge procedures and a compliance filing. AEP and the intervening parties in Docket No. ER07-1069 ultimately settled all issues raised with respect to the formula rate and the settlement was approved by the Commission on June 24, 2009 (the “Settlement”).

The formula rate approved as part of the Settlement permits AEP to include depreciation costs as recorded by PSO and SWEPCO in their FERC Form 1 (“FF1”) reports based on the weighted composite of state approved depreciation rates. SWEPCO operates in three separate retail jurisdictions (Arkansas, Louisiana and Texas). The depreciation rates utilized by SWEPCO on its books are composite depreciation rates by account that utilize the individual state approved

depreciation rates. The practice of deriving a composite depreciation rate for SWEPCO from the weighted average of the depreciation rates approved in each regulatory jurisdiction was accepted by the Commission in Docket No. ER83-68-000 and most recently reviewed in a 1995 Commission audit. At the time the Settlement was filed, the underlying depreciation rates used to determine SWEPCO's rates were approved in the following state utility commission proceedings: Arkansas – Docket No. 98-339-U and Louisiana Docket No. U-23029, both in existence since 1999 and Texas Docket No. 5301 in existence since 1984.

PSO primarily serves retail customers in Oklahoma with its retail jurisdiction representing over 99% of its business. Thus, at the time of the Settlement, the depreciation rates utilized by PSO on its books are the depreciation rates approved by the Oklahoma Corporation Commission (OCC). The PSO depreciation rates were approved by the OCC in Cause No. PUD 200600285 and had been in existence since 2007.

AEP sought and received approval of the manner in which the weighted composite depreciation rate utilized in the Formula Rate in Docket No. ER07-1069.¹ Under the terms of the Settlement, Section 8 of Addendum 1 to Attachment H of the SPP OATT, a change to the Formula Rate inputs related to revised depreciation rates may not be made absent an appropriate filing with the Commission pursuant to section 205 or 206 of the Federal Power Act.

II. Description of Proposed Change

As noted above, at the time the Settlement was filed with the Commission, the depreciation rates for PSO and SWEPCO that generate the book expense included in the formula rate calculation had been in existence since 2007 for PSO, and since 1984 and 1999 for SWEPCO. As a result of recent retail rate cases, these underlying depreciation rates have now been changed.² The Orders approving the underlying depreciation rates can be viewed at the following links:

Oklahoma Order:

<http://imaging.occeweb.com/AP/Orders/OCC4032081.PDF>

Arkansas Order:

http://www.apscservices.info/pdf/09/09-008-u_189_1.pdf

Settlement

http://www.apscservices.info/pdf/09/09-008-u_174_1.pdf

Texas Order:

http://interchange.puc.state.tx.us/WebApp/Interchange/application/dbapps/filings/pgSearch_ResuIts.asp?TXT_CNTR_NO=37364&TXT_ITEM_NO=717

¹ *American Elec. Power Serv. Corp.*, 121 FERC ¶ 61,245 (2007); *American Elec. Power Serv. Corp.*, 127 FERC ¶ 61,292 (2009)

² See *Arkansas Public Service Commission Docket No. 09-008-0, Order No. 12, In the Matter of the Application of Southwestern Electric Power Company for Approval of a General Change in Rates and Tariffs* (Nov. 24, 2009); *Public Utilities Commission of Texas, Docket No. 37364, Application of Southwestern Electric Power Company for Authority to Change Rates* (April 16, 2010); *Oklahoma Corporation Commission Cause NO. PUD 200800144, Order No. 564437, Application of Public Service Company of Oklahoma, An Oklahoma Corporation, For An Adjustment In Its Rates And Charges For Electric Service In The State of Oklahoma.*

By this filing, AEP now seeks Commission authorization under section 205 of the FPA to update the depreciation rate inputs in its existing formula rate to reflect the new state approved depreciation rates for PSO and SWEPCO. The updated depreciation rates are set forth in Attachment A to this transmittal letter. The changes in depreciation rates will result in reduced annual transmission depreciation expenses for PSO and SWEPCO. This fact can be seen in the summaries of prior and new depreciation rates contained in Attachment A.

As seen on page 1 of Attachment A, three of the PSO transmission depreciation rates, for land rights (350.1), structure and improvements (352) and underground conductors (358), have increased; however, as page 2 of Attachment A shows, the plant in those accounts is a small portion of the total transmission investment. As a result, the overall transmission depreciation expense will also decrease for PSO. The depreciation rates used by SWEPCO for each and every transmission plant account were reduced, as shown on Attachment A, pages 3 and 4.

III. Effective Date and Waiver Request

AEP is seeking approval to update the data inputs regarding depreciation rates in its formula rate to reflect the new state approved depreciation rates effective as of July 1, 2010. AEP respectfully requests that the Commission waive provisions of section 35.13 or any other applicable regulation to permit this request. Good cause exists for granting this waiver because AEP is making this filing pursuant to the requirements of a Commission approved Settlement.

Moreover, AEP wishes to make clear that it is *not* requesting a change to the formula rate on file with the Commission as approved in Docket No.ER07-1069. Nor is AEP seeking a change in the manner in which the composite depreciation rate is calculated. Finally, implementation of AEP's request will result in an overall depreciation rate and expense decrease effective on July 1, 2010.

IV. Contents of this Filing

This filing consists of the following documents:

- This transmittal letter
- A spreadsheet setting forth prior and revised state approved depreciation rates (Attachment A)

V. Service

A copy of this filing is being served on all parties to the Settlement Agreement, SPP, the Arkansas Public Service Commission, New Mexico Public Utility Commission, Missouri Public Service Commission, Kansas Corporation Commission, Louisiana Public Service Commission, Oklahoma Public Service Commission and the Public Utilities Commission of Texas. AEP has served a copy of this filing on all SPP members by requesting SPP to post this filing electronically, and requests waiver of the requirement to post by mailing paper copies to SPP members. Copies of this filing are also being made available on AEP's website at:

[http://www.aep.com/about/codeofconduct/OASIS/TariffFilings/..](http://www.aep.com/about/codeofconduct/OASIS/TariffFilings/)

VI. Correspondence

Correspondence relating to this filing should be addressed to:

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Please acknowledge receipt of this filing by marking one of the copies with your time-stamp and FERC Docket number and returning same in the enclosed postage-paid, self-addressed envelope.

Respectfully submitted,

/s/ Monique Rowtham-Kennedy

Monique Rowtham-Kennedy
Senior Counsel
American Electric Power Service Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on each party on the official service list compiled by the Secretary in this proceeding.

/s/ Monique Rowtham-Kennedy
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Dated: May 3, 2010

ATTACHMENT A

**PUBLIC SERVICE COMPANY OF OKLAHOMA
DEPRECIATION RATES
CURRENT AND PRIOR DEPRECIATION RATES**

| | | CURRENT RATES (A) | PRIOR RATES (B) |
|---------------------------|---------------------------|------------------------------|----------------------------|
| TRANSMISSION PLANT | | | |
| 350.1 | Land Rights | 1.09% | 1.04% |
| 352.0 | Structures & Improvements | 1.88% | 1.52% |
| 353.0 | Station Equipment | 1.53% | 1.55% |
| 354.0 | Towers & Fixtures | 1.12% | 1.94% |
| 355.0 | Poles & Fixtures | 2.78% | 2.80% |
| 356.0 | OH Conductor & Devices | 1.92% | 2.11% |
| 358.0 | Underground Conductor | 3.01% | 2.56% |

Notes:

(A) Current depreciation rates were effective on February 1, 2009 in accordance with the order from Cause No. PUD 200800144, Order No. 564437 signed on January 14, 2009 and made effective after the Company filed tariffs were reviewed by the Director of the Public Utility Division.

(B) Prior depreciation rates were booked beginning in October 2007 with an adjustment in October as if the rates were implemented June 1, 2007, as required by the order in Cause No. PUD 200600285. The final order was approved on October 9, 2007.

**PUBLIC SERVICE COMPANY OF OKLAHOMA
 CALCULATION OF TOTAL TRANSMISSION PLANT DEPRECIATION RATE
 USING CURRENT AND PRIOR DEPRECIATION RATES BY ACCOUNT AND PLANT AT DECEMBER 31, 2009**

| | | <u>ORIGINAL COST AT 12/31/2009</u> | <u>CURRENT RATES (A)</u> | <u>CURRENT ANNUAL DEPR EXPENSE</u> | <u>PRIOR RATES (B)</u> | <u>PRIOR ANNUAL DEPR EXPENSE</u> |
|---------------------------|---------------------------------|--|------------------------------|--|----------------------------|--|
| TRANSMISSION PLANT | | | | | | |
| 350.1 | Land Rights | 35,469,780 | 1.09% | 386,621 | 1.04% | 368,886 |
| 352.0 | Structures & Improvements | 6,607,300 | 1.88% | 124,217 | 1.52% | 100,431 |
| 353.0 | Station Equipment | 251,357,324 | 1.53% | 3,845,767 | 1.55% | 3,896,039 |
| 354.0 | Towers & Fixtures | 16,363,375 | 1.12% | 183,270 | 1.94% | 317,449 |
| 355.0 | Poles & Fixtures | 166,657,169 | 2.78% | 4,633,069 | 2.80% | 4,666,401 |
| 356.0 | OH Conductor & Devices | 137,902,974 | 1.92% | 2,647,737 | 2.11% | 2,909,753 |
| 358.0 | Underground Conductor | <u>71,915</u> | 3.01% | <u>2,165</u> | 2.56% | <u>1,841</u> |
| | Total Transmission Plant | 614,429,837 | 1.92% | 11,822,846 | 2.00% | 12,260,800 |

**SOUTHWESTERN ELECTRIC POWER COMPANY
ARKANSAS DEPRECIATION RATES
CURRENT AND PRIOR DEPRECIATION RATES**

| | | CURRENT RATES (A) | PRIOR RATES (B) |
|---------------------------|---------------------------|------------------------------|----------------------------|
| TRANSMISSION PLANT | | | |
| 350.1 | Land Rights | 1.36% | 1.54% |
| 352.0 | Structures & Improvements | 1.39% | 1.90% |
| 353.0 | Station Equipment | 1.54% | 1.94% |
| 354.0 | Towers & Fixtures | 2.29% | 2.73% |
| 355.0 | Poles & Fixtures | 3.46% | 3.60% |
| 356.0 | OH Conductor & Devices | 1.94% | 2.54% |
| 357.0 | Underground Conduit | 1.01% | NA |
| 358.0 | Underground Conductor | 1.88% | 2.98% |
| 359.0 | Roads and Trails | 0.77% | 1.54% |

Notes:

(A) Current depreciation rates were effective on December 1, 2009 in accordance with the order from Docket No. 09-008-U approved on November 22, 2009.

(B) Prior depreciation rates were booked beginning in December 1999, as required by the order in Docket No. 98-339-U. The final order was approved on September 23, 1999. There was no cost in account 357 at the time of this order.

**SOUTHWESTERN ELECTRIC POWER COMPANY
TEXAS DEPRECIATION RATES
CURRENT AND PRIOR DEPRECIATION RATES**

| | | CURRENT RATES (A) | PRIOR RATES (B) |
|---------------------------|---------------------------|------------------------------|----------------------------|
| TRANSMISSION PLANT | | | |
| 350.1 | Land Rights | 1.28% | 3.08% |
| 352.0 | Structures & Improvements | 1.35% | 3.08% |
| 353.0 | Station Equipment | 1.72% | 3.08% |
| 354.0 | Towers & Fixtures | 1.80% | 3.08% |
| 355.0 | Poles & Fixtures | 3.06% | 3.08% |
| 356.0 | OH Conductor & Devices | 2.20% | 3.08% |
| 357.0 | Underground Conduit | 1.86% | 3.08% |
| 358.0 | Underground Conductor | 1.91% | 3.08% |
| 359.0 | Roads and Trails | 1.44% | 3.08% |

Notes:

(A) Current depreciation rates will be effective on May 1, 2010 in accordance with the order from Docket No. 37364 approved on April 15, 2010.

(B) Prior depreciation rates were booked beginning in 1984, as required by the order in Docket No. 5301. The final order was approved on February 15, 1984.