

AEP Transmission Formula Rate Template
 Utilizing FERC Form 1 Data
 For rates effective July 1, 2013

SPP Zone 1 Projected AEP Revenue Requirements

Line No.			OKTCo Annual Revenue Requirement	SWTCo Annual Revenue Requirement
A. AEP Network Integration Transmission Service (NITS)				
1	REVENUE REQUIREMENT (w/o incentives)	(TCOS Line 1)	\$28,122,058	\$194,664
2	LESS: REVENUE CREDITS	(TCOS Line 5)	\$50,127	\$5,652
3	CURRENT YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(TCOS Line 6)	\$28,071,931	\$189,012
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(TCOS Line 7)	5,275,390	-
6	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet F)	-	-
7	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet F)	-	-
8	SUBTOTAL		5,275,390	-
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	22,796,541	189,012
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(TCOS Line 15)	-	-
11	EXISTING ZONAL ATRR FOR SPP OATT ATTACHMENT H, SEC. 1, COL. 3	(Ln 9 + Ln 10)	\$22,796,541	\$189,012
12	2012 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, ln 17)	8,177 MW	8,177 MW
13	AEP Monthly NITS Rate in \$/MW - Month	(Line 11 / Line 12) / 12	\$232.31	\$1.93
B. Point-to-Point Service				
14	Annual Point-to-Point Rate in \$/MW - Year	(Line 11 / Line 12)	\$2,787.77	\$23.11
15	Monthly Point-to-Point Rate in \$/MW - Month	(Line 14 / 12)	\$232.31	\$1.93
16	Weekly Point-to-Point Rate in \$/MW - Weekly	(Line 14 / 52)	\$53.61	\$0.44
17	Daily On-Peak Point-to-Point Rate in \$/MW - Day	(Line 14 / 260)	\$10.72	\$0.09
18	Daily Off-Peak Point-to-Point Rate in \$/MW - Day	(Line 14 / 365)	\$7.64	\$0.06
19	Hourly On-Peak Point-to-Point Rate in \$/MW - Hour	(Line 14 / 4160)	\$0.67	\$0.01
20	Hourly Off-Peak Point-to-Point Rate in \$/MW - Hour	(Line 14 / 8760)	\$0.32	\$0.00

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SPP SCHEDULE 1 AEP Revenue Requirements

<u>Line No.</u>			OKTCo Annual Revenue Requirement	SWTCo Annual Revenue Requirement
A. <u>Schedule 1 ARR For 2013 Projected Year</u>				
1	Total Load Dispatch & Scheduling (Account 561) (TCOS Line 77)		\$0	\$0
2	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)		\$0	\$0
3	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)		\$0	\$0
4	Total 561 Internally Developed Costs	(Line 1 - Line 2 - Line 3)	\$0	\$0
5	Less: PTP Service Credit (prior year Sched 1 revenue from PTP transactions)		\$0	\$0
6	PROJECTED ZONAL ARR FOR 2013	(Line 4 - Line 5)	\$0	\$0
B. <u>Schedule 1 Projected 7/1/2013 Rate Calculations</u>				
7	2012 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 17)	8,177 MW	8,177 MW
8	Annual Point-to-Point Rate in \$/MW - Year	(Line 6 / Line 7)	\$0.00	\$0.00
9	Monthly Point-to-Point Rate (In 8 / 12) \$/MW - Month	(Line 8 / 12)	\$0.00	\$0.00
10	Weekly Point-to-Point Rate (In 8 / 52) \$/MW - Weekly	(Line 8 / 52)	\$0.00	\$0.00
11	Daily Off-Peak Point-to-Point Rate (In 8 / 365) \$/MW - Day	(Line 8 / 365)	\$0.00	\$0.00
12	Hourly Off-Peak Point-to-Point Rate (In 8 / 8760) \$/MW - Hour	(Line 8 / 8760)	\$0.00	\$0.00

AEP Transmission Formula Rate Template
 Calculation of True-Up Rate For Schedule 9
 For Calendar Year 2012

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

Line No.			OKTCo Annual Revenue Requirement	SWTCo Annual Revenue Requirement
A. Network Service				
1	TRUE-UP YEAR 2012 REVENUE REQUIREMENT (w/o incentives)	(True-Up TCOS Line 1)	\$5,515,939	\$194,777
2	LESS: REVENUE CREDITS	(True-Up TCOS Line 5)	\$50,127	\$5,652
3	TRUE-UP YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(True-Up TCOS Line 6)	<u>\$5,465,813</u>	<u>\$189,125</u>
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(True-Up TCOS Line 7)	2,228,274	-
6	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-
7	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-
8	SUBTOTAL		<u>2,228,274</u>	<u>-</u>
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	<u>3,237,539</u>	<u>189,125</u>
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(True-Up TCOS Line 15)	-	-
11	TRUED-UP ZONAL ATRR (W/ INCENTIVES) FOR 2012	(Line 9 + Line 10)	3,237,539	189,125
12	2012 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 17)	8,177 MW	8,177 MW
13	Monthly NITS Rate in \$/MW - Month	(Line 11 / Line 12) /12	32.99	1.93

AEP Transmission Formula Rate Template
 Calculation of Schedule 11 Revenue Requirements For AEP Transmission Projects
 For Calendar Year 2012 and Projected Year 2013

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

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

(A)	(B)	(C)	(D)	(E)	(F)	(G) = (E)+(F)	(H)	(I)	(J)	(K) = (I) - (J)	(L)	(M)	(N) = (L)-(M)	(O)	(P) = (H)+(K)+(N)+(O)	(Q) = (G) + (P)	
<u>Projected ARR For 2013 From WS-F</u>							<u>True-Up ARR CY2012 From Worksheet G (includes adjustment for SPP Collections)</u>										
							<u>Base ARR</u>					<u>Incentive ARR</u>					<u>Total ADJUSTED Revenue Requirement Effective 7/1/2013</u>
<u>Line No.</u>	<u>Sheet 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>As Billed 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 Adjustment</u>	<u>Total Adjustments (True-Up, Billing, & Interest)</u>	
1	OKT.001	OKT	Snyder 138 kV Terminal Addition	2010	87,690	-	87,690	(209)	108,468	96,293	12,175	-	-	-	404	12,371	
2	OKT.002	OKT	Coffeyville T to Dearing 138 kV Rebuild - 1.1 miles	2010	118,214	-	118,214	3,888	154,343	137,018	17,325	-	-	-	717	21,929	140,144
3	OKT.003	OKT	Tulsa Power Station Reactor	2011	75,317	-	75,317	(29,679)	50,190	44,557	5,634	-	-	-	(812)	(24,858)	50,459
4	OKT.004	OKT	Bartlesville SE to Coffeyville T Rebuild	2011	1,439,439	-	1,439,439	(54,852)	954,817	847,640	107,177	-	-	-	1,768	54,093	1,493,532
5	OKT.005	OKT	Install 345kV terminal at Valliant***	2012	-	-	-	(423,079)	423,079	375,589	47,490	-	-	-	(12,689)	(388,278)	(388,278)
6	OKT.006	OKT	Canadian River - McAlester City 138 kV Line Conversion	2012	3,554,730	-	3,554,730	(105,720)	692,344	614,630	77,715	-	-	-	(946)	(28,951)	3,525,779
OKT Total					5,275,390	-	5,275,390	(609,651)	2,383,242	2,115,726	267,516	-	-	-	(11,559)	(353,693)	4,921,698
7	SWT.001	SWT	insert project name here	2011	-	-	-	-	-	-	-	-	-	-	-	-	-
8	SWT Total					-	-	-	-	-	-	-	-	-	-	-	-

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

AEP West (SPP Zone-1)
Network Load for January Through December, 2012
Based on West Zone-SPP Monthly Transmission System Firm Peak Demands [1] for the Twelve Months Ended December 31, 2012

Historical Combined Load Worksheet (SPP Zone - 1)

Line No.	Peak Day Peak Hour	1/13/2012 800	2/13/2012 1100	3/31/2012 1800	4/26/2012 1700	5/29/2012 1700	6/26/2012 1700	7/30/2012 1600	8/2/2012 1700	9/4/2012 1700	10/24/2012 1700	11/28/2012 800	12/12/2012 800	12 Month Average MW	LRS
SPP Load Responsibility															
1	PSO (2)	2,565.00	2,525.00	2,459.00	2,807.00	3,576.00	4,120.00	4,290.00	4,427.00	4,128.00	2,607.00	2,268.00	2,482.00	3,187.83	39.0%
2	SWEPCO (2)	2,832.50	2,679.50	2,377.50	2,732.50	3,389.50	3,887.50	3,935.50	3,842.50	3,756.50	2,589.50	2,457.50	2,829.50	3,109.17	38.0%
3	AECC (3)	653.00	576.00	479.00	476.00	711.00	868.00	837.00	841.00	818.00	456.00	548.00	605.00	655.67	8.0%
4	WFEC (3)	35.00	33.00	29.00	28.00	32.00	35.00	36.00	36.00	34.00	26.00	33.00	33.00	32.50	0.4%
5	OMPA (3)	80.00	85.00	81.00	103.00	136.00	164.00	169.00	177.00	161.00	88.00	71.00	80.00	116.25	1.4%
6	OG&E (3)	18.00	15.00	22.00	9.00	20.00	24.00	19.00	23.00	24.00	22.00	21.00	23.00	20.00	0.24%
7	NTEC (3)	693.00	585.00	423.00	413.00	590.00	696.00	701.00	684.00	662.00	387.00	553.00	701.00	590.67	7.2%
8	ETEC (3)	89.00	70.00	54.00	45.00	76.00	92.00	90.00	89.00	85.00	53.00	68.00	87.00	74.83	0.9%
9	TEXLA (3)	105.00	85.00	68.00	71.00	96.00	117.00	113.00	111.00	109.00	71.00	83.00	101.00	94.17	1.2%
10	Greenbelt (3)	4.00	3.00	4.00	6.00	7.00	11.00	13.00	13.00	11.00	5.00	7.00	6.00	7.50	0.09%
11	Lighthouse (3)	1.00	1.00	2.00	1.00	3.00	3.00	3.00	4.00	2.00	2.00	1.00	1.00	2.00	0.02%
12	Bentonville, AR	91.00	84.00	82.00	94.00	124.00	147.00	147.00	155.00	147.00	92.00	85.00	89.00	111.42	1.4%
13	Prescott, AR (Entergy) (3)	10.00	9.00	10.00	11.00	15.00	13.00	15.00	15.00	13.00	13.00	9.00	11.00	12.17	0.15%
14	Minden, LA (Entergy) (3)	23.00	23.00	22.00	26.00	36.00	42.00	42.00	63.00	40.00	24.00	19.00	22.00	31.83	0.4%
15	Hope, AR (3)	42.00	40.00	37.00	42.00	54.00	56.00	61.00	59.00	54.00	42.00	38.00	43.00	47.33	0.6%
16	Coffeyville, KS (3)	93.00	93.00	85.00	94.00	105.00	62.00	62.00	61.00	74.00	91.00	93.00	95.00	84.00	1.0%
17	Zone 1 - System Firm Peak Demands	7,334.50	6,906.50	6,234.50	6,958.50	8,970.50	10,337.50	10,533.50	10,600.50	10,120.50	6,568.50	6,354.50	7,208.50	8,177.33	
Supporting Data															
18	PSO: PSO Native Load (2)	2,522.00	2,488.00	2,428.00	2,775.00	3,532.00	4,070.00	4,235.00	4,373.00	4,077.00	2,584.00	2,236.00	2,446.00		
19	KAMO	33.00	29.00	26.00	28.00	38.00	43.00	47.00	49.00	45.00	23.00	28.00	29.00		
20	GRDA load on PSO	15.00	12.00	8.00	8.00	10.00	12.00	13.00	14.00	12.00	5.00	9.00	10.00		
21	Allen Holdenville	-5.00	-4.00	-3.00	-4.00	-4.00	-5.00	-5.00	-9.00	-6.00	-5.00	-5.00	-3.00		
22	PSO Load Responsibility	2565.00	2525.00	2459.00	2807.00	3576.00	4120.00	4290.00	4427.00	4128.00	2607.00	2268.00	2482.00		
23	SWEPCO: SWEPCO Native Load (2) 5)	2,955.00	2,757.00	2,436.00	2,806.00	3,495.00	4,018.00	4,062.00	3,967.00	3,872.00	2,664.00	2,558.00	2,940.00		
24	Lafayette	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00		
25	Dolet Hills Aux. Load (4)	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
26	VEMCO (on Entergy/CLECO)	-138.00	-93.00	-75.00	-89.00	-121.00	-146.00	-142.00	-140.00	-131.00	-90.00	-116.00	-126.00		
27	VEMCO (SPA Hydro Replacement) (6)	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50		
28	SWEPCO Load Responsibility	2832.50	2679.50	2377.50	2732.50	3389.50	3887.50	3935.50	3842.50	3756.50	2589.50	2457.50	2829.50		

Notes:

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

AEP West SPP Member Companies
 2013 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 119)			28,122,058
2	REVENUE CREDITS	(Note A)			
3	Transmission Credits	(Worksheet H)	50,127	DA 1.00000	50,127
4	Assoc. Business Development	(Worksheet H)	-	DA 1.00000	-
5	Total Revenue Credits		50,127		50,127
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 5)			28,071,931

MEMO: The Carrying Charge Calculations on lines 9 to 14 below is used in calculating project revenue requirements billed on SPP Schedule 11. The total non-incentive revenue requirements for these projects shown on line 7 is included in the total on line 6.

7	Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet F)		5,275,390	DA 1.00000	5,275,390
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)				
9	Annual Rate	(ln 1 / (Sum of lns 46, 47, 48, 49, 51)) x 100%			11.73%
10	Monthly Rate	(ln 9 / 12)			0.98%
11	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DEPRECIATION (w/o incentives) (Note B)				
12	Annual Rate	((ln 1 - ln 94 - ln 95) / (Sum of lns 46, 47, 48, 49, 51)) x 100%			10.92%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)				
14	Annual Rate	((ln 1 - ln 94 - ln 95 - ln 116 - ln 117) / (Sum of lns 46, 47, 48, 49, 51)) x 100%			0.39%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)				0.00%

AEP West SPP Member Companies
 2013 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.	(1) <u>RATE BASE CALCULATION</u>	(2) <u>Data Sources</u> <u>(See "General Notes")</u>	(3) <u>TO Total</u> <u>NOTE D</u>	(4) <u>Allocator</u>	(5) <u>Total</u> <u>Transmission</u>
16	GROSS PLANT IN SERVICE				
17	<i>Line Deliberately Left Blank</i>				
18	Transmission	(Worksheet A In 3.C & Hist. Template Ln 183)	77,314,801	DA	77,314,801
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 1.00000	-
20	Plus: Transmission Plant-in-Service Additions (Worksheet B)		165,378,079	DA 1.00000	165,378,079
21	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		-	TP 1.00000	-
22	<i>Line Deliberately Left Blank</i>				
23	<i>Line Deliberately Left Blank</i>				
24	General Plant	(Worksheet A In 7.C)	-	W/S 1.00000	-
25	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S 1.00000	-
26	Intangible Plant	(Worksheet A In 9.C)	442,203	W/S 1.00000	442,203
27	TOTAL GROSS PLANT	(sum Ins 16 to 26)	243,135,083		243,135,083
28	ACCUMULATED DEPRECIATION AND AMORTIZATION				
29	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
30	<i>Line Deliberately Left Blank</i>		-	NA 0.00000	-
31	Transmission	(Worksheet A In 14.C & 28.C)	1,069,371	TP1= 1.00000	1,069,371
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 1.00000	-
33	Plus: Transmission Plant-in-Service Additions (Worksheet B)		1,041,581	DA 1.00000	1,041,581
34	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		-	DA 1.00000	-
35	Plus: Additional Transmission Depreciation for 2013 (In 94)		897,005	TP1 1.00000	897,005
36	Plus: Additional General & Intangible Depreciation for (In 96+In 97)		35,684	W/S 1.00000	35,684
37	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		-	DA 1.00000	-
38	<i>Line Deliberately Left Blank</i>				
39	<i>Line Deliberately Left Blank</i>				
40	General Plant	(Worksheet A In 18.C)	-	W/S 1.00000	-
41	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S 1.00000	-
42	Intangible Plant	(Worksheet A In 20.C)	35,683	W/S 1.00000	35,683
43	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 29 to 42)	3,079,324		3,079,324
44	NET PLANT IN SERVICE				
45	<i>Line Deliberately Left Blank</i>				
46	Transmission	(In 18 + In 19 - In 31 - In 32)	76,245,430		76,245,430
47	Plus: Transmission Plant-in-Service Additions (In 20 - In 33)		164,336,498		164,336,498
48	Plus: Additional Trans Plant on Transferred Assets (In 21 - In 34)		-		-
49	Plus: Additional Transmission Depreciation for 2013 (-In 35)		(897,005)		(897,005)
50	Plus: Additional General & Intangible Depreciation for 2013 (-In 36)		(35,684)		(35,684)
51	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 37)		-		-
52	<i>Line Deliberately Left Blank</i>				
53	General Plant	(In 24 + In 25 - In 40 - In 41)	-		-
54	Intangible Plant	(In 26 - In 42)	406,520		406,520
55	TOTAL NET PLANT IN SERVICE	(sum Ins 45 to 54)	240,055,759		240,055,759
56	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)			
57	Account No. 281.1 (enter negative)	272-273.8.k	-	NA	-
58	Account No. 282.1 (enter negative)	(Worksheet C, In 1.C & In 3.J)	(14,434,543)	DA	(14,434,543)
59	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & In 12.J)	(3,441,146)	DA	(2,636,107)
60	Account No. 190.1	(Worksheet C, In 19.C & In 21.J)	4,680,805	DA	922,637
61	Account No. 255 (enter negative)	(Worksheet C, In 28.C & In 30.J)	-	DA	-
62	TOTAL ADJUSTMENTS	(sum Ins 57 to 61)	(13,194,883)		(16,148,012)
63	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	-	DA	-
63a	REGULATORY ASSETS	(Worksheet A In NOTE 1 . (C))	-	DA	-
64	WORKING CAPITAL	(Note F)			
65	Cash Working Capital	(1/8 * In 80) (Note G)	19,222		19,222
66	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP 1.00000	-
67	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S 1.00000	-
68	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h) 1.00000	-
69	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	9,614	W/S 1.00000	9,614
70	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	11,665	GP(h) 1.00000	11,665
71	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA 1.00000	-
72	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	-	NA 0.00000	-
73	TOTAL WORKING CAPITAL	(sum Ins 65 to 72)	40,501		40,501
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	-	DA 1.00000	-
75	RATE BASE (sum Ins 55, 62, 63, 73, 74)		226,901,377		223,948,248

AEP West SPP Member Companies
 2013 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
76	OPERATION & MAINTENANCE EXPENSE				
76	Transmission	321.112.b	270,467		
77	Less: Total Account 561	(Note I) 321.84-92.b	-		
78	Less: Account 565	(Note J) 321.96.b	116,690		
79	Less: expenses 100% assigned to TO billed customers	(Worksheet I, ln 14)	-		
80	Total O&M Allocable to Transmission	(lns 76 - 77 - 78 - 79)	<u>153,777</u>	TP 1.00000	153,777
81	Administrative and General	323.197.b (Note K)	689,996		
82	Less: Acct. 924, Property Insurance	323.185.b	26,535		
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	4,492		
86	Balance of A & G	(ln 81 - sum ln 82 to ln 85)	658,969	W/S 1.00000	658,969
87	Plus: Acct. 924, Property Insurance	(ln 82)	26,535	GP(h) 1.00000	26,535
88	Acct. 928 - Transmission Specific	Worksheet J ln 9.(E) (Note L)	-	TP 1.00000	-
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J ln 26.(E) (Note L)	-	TP 1.00000	-
90	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J ln 32.(E) (Note L)	4,492	DA 1.00000	4,492
90a	PBOP Adjustment	Worksheet O ln 16.B	5,853	DA 1.00000	5,853
91	A & G Subtotal	(sum lns 86 to 90 less ln 90a)	<u>695,849</u>		<u>695,849</u>
92	TOTAL O & M EXPENSE	(ln 80 + ln 91)	849,626		849,626
93	DEPRECIATION AND AMORTIZATION EXPENSE				
94	Transmission	336.7.f	897,005	TP 1.00000	897,005
95	Plus: Transmission Plant-in-Service Additions (Worksheet B)	(Worksheet A ln 39.C)	1,041,581	DA 1.00000	1,041,581
95a	Plus: Formation Costs Amortization	(Worksheet A ln 39.C)	28,109	DA 1.00000	28,109
96	General	336.10.f	-	W/S 1.00000	-
97	Intangible	336.1.f	35,684	W/S 1.00000	35,684
98	TOTAL DEPRECIATION AND AMORTIZATION	(sum lns 94 to 97)	<u>2,002,380</u>		<u>2,002,380</u>
99	TAXES OTHER THAN INCOME	(Note N)			
100	Labor Related				
101	Payroll	Worksheet L, Col. D	-	W/S 1.00000	-
102	Plant Related				
103	Property	Worksheet L, Col. C	25,440	GP(h) 1.00000	25,440
104	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA 0.00000	-
105	Other	Worksheet L, Col. E	50	GP(h) 1.00000	50
106	TOTAL OTHER TAXES	(sum lns 101 to 105)	<u>25,490</u>		<u>25,490</u>
107	INCOME TAXES	(Note O)			
108	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		0		
109	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		0		
110	where WCLTD=(ln 161) and WACC = (ln 164)				
111	and FIT, SIT & p are as given in Note O.				
112	$GRCF=1 / (1 - T) =$ (from ln 108)		2		
113	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
114	Income Tax Calculation	(ln 109 * ln 117)	7,473,085		7,375,822
115	ITC adjustment	(ln 112 * ln 113)	-	NP(h) 1.00000	-
116	TOTAL INCOME TAXES	(sum lns 114 to 115)	<u>7,473,085</u>		<u>7,375,822</u>
117	RETURN ON RATE BASE (Rate Base*WACC)	(ln 75 * ln 164)	18,104,369		17,868,740
118	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		-	DA 1.00000	-
119	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		<u>28,454,949</u>		<u>28,122,058</u>
120	(sum lns 92, 98, 106, 116, 117, 118)				
121	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	-
122	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		<u>28,454,949</u>		<u>28,122,058</u>

AEP West SPP Member Companies
 2013 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

AEP OKLAHOMA TRANSMISSION COMPANY, INC

SUPPORTING CALCULATIONS

In										
<u>No.</u>	<u>TRANSMISSION PLANT INCLUDED IN SPP TARIFF</u>									
123	Total transmission plant	(In 18, 19, 20, 21)								242,692,880
124	Less transmission plant excluded from SPP Tariff	(Note Q)								-
125	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note R)								-
126	Transmission plant included in SPP Tariff	(In 123 - In 124 - In 125)								<u>242,692,880</u>
127	Percent of transmission plant in SPP Tariff	(In 126 / In 123)							TP=	1.0000
128	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
129	<i>Line Deliberately Left Blank</i>									
130	Transmission	354.21.b	0	66,789	66,789	TP	1.00000			66,789
131	Regional Market Expenses	354.22.b	0	-	-	NA	0.00000			-
132	<i>Line Deliberately Left Blank</i>									
133	Other (Excludes A&G)	354.24,25,26.b	0	-	-	NA	0.00000			-
134	Total	(sum Ins 129 to 133)	<u>0</u>	<u>66,789</u>	<u>66,789</u>					<u>66,789</u>
135	Transmission related amount								W/S=	1.0000
	STAND ALONE (Note T)									
136	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
137		Long Term Interest (Worksheet M, In. 18, col. (D))								<u>3,585,598</u>
138		Preferred Stock Dividends (Worksheet M, In. 24, col. (D))								-
139		Development of Common Stock:								
140		Proprietary Capital (112.16.c)								<u>74,467,294</u>
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>74,467,294</u>
145										
146	Long Term Debt (Worksheet M, In. 18, col. (B))		<u>75,000,000</u>		<u>50.18%</u>	-	<u>4.78%</u>			<u>2.40%</u>
147	Preferred Stock (Worksheet M, In. 24, col. (B))		-		<u>0.00%</u>	-	-			<u>0.00%</u>
148	Common Stock (In 144) (Note U)		<u>74,467,294</u>		<u>49.82%</u>	-	<u>11.2%</u>			<u>5.58%</u>
149	Total (sum Ins 146 to 148)		<u>149,467,294</u>						WACC=	7.98%
150	Capital Structure Equity Limit (Note U)		50.0%							
	PUBLIC SERVICE COMPANY OF OKLAHOMA (Note T)									
	NOTE: All WACC related entries below sourced from PSO's FF1 or Template									
151	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
152		Long Term Interest (PSO FR Worksheet M, In. 17, col. (D))								<u>53,669,965</u>
153		Preferred Stock Dividends (PSO FR Worksheet M, In. 21, col. (D))								-
154		Development of Common Stock:								
155		Proprietary Capital (112.16.c)								<u>916,277,931</u>
156		Less Preferred Stock (In 162)								-
157		Less Account 216.1 (112.12.c)								-
158		Less Account 219.1 (112.15.c)								<u>6,480,383</u>
159		Common Stock (In 155 - In 156 - In 157 - In 158)								<u>909,797,548</u>
160										
161	Long Term Debt (257.33.h)		<u>953,506,638</u>		<u>51.17%</u>	-	<u>5.63%</u>			<u>2.88%</u>
162	Preferred Stock (251.f)		-		<u>0.00%</u>	-	-			<u>0.00%</u>
163	Common Stock (In 159) (Note U)		<u>909,797,548</u>		<u>48.83%</u>	-	<u>11.2%</u>			<u>5.47%</u>
164	Total (sum Ins 161 to 163)		<u>1,863,304,186</u>						WACC=	8.35%
165	Capital Structure Equity Limit (Note U)		52.5%							

AEP West SPP Member Companies
 2013 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Letter

Notes

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

b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting work papers rather than using the allocations above.

- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the projected revenue requirement for each project, based on an FCR rate calculated from inputs on the Historic TCOS. Line 15 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- E The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet B.
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 80.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 74 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 118.
- I Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.
- L Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and $p =$ "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (ln 108) multiplied by $(1/1-T)$. If the applicable tax rates are zero enter 0.
- | | | | |
|------------------|-------|--------|---|
| Inputs Required: | FIT = | 35.00% | |
| | SIT= | 5.63% | (State Income Tax Rate or Composite SIT. Worksheet K) |
| | p = | 0.00% | (percent of federal income tax deductible for state purposes) |
- P Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Q Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- R Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- T The Capital Structure of AEP OKLAHOMA TRANSMISSION COMPANY, INC will be based on the Capital Structure of PSO until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS. Long Term Debt cost rate = long-term interest (ln 152) / long term debt (ln 161). Preferred Stock cost rate = preferred dividends (ln 153) / preferred outstanding (ln 162).
 Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 50% of AEP OKLAHOMA TRANSMISSION COMPANY, INC's Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEP TRANSMISSION HOLDING COMPANY
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.			Total	Allocator		Transmission Amount
166	REVENUE REQUIREMENT (w/o incentives)	(ln 284)				8,977,303
167	REVENUE CREDITS	(Note A)				
168	Transmission Credits	(Worksheet H)	50,127	DA	1.00000	50,127
169	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	-
170	Total Revenue Credits		50,127			50,127
171	REVENUE REQUIREMENT For All Company Facilities	(ln 166 less ln 170)				8,927,176
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)		5,275,390	DA	1.00000	5,275,390
173	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
174	Annual Rate	(ln 166/ ln 211 x 100%)				11.77%
175	Monthly Rate	(ln 174 / 12)				0.98%
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%)				10.60%
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%)				1.23%
180	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)					0.00%

AEP TRANSMISSION HOLDING COMPANY
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

	(1)	(2)	(3)	(4)	(5)
	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total NOTE D	Allocator	Total Transmission
Line No.	GROSS PLANT IN SERVICE				
181	<i>Line Deliberately Left Blank</i>				
182	<i>Line Deliberately Left Blank</i>				
183	Transmission	(Worksheet A In 3.C & Ln 291)	77,314,801	DA	77,314,801
184	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	-
185	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	NA	N/A
186	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		N/A	NA	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	-
190	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S	-
191	Intangible Plant	(Worksheet A In 9.C)	442,203	W/S	442,203
192	TOTAL GROSS PLANT	(sum lns 181 to 191)	77,757,004	GP(h)= 1.00000 GTD= 1.00000	77,757,004
193	ACCUMULATED DEPRECIATION AND AMORTIZATION				
194	<i>Line Deliberately Left Blank</i>				
195	<i>Line Deliberately Left Blank</i>				
196	Transmission	(Worksheet A In 14.C & 28.C)	1,069,371	TP1=	1,069,371
197	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	-
198	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	DA	N/A
199	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		N/A	DA	N/A
200	Plus: Additional Transmission Depreciation for 2013 (In 259)		N/A	TP1	N/A
201	Plus: Additional General & Intangible Depreciation for 2013 (In 261+In 262)		N/A	W/S	N/A
202	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		N/A	DA	N/A
203	<i>Line Deliberately Left Blank</i>				
204	<i>Line Deliberately Left Blank</i>				
205	General Plant	(Worksheet A In 18.C)	-	W/S	-
206	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	-
207	Intangible Plant	(Worksheet A In 20.C)	35,683	W/S	35,683
208	TOTAL ACCUMULATED DEPRECIATION	(sum lns 194 to 207)	1,105,054		1,105,054
209	NET PLANT IN SERVICE				
210	<i>Line Deliberately Left Blank</i>				
211	Transmission	(In 183 + In 184 - In 196 - In 197)	76,245,430		76,245,430
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 2013 (-In 200)		N/A		N/A
215	Plus: Additional General & Intangible Depreciation for 2013 (-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)	406,520		406,520
220	TOTAL NET PLANT IN SERVICE	(sum lns 210 to 219)	76,651,950	NP(h)= 1.00000	76,651,950
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)	(14,434,543)	DA	(14,434,543)
224	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(3,441,146)	DA	(2,636,107)
225	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	4,680,805	DA	922,637
226	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
227	TOTAL ADJUSTMENTS	(sum lns 222 to 226)	(13,194,883)		(16,148,012)
228	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	-	DA	-
228a	REGULATORY ASSETS	(Worksheet A In NOTE 1 . (C))	-	DA	-
229	WORKING CAPITAL	(Note F)			
230	Cash Working Capital	(1/8 * In 245) (Note G)	19,222		19,222
231	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP	-
232	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S	-
233	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	-
234	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	9,614	W/S	9,614
235	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	11,665	GP(h)	11,665
236	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA	-
237	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	-	NA	-
238	TOTAL WORKING CAPITAL	(sum lns 230 to 237)	40,501		40,501
239	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	-	DA	-
240	RATE BASE (sum lns 220, 227, 228, 238, 239)		63,497,568		60,544,439

AEP TRANSMISSION HOLDING COMPANY
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
241	OPERATION & MAINTENANCE EXPENSE				
241	Transmission	321.112.b	270,467		
242	Less: Total Account 561	(Note I) 321.84-92.b	-		
243	Less: Account 565	(Note J) 321.96.b	116,690		
244	Less: expenses 100% assigned to TO billed customers	(Worksheet I, ln 14)	-		
245	Total O&M Allocable to Transmission	(lns 241 - 242 - 243 - 244)	153,777	TP 1.00000	153,777
246	Administrative and General	323.197.b (Note K)	689,996		
247	Less: Acct. 924, Property Insurance	323.185.b	26,535		
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	4,492		
251	Balance of A & G	(ln 246 - sum ln 247 to ln 250)	658,969	W/S 1.00000	658,969
252	Plus: Acct. 924, Property Insurance	(ln 247)	26,535	GP(h) 1.00000	26,535
253	Acct. 928 - Transmission Specific	Worksheet J ln 9.(E) (Note L)	-	TP 1.00000	-
254	Acct 930.1 - Only safety related ads -Direct	Worksheet J ln 26.(E) (Note L)	-	TP 1.00000	-
255	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J ln 32.(E) (Note L)	4,492	DA 1.00000	4,492
255a	PBOP Adjustment	Worksheet O ln 16.B	5,853	DA 1.00000	5,853
256	A & G Subtotal	(sum lns 251 to 255 less ln 255a)	695,849		695,849
257	TOTAL O & M EXPENSE	(ln 245 + ln 256)	849,626		849,626
258	DEPRECIATION AND AMORTIZATION EXPENSE				
259	Transmission	336.7.f	897,005	TP 1.00000	897,005
260	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A		N/A
260a	Plus: Formation Costs Amortization	(Worksheet A ln 37.C)	28,109	DA 1.00000	28,109
261	General	336.10.f	-	W/S 1.00000	-
262	Intangible	336.1.f	35,684	W/S 1.00000	35,684
263	TOTAL DEPRECIATION AND AMORTIZATION	(sum lns 259 to 262)	960,798		960,798
264	TAXES OTHER THAN INCOME	(Note N)			
265	Labor Related				
266	Payroll	Worksheet L, Col. D	-	W/S 1.00000	-
267	Plant Related				
268	Property	Worksheet L, Col. C	25,440	GP(h) 1.00000	25,440
269	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA 0.00000	-
270	Other	Worksheet L, Col. E	50	GP(h) 1.00000	50
271	TOTAL OTHER TAXES	(sum lns 266 to 270)	25,490		25,490
272	INCOME TAXES	(Note O)			
273	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		0		
274	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		0		
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)		2		
278	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
279	Income Tax Calculation	(ln 274 * ln 282)	2,188,306		2,086,533
280	ITC adjustment	(ln 277 * ln 278)	-	NP(h) 1.00000	-
281	TOTAL INCOME TAXES	(sum lns 279 to 280)	2,188,306		2,086,533
282	RETURN ON RATE BASE (Rate Base*WACC)	(ln 240 * ln 329)	5,301,413		5,054,856
283	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		-	DA 1.00000	-
284	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		9,325,633		8,977,303
285	(sum lns 257, 263, 271, 281, 282, 283)				
286	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	-
287	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		9,325,633		8,977,303

AEP TRANSMISSION HOLDING COMPANY
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

SUPPORTING CALCULATIONS

In										
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN SPP TARIFF									
288	Total transmission plant	(In 183)								77,314,801
289	Less transmission plant excluded from SPP Tariff	(Note Q)								-
290	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C))	(Note R)							-
291	Transmission plant included in SPP Tariff	(In 288 - In 289 - In 290)								<u>77,314,801</u>
292	Percent of transmission plant in SPP Tariff	(In 291 / In 288)							TP=	1.0000
293	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
294	<i>Line Deliberately Left Blank</i>									
295	Transmission	354.21.b	0	66,789	66,789	TP	1.00000			66,789
296	Regional Market Expenses	354.22.b	0	-	-	NA	0.00000			-
297	<i>Line Deliberately Left Blank</i>									
298	Other (Excludes A&G)	354.24,25,26.b	0	-	-	NA	0.00000			-
299	Total	(sum Ins 294 to 298)	0	66,789	66,789					<u>66,789</u>
300	Transmission related amount								W/S=	1.0000
	STAND ALONE (Note T)									
301	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
302		Long Term Interest	(Worksheet M, In. 18, col. (D))							3,585,598
303		Preferred Stock Dividends	(Worksheet M, In. 24, col. (D))							-
304		Development of Common Stock:								
305		Proprietary Capital	(112.16.c)							74,467,294
306		Less Preferred Stock	(In 312)							-
307		Less Account 216.1	(112.12.c)							-
308		Less Account 219.1	(112.15.c)							-
309		Common Stock	(In 305 - In 306 - In 307 - In 308)							74,467,294
						Capital Structure Percentages		Cost		
310		\$		Actual	Cap Limit			(Note T)	Weighted	
311	Long Term Debt	(Worksheet M, In. 18, col. (B))	75,000,000	50.18%	-			4.78%	2.40%	
312	Preferred Stock	(Worksheet M, In. 24, col. (B))	-	0.00%	-			-	0.00%	
313	Common Stock	(In 309) (Note U)	74,467,294	49.82%	-			11.2%	5.58%	
314	Total	(sum Ins 311 to 313)	149,467,294					WACC=	7.98%	
315	Capital Structure Equity Limit	(Note U)	50.0%							
	PUBLIC SERVICE COMPANY OF OKLAHOMA (Note T)									
	NOTE: All WACC related entries below sourced from PSO's FF1 or Template									
316	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
317		Long Term Interest	(PSO FR Worksheet M, In. 17, col. (D))							53,669,965
318		Preferred Stock Dividends	(PSO FR Worksheet M, In. 21, col. (D))							-
319		Development of Common Stock:								
320		Proprietary Capital	(112.16.c)							916,277,931
321		Less Preferred Stock	(In 327)							-
322		Less Account 216.1	(112.12.c)							-
323		Less Account 219.1	(112.15.c)							6,480,383
324		Common Stock	(In 320 - In 321 - In 322 - In 323)							909,797,548
						Capital Structure Percentages		Cost		
325		\$		Actual	Cap Limit			(Note T)	Weighted	
326	Long Term Debt	(PSO WS-M, In. 17, col. (B))	953,506,638	51.17%	-			5.63%	2.88%	
327	Preferred Stock	(PSO WS-M, In. 21, col. (B))	-	0.00%	-			-	0.00%	
328	Common Stock	(In 324) (Note U)	909,797,548	48.83%	-			11.2%	5.47%	
329	Total	(sum Ins 326 to 328)	1,863,304,186					WACC=	8.35%	
330	Capital Structure Equity Limit	(Note U for PSO)	52.5%							

AEP TRANSMISSION HOLDING COMPANY
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Letter

Notes

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

b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting work papers rather than using the allocations above.

- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the projected revenue requirement for each project, based on an FCR rate calculated from inputs on this TCOS. Line 180 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- E The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet B.
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 245.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 239 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 283.
- I Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.
- L Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 273) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
- | | | | |
|------------------|-------|--------|---|
| Inputs Required: | FIT = | 35.00% | |
| | SIT= | 5.63% | (State Income Tax Rate or Composite SIT. Worksheet K)) |
| | p = | 0.00% | (percent of federal income tax deductible for state purposes) |
- P Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Q Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- R Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- T The Capital Structure of AEP OKLAHOMA TRANSMISSION COMPANY, INC will be based on the Capital Structure of PSO until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS.
 Long Term Debt cost rate = long-term interest (In 317) / long term debt (In 326). Preferred Stock cost rate = preferred dividends (In 318) / preferred outstanding (In 327).
 Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, AEP OKLAHOMA TRANSMISSION COMPANY, INC equity is limited to 50% of AEP OKLAHOMA TRANSMISSION COMPANY, INC's Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 106)				\$5,515,939
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	50,127	DA	1.00000	\$ 50,127
4	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$ -
5	Total Revenue Credits		50,127			\$ 50,127
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)				\$5,465,813
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)		2,228,274	DA	1.00000	\$ 2,228,274
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
9	Annual Rate	(In 1 / In 39 x 100%)				12.10%
10	Monthly Rate	(In 9 / 12)				1.01%
11	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DEPRECIATION (w/o incentives) (Note B)					
12	Annual Rate	((In 1 - In 82) / In 39 x 100%)				10.13%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((In 1 - In 82 - In 103 - In 104) / In 39 x 100%)				2.06%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet G)					-

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

	(1)	(2)	(3)	(4)	(5)
	Data Sources		TO Total	Allocator	Total
Line No.	RATE BASE CALCULATION	(See "General Notes")	NOTE D		Transmission
16	GROSS PLANT IN SERVICE				
17	<i>Line Deliberately Left Blank</i>				
18	Transmission	(Worksheet A In 3.E & Ln 113)	46,162,830	DA	46,162,830
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E)	-	TP	-
20	<i>Line Deliberately Left Blank</i>			1.00000	
21	<i>Line Deliberately Left Blank</i>				
22	General Plant	(Worksheet A In 7.E)	-	W/S	-
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	-	W/S	-
24	Intangible Plant	(Worksheet A In 9.E)	221,102	W/S	221,102
25	TOTAL GROSS PLANT	(sum Ins 16 to 24)	46,383,931	GP(TU)=	46,383,931
				GTD=	1.00000
26	ACCUMULATED DEPRECIATION AND AMORTIZATION				
27	<i>Line Deliberately Left Blank</i>				
28	<i>Line Deliberately Left Blank</i>				
29	Transmission	(Worksheet A In 14.E & 28.E)	588,486	TP1=	588,486
30	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	-
31	<i>Line Deliberately Left Blank</i>			1.00000	
32	<i>Line Deliberately Left Blank</i>				
33	General Plant	(Worksheet A In 18.E)	-	W/S	-
34	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	-	W/S	-
35	Intangible Plant	(Worksheet A In 20.E)	17,842	W/S	17,842
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	606,328		606,328
37	NET PLANT IN SERVICE				
38	<i>Line Deliberately Left Blank</i>				
39	Transmission	(In 18 + In 19 - In 29 - In 30)	45,574,344		45,574,344
40	<i>Line Deliberately Left Blank</i>				
41	General Plant	(In 22 + In 23 - In 33 - In 34)	-		-
42	Intangible Plant	(In 24 - In 35)	203,260		203,260
43	TOTAL NET PLANT IN SERVICE	(sum Ins 38 to 42)	45,777,604	NP(TU)=	45,777,604
				1.00000	
44	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)			
45	Account No. 281.1 (enter negative)	272-273.8.k	-	NA	-
46	Account No. 282.1 (enter negative)	(Worksheet C, In 7.C & In 9.J)	(13,053,170)	DA	(13,053,170)
47	Account No. 283.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	(2,705,730)	DA	(2,290,913)
48	Account No. 190.1	(Worksheet C, In 25.C & Ln 27.J)	2,680,903	DA	801,819
49	Account No. 255 (enter negative)	(Worksheet C, In 34.C & Ln 36.J)	-	DA	-
50	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	(13,077,997)		(14,542,263)
51	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	-	DA	-
51a	REGULATORY ASSETS	(Worksheet A In NOTE 1 . (E))	-	DA	-
52	WORKING CAPITAL	(Note F)			
53	Cash Working Capital	(1/8 * In 68) (Note G)	19,222		19,222
54	Transmission Materials & Supplies	(Worksheet D, In 2.(F))	-	TP	-
55	A&G Materials & Supplies	(Worksheet D, In 3.(F))	-	W/S	-
56	Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	-
57	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 7.G)	5,583	W/S	5,583
58	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 7.F)	7,684	GP(TU)	7,684
59	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 7.E)	-	DA	-
60	Prepayments (Account 165) - Unallocable	(Worksheet D, In 7.D)	-	NA	-
61	TOTAL WORKING CAPITAL	(sum Ins 53 to 60)	32,489		32,489
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	-	DA	-
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		32,732,096		31,267,829

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
64	OPERATION & MAINTENANCE EXPENSE				
64	Transmission	321.112.b	270,467		
65	Less: Total Account 561	(Note I) 321.84-92.b	-		
66	Less: Account 565	(Note J) 321.96.b	116,690		
67	Less: expenses 100% assigned to TO billed customers (Worksheet I, ln 14)		\$0		
68	Total O&M Allocable to Transmission	(Ins 64 - 65 - 66 - 67)	153,777	TP	1.00000
69	Administrative and General	323.197.b (Note K)	689,996		
70	Less: Acct. 924, Property Insurance	323.185.b	26,535		
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	4,492		
74	Balance of A & G	(ln 69 - sum ln 70 to ln 73)	658,969	W/S	1.00000
75	Plus: Acct. 924, Property Insurance	(ln 70)	26,535	GP(TU)	1.00000
76	Acct. 928 - Transmission Specific	(Note I) 321.84-92.b	-	TP	1.00000
77	Acct 930.1 - Only safety related ads -Direct	(Note J) 321.96.b	-	GP(TU)	1.00000
78	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J ln 32.(E) (Note L)	4,492	DA	1.00000
78a	PBOP Adjustment	Worksheet O ln 16.B	5,853	DA	1.00000
79	A & G Subtotal	(sum Ins 74 to 78 less ln 78a)	695,849		
80	TOTAL O & M EXPENSE	(ln 68 + ln 79)	849,626		
81	DEPRECIATION AND AMORTIZATION EXPENSE				
82	Transmission	336.7.f	897,005	TP	1.00000
83	General	336.10.f	-	W/S	1.00000
83a	Plus: Formation Costs Amortization	(Worksheet A ln 37.E)	28,109	DA	1.00000
84	Intangible	336.1.f	35,684	W/S	1.00000
85	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 82 to 84)	960,798		
86	TAXES OTHER THAN INCOME	(Note N)			
87	Labor Related				
88	Payroll	Worksheet L, Col. D	-	W/S	1.00000
89	Plant Related				
90	Property	Worksheet L, Col. C	25,440	GP(TU)	1.00000
91	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000
92	Other	Worksheet L, Col. E	50	GP(TU)	1.00000
93	TOTAL OTHER TAXES	(sum Ins 88 to 92)	25,490		
94	INCOME TAXES	(Note O)			
95	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.66%		
96	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		41.04%		
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)		1.6302		
100	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
101	Income Tax Calculation	(ln 96 * ln 104)	1,120,988		
102	ITC adjustment	(ln 99 * ln 100)	-	NP(TU)	1.00000
103	TOTAL INCOME TAXES	(sum Ins 101 to 102)	1,120,988		
104	RETURN ON RATE BASE (Rate Base*WACC)	(ln 63 * ln 151)	2,731,372		
105	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		-	DA	1.00000
106	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		5,688,274		
107	(sum Ins 80, 85, 93, 103, 104, 105)				
108	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	
109	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		5,688,274		

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF								
110	Total transmission plant	(In 18)							46,162,830
111	Less transmission plant excluded from SPP Tariff	(Note Q)							-
112	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note R)							-
113	Transmission plant included in SPP Tariff	(In 110 - In 111 - In 112)							46,162,830
114	Percent of transmission plant in SPP Tariff	(In 113 / In 110)						TP=	1.00000
115	WAGES & SALARY ALLOCATOR (W/S)	(Note S)		Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
116	<i>Line Deliberately Left Blank</i>								
117	Transmission	354.21.b	0	66,837	66,837	TP	1.00000		66,837
118	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000		-
119	<i>Line Deliberately Left Blank</i>								
120	Other (Excludes A&G)		0	0	-	NA	0.00000		-
121	Total	(sum Ins 116 to 120)	0	66,837	66,837				66,837
122	Transmission related amount							W/S=	1.00000
123	STAND ALONE (Note T)								
123	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
124	Long Term Interest	Long Term Interest (Worksheet N, In. 18, col. (E))							598
125	Preferred Dividends	Preferred Stock Dividends (Worksheet N, In. 47, col. (E))							-
126	Development of Common Stock:							Average	
127	Proprietary Capital	(Worksheet N, In. 1, col. (E))							55,112,642
128	Less Preferred Stock (In 134)	(Worksheet N, In. 2, col. (E))							-
129	Less Account 216.1	(Worksheet N, In. 3, col. (E))							-
130	Less Account 219	(Worksheet N, In. 4, col. (E))							-
131	Common Stock	(In 127 - In 128 - In 129 - In 130)							55,112,642
132			Capital Structure Percentages				Cost		
133	Avg Long Term Debt (Worksheet N, In. 10, col. (E))	2013 Avg Balances	37,500,000	Actual	Cap Limit		(Note S)	Weighted	
134	Avg Preferred Stock (Worksheet N, In. 46, col. (E))		-	40.49%	50.00%		0.00%	0.0000	0.0000
135	Avg Common Stock (In 131) (Note U)		55,112,642	0.00%	0.00%		0.00%	0.0000	0.0000
136	Total (sum Ins 133 to 135)		92,612,642	59.51%	50.00%		11.20%	0.0560	0.0560
								WACC=	0.0560
137	Capital Structure Equity Limit (Note U)		50.0%						
138	PUBLIC SERVICE COMPANY OF OKLAHOMA (Note T)								\$
138	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								
139	Long Term Interest	Long Term Interest (PSO FR Worksheet N, In. 19, col. (E))							53,842,827
140	Preferred Dividends	Preferred Stock Dividends (PSO FR Worksheet N, In. 47, col. (E))							-
141	Development of Common Stock:							Average	
142	Proprietary Capital	(PSO Worksheet N, In. 1, col. (E))							904,541,495
143	Less Preferred Stock (In 149)	(PSO Worksheet N, In. 2, col. (E))							-
144	Less Account 216.1	(PSO Worksheet N, In. 3, col. (E))							-
145	Less Account 219	(PSO Worksheet N, In. 4, col. (E))							6,814,451
146	Common Stock	(In 142 - In 143 - In 144 - In 145)							897,727,044
147			Capital Structure Percentages				Cost		
148	Avg Long Term Debt (PSO WS-N, In. 10, col. (E))	2012 Avg Balances	952,423,949	Actual	Cap Limit		(Note S)	Weighted	
149	Avg Preferred Stock (PSO WS-N, In. 46, col. (E))		-	51.48%	0.00%		5.65%	0.0291	0.0291
150	Avg Common Stock (In 146) (Note U)		897,727,044	0.00%	0.00%		0.00%	0.0000	0.0000
151	Total (sum Ins 148 to 150)		1,850,150,993	48.52%	0.00%		11.20%	0.0543	0.0543
								WACC=	0.0834
152	Capital Structure Equity Limit (PSO Note U)		52.5%						

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Letter

Notes

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

b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting work papers rather than using the allocations above.

- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the true-up revenue requirement for each project, based on an FCR rate calculated from inputs on this TCOS. Line 15 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- E The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet C.
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 68.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 62 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 105.
- I Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.
- L Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 95) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
- | | | |
|------------------|-------|---|
| Inputs Required: | FIT = | 35.00% |
| | SIT= | 5.63% (State Income Tax Rate or Composite SIT. Worksheet K) |
| | p = | 0.00% (percent of federal income tax deductible for state purposes) |
- P Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Q Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- R Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- T The Capital Structure of AEP OKLAHOMA TRANSMISSION COMPANY, INC will be based on the Capital Structure of PSO until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS.
 Long Term Debt cost rate = long-term interest (In 139) / long term debt (In 148). Preferred Stock cost rate = preferred dividends (In 140) / preferred outstanding (In 149).
 Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 50% of AEP OKLAHOMA TRANSMISSION COMPANY, INC's Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEP West SPP Member Companies
2013 Cost of Service Formula Rate
Worksheet A - Detail Plant Balances
AEP OKLAHOMA TRANSMISSION COMPANY, INC

<u>Line Number</u>	<u>(A) Rate Base Item & Supporting Balance</u>	<u>(B) Source of Data</u>	<u>(C) Balances @ 12/31/2012</u>	<u>(D) Balances 12/31/2011</u>	<u>(E) Average Balance for 2012</u>
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
<u>Plant Investment Balances</u>					
1	Line Deliberately Left Blank				
2	Line Deliberately Left Blank				
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58	77,314,801	15,010,858	46,162,830
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 57	-	-	-
5	Line Deliberately Left Blank				
6	Line Deliberately Left Blank				
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 99	-	-	-
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 98	-	-	-
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 5	442,203	-	221,102
10	Total Property Investment Balance	(Sum of Lines: 3, 7, 9)	77,757,004	15,010,858	46,383,931
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 8)	-	-	-
<u>Accumulated Depreciation & Amortization Balances</u>					
12	Line Deliberately Left Blank				
13	Line Deliberately Left Blank				
14	Transmission Accumulated Depreciation	FF1, page 219, ln 25, Col. (b)	1,069,371	107,601	588,486
15	Transmission ARO Accumulated Depreciation	Company Records	-	-	-
16	Line Deliberately Left Blank				
17	Line Deliberately Left Blank				
18	General Accumulated Depreciation	FF1, page 219, ln 28, Col. (b)	-	-	-
19	General ARO Accumulated Depreciation	Company Records	-	-	-
20	Intangible Accumulated Amortization	FF1, page 200, ln 21, Col. (b)	35,683	-	17,842
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 18, 20)	1,105,054	107,601	606,328
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 19)	-	-	-
<u>Generation Step-Up Units</u>					
23	GSU Investment Amount	Company Records	-	-	-
24	GSU Accumulated Depreciation	Company Records	-	-	-
25	GSU Net Balance	(Line 23 - Line 24)	-	-	-
<u>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</u>					
26	Transmission Accumulated Depreciation	(Line 14 Above)	1,069,371	107,601	588,486
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	-	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	1,069,371	107,601	588,486
<u>Plant Held For Future Use</u>					
29	Plant Held For Future Use	FF1, page 214, ln 47, Col. (d)	-	-	-
30	Transmission Plant Held For Future	Company Records	-	-	-
<u>Regulatory Assets and Liabilities Approved for Recovery In Ratebase</u>					
Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.					
31	Beginning Balance of Regulatory Asset (Note 1)		70,273	98,382	84,328
32	Amortization in Months		30	42	36
33	Monthly Amortization	(line 31 / line 32)	2,342	2,342	2,342
34	Months in 2011 to be amortized		12	12	12
35	Amortization Expense in 2011 Year	(line 33 X line 34)	28,109	28,109	28,109
36	Months in 2012 to be amortized		12	12	12
37	Amortization Expense in 2012 Year	(line 33 X line 36)	28,109	28,109	28,109
38	Ending Balance of Regulatory Asset	(line 31 - line 35)	42,164	70,273	56,218
39	Average Balance of Regulatory Asset	(line 31 + line 38)/2	56,218	84,327	70,273
40	Unamortized Balance of Regulatory Asset at YE 2011 (Note 1)		42,164	70,273	56,218
41	Total Regulatory Deferrals Included in Ratebase		0	0	0

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

AEP TRANSMISSION HOLDING COMPANY
2013 Cost of Service Formula Rate Projected on 2012 FF1 Balances
Worksheet B - Projected Transmission Plant in Service Additions
AEP OKLAHOMA TRANSMISSION COMPANY, INC

I. Calculation of Composite Depreciation Rate

<u>STAND ALONE (Note 1)</u>		
1	Transmission Plant @ Beginning of Historic Period (2012) (P.206, In 58,(b)):	15,010,858
2	Transmission Plant @ End of Historic Period (2012) (P.207, In 58,(g)):	77,314,801
3		92,325,659
4	Average Balance of Transmission Investment	46,162,830
5	Annual Depreciation Expense, Historic TCOS, In 259	897,005
6	Composite Depreciation Rate	1.94%
7	Average Depreciable Life (Years)	51
 <u>PUBLIC SERVICE COMPANY OF OKLAHOMA (Note 1)</u>		
8	Transmission Plant @ Beginning of Historic Period (2012) (P.206, In 58,(b)):	692,643,975
9	Transmission Plant @ End of Historic Period (2012) (P.207, In 58,(g)):	706,917,109
10		1,239,955,574
11	Average Balance of Transmission Investment	699,780,542
12	Annual Depreciation Expense, PSO Historic TCOS, In 246	13,543,408
13	Composite Depreciation Rate	1.94%
14	Average Depreciable Life (Years)	52

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

15	Month in Service	Capitalized Balance	Composite Annual Depreciation Rate	Annual Depreciation	Monthly Depreciation	No. Months Depreciation	First Year Depreciation Expense
16	January	\$ 541,866	1.94%	\$ 10,487	\$ 874	11	\$ 9,613
17	February	\$ -	1.94%	\$ -	\$ -	10	\$ -
18	March	\$ 268,209	1.94%	\$ 5,191	\$ 433	9	\$ 3,893
19	April	\$ 22,298,706	1.94%	\$ 431,565	\$ 35,964	8	\$ 287,710
20	May	\$ 22,366,505	1.94%	\$ 432,877	\$ 36,073	7	\$ 252,511
21	June	\$ 14,553,609	1.94%	\$ 281,668	\$ 23,472	6	\$ 140,834
22	July	\$ 10,712,215	1.94%	\$ 207,322	\$ 17,277	5	\$ 86,384
23	August	\$ 30,606,311	1.94%	\$ 592,348	\$ 49,362	4	\$ 197,449
24	September	\$ -	1.94%	\$ -	\$ -	3	\$ -
25	October	\$ 15,795,833	1.94%	\$ 305,709	\$ 25,476	2	\$ 50,952
26	November	\$ 7,586,129	1.94%	\$ 146,820	\$ 12,235	1	\$ 12,235
27	December	\$ 40,648,698	1.94%	\$ 786,706	\$ 65,559	0	\$ -
28	Investment	\$ 165,378,079				Depreciation Expense	\$ 1,041,581

III. Plant Transferred

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

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

AEP TRANSMISSION HOLDING COMPANY
 2013 Cost of Service Formula Rate
Worksheet C - ADIT Balances used in Projection & True-Up
AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.	(A) Acc. No.	(B) Description	(C) YE Balance	(E) Exclusions *	(F) 100% Transmission Related	(G) PTD Plant Related	(H) Transmission Plant Related	(I) Labor Related	(J) Total Included in Rate base (E)+(F)+(G)+(H)
Account 282 - Form-1 page 274-275, Ln 2 Col. (k)									
282 Balance to Use in Projection									
1	282.1	2012 Year End Tax Deferrals - Ws C-1	(14,434,543)	-	(14,434,543)	-	-	-	
2	282.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
3	282.1	Allocated Total		0	(14,434,543)	0	0	0	(14,434,543)
282 Balance to Use in True-Up									
4	282.1	2012 Year End Tax Deferrals - Ws C-1	(14,434,543)	-	(14,434,543)	-	-	-	
5	282.1	2011 Year End Tax Deferrals - Ws C-2	(11,671,798)	-	(11,671,798)	-	-	-	
6		Subtotal	(26,106,340)	-	(26,106,340)	-	-	-	
7		Average Balance	(13,053,170)	0	(13,053,170)	0	0	-	
8		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
9		Allocated Total		0	(13,053,170)	0	0	0	(13,053,170)
Account 283 - Form-1 page 276-277, Ln 9, Col (k)									
283 Balance to Use in Projection									
10	283.1	2012 Year End Tax Deferrals - Ws C-1	(3,441,146)	(805,039)	(2,636,107)	-	-	-	
11	283.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
12	283.1	Allocated Total		0	(2,636,107)	0	0	0	(2,636,107)
283 Balance to Use in True-Up									
13	283.1	2012 Year End Tax Deferrals - Ws C-1	(3,441,146)	(805,039)	(2,636,107)	-	-	-	
14	283.1	2011 Year End Tax Deferrals - Ws C-2	(1,970,313)	(24,595)	(1,945,718)	-	-	-	
15		Subtotal	(5,411,459)	(829,634)	(4,581,825)	-	-	-	
16		Average Balance	(2,705,730)	(414,817)	(2,290,913)	0	0	0	
17		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
18		Allocated Total		0	(2,290,913)	0	0	0	(2,290,913)
Account 190 - Form-1 page 234, Ln 8, Col. (c)									
190 Balance to Use in Projection									
19	190.1	2012 Year End Tax Deferrals - Ws C-1	4,680,805	3,758,168	922,637	-	-	-	
20	190.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
21	190.1	Allocated Total		0	922,637	0	0	0	922,637
190 Balance to Use in True-Up									
22	190.1	2012 Year End Tax Deferrals - Ws C-1	4,680,805	3,758,168	922,637	-	-	-	
23	190.1	2011 Year End Tax Deferrals - Ws C-2	681,001	-	681,001	-	-	-	
24		Subtotal	5,361,806	3,758,168	1,603,639	-	-	-	
25		Average Balance	2,680,903	1,879,084	801,819	0	0	0	
26		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
27		Allocated Total		0	801,819	0	0	0	801,819
Account 255 - Form-1 page 266-267									
255 Balance to Use in Projection									
28	255.0	Acc Defrd ITC - Federal - 12/31/2012 (FF1 p. 267, Ln 2.h)	-						
29	255.0	Transmission Allocator from Historic TCOS [GP or W/S]				100.0000%			
30	255.0	Allocated Total		N/A	N/A	0	N/A	N/A	0
255 Balance to Use in True-Up									
31	255.0	Acc Defrd ITC - Federal - 12/31/2012 (FF1 p. 267, Ln 2.h)	-						
32	255.0	Acc Defrd ITC - Federal - 12/31/2011 (FF1 p. 266, Ln 2.b)	-						
33		Subtotal	-						
34		Average Balance	0			0			
35		Transmission Allocator from True-Up TCOS [GP or W/S]				100.0000%			
36		Allocated Total		N/A	N/A	0	N/A	N/A	0

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

Worksheet C-1 - ADIT & ITC Details

AEP OKLAHOMA TRANSMISSION COMPANY
 DETAIL OF DEFERRED INCOME TAX BALANCES
 AS OF DECEMBER 31, 2012

Account	Line #	Description	Balance		Allocation Method				
					Exclusions	100% Transmission	PTD Plant	T&D	Labor
2821001	230A	ACRS BENEFIT NORMALIZED	(14,349,548)	T		(14,349,548)			
2821001	320A	ABFUDC	(82,439)	T		(82,439)			
2821001	380J	INT EXP CAPITALIZED FOR TAX	118,726	T		118,726			
2821001	712K	CAPITALIZED SOFTWARE COST-BOOK	(142,282)	T		(142,282)			
2821001	910K	REMOVAL CST	21,000	T		21,000			
2821001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(14,434,543)		0	(14,434,543)	0	0	0
		(absolute value Total Company Amount Ties to FF1 p.275(k) -- Acct 282 Electric)	14,435,543						
2831001	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	(790,282)	E	(790,282)				
2831001	664J	REG ASSET-TRANSCO PRE-FORMATION COSTS	(14,757)	E	(14,757)				
2831001									
2831002	911Q-DSIT	DSIT ENTRY - NORMALIZED	(2,636,107)	T		(2,636,107)			
2831		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(3,441,146)		(805,039)	(2,636,107)	0	0	0
		(absolute value Total Company Amount Ties to FF1 p.277(k) -- Acct 283 Electric)	3,441,146						
1901001	911Q-DSIT	DSIT ENTRY - NORMALIZED	922,637	T		922,637			
1901001		NOL STATE C/F DEF STATE TAX ASSET	2,257,947	E	2,257,947				
1901001	960Z	NOL - DEFERRED TAX ASSET RECLASS	1,500,221	E	1,500,221				
1901001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	4,680,805		3,758,168	922,637	0	0	0
		(Total Company Amount Ties to FF1 p.234(c) -- Electric)	4,680,806						

Worksheet C-2 - ADIT & ITC Details

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

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

AEP West SPP Member Companies
 2013 Cost of Service Formula Rate
Worksheet D - Working Capital Rate Base Adjustments
AEP OKLAHOMA TRANSMISSION COMPANY, INC

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
Line Number		Source	Balance @ December 31, 2012 FF1, p. 227, Col. (c)	Balance @ December 31, 2011 FF1, p. 227, Col. (b)	Average Balance for Rate Year 2012			
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c & b)	0	0	-			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c & b)	0	0	-			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c & b)	0	0	-			

Prepayment Balance Summary

	Average of YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)
5 Totals as of December 31, 2012	21,279	0	0	11,665	9,614	21,279
6 Totals as of December 31, 2011	5,255			3,704	1,551	5,255
7 Average Balance	13,267	0	0	7,684	5,583	13,267

Prepayments Account 165 - Balance @ 12/31/2012

8	Acc. No.	Description	2012 YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)
9	1650021	Prepaid Insurance - EIS	21,279	0		11,665	9,614	21,279
10								-
11								-
12								-
13								-
14								-
15								-
16								-
17								-
18								-
	Subtotal - Form 1, p 111.57.c		21,279	0	0	11,665	9,614	21,279

Prepayments Account 165 - Balance @ 12/31/2011

19	Acc. No.	Description	2011 YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)
20	1650021	Prepaid Insurance - EIS	5,255	0		3,704	1,551	5,255
21								-
22								-
23								-
24								-
25								-
26								-
27								-
28								-
29								-
30	Subtotal - Form 1, p 111.57.c		5,255			3,704	1,551	5,255

AEP West SPP Member Companies
 2013 Cost of Service Formula Rate
Worksheet E - IPP Credits
AEP OKLAHOMA TRANSMISSION COMPANY, INC

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2012</u>
1	Net Funds from IPP Customers @ 12/31/2011 (2012 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 12/31/2012 (2012 FORM 1, P269, (F))	-
8	Average Balance for 2012 ((In 1 + In 7) / 2)	-

AEP TRANSMISSION HOLDING COMPANY
 2013 Cost of Service Formula Rate Projected on 2012 FF1 Balances
Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for BPU and Special-billed Projects
 Based on a Carrying Charge Derived from Historic 2012 Data
AEP OKLAHOMA TRANSMISSION COMPANY, INC

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

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

ROE w/o incentives (Projected TCOS, In 163)	11.20%															
Project ROE Incentive Adder (Enter as whole number)	0 basis points															
ROE with additional 0 basis point incentive	11.20% <=Incentive ROE Cannot Exceed 12.45%															
Determine R (cost of long term debt, cost of preferred stock and percent is from <i>PSO</i> Projected TCOS, ins 148 through 150)																
	<table border="0" style="width: 100%;"> <tr> <td style="text-align: center;">%</td> <td style="text-align: center;">Cost</td> <td style="text-align: center;">Weighted cost</td> </tr> <tr> <td>Long Term Debt</td> <td style="text-align: right;">50.18%</td> <td style="text-align: right;">0.0478</td> </tr> <tr> <td>Preferred Stock</td> <td style="text-align: right;">0.00%</td> <td style="text-align: right;">0.0000</td> </tr> <tr> <td>Common Stock</td> <td style="text-align: right;">49.82%</td> <td style="text-align: right;">0.1120</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">R = 0.0798</td> </tr> </table>	%	Cost	Weighted cost	Long Term Debt	50.18%	0.0478	Preferred Stock	0.00%	0.0000	Common Stock	49.82%	0.1120			R = 0.0798
%	Cost	Weighted cost														
Long Term Debt	50.18%	0.0478														
Preferred Stock	0.00%	0.0000														
Common Stock	49.82%	0.1120														
		R = 0.0798														

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR	2013	5,275,390	5,275,390 \$ -

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

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

Rate Base (Projected TCOS, In 75)	223,948,248
R (from A. above)	0.0798
Return (Rate Base x R)	17,868,740

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

Return (from B. above)	17,868,740
Tax Rate (Projected TCOS, In 105)	38.66%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	44.07%
Income Tax Calculation (Return x EIT)	7,875,119
ITC Adjustment (Projected TCOS, In 115)	-
Income Taxes	7,875,119

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

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

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

Net Revenue Requirement (Projected TCOS, In 122)	28,122,058
Return (Projected TCOS, In 117)	17,868,740
Income Taxes (Projected TCOS, In 116)	7,375,822
Gross Margin Taxes (Projected TCOS, In 121)	-
Net Revenue Requirement, Less Return and Taxes	2,877,495

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

Net Revenue Requirement, Less Return and Taxes	2,877,495
Return (from I.B. above)	17,868,740
Income Taxes (from I.C. above)	7,875,119
Net Revenue Requirement, with 0 Basis Point ROE increase	28,621,354
Gross Margin Tax with 0 Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	28,621,354
Less: Depreciation (Projected TCOS, In 94)	897,005
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	27,724,349

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

Net Revenue Requirement before Gross Margin Taxes, with 0	28,621,354
Basis Point ROE increase (II B. above)	-
Apportionment Factor to Texas (Worksheet K, In 12)	0.00%
Apportioned Texas Revenues	-
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	-
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	-
Gross-up Required for Gross Margin Tax Expense	-
Total Additional Gross Margin Tax Revenue Requirement	-

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

Net Transmission Plant (Projected TCOS, Ins 46, 47, 48, 49, 51)	239,684,923
Net Revenue Requirement, with 0 Basis Point ROE increase	28,621,354
FCR with 0 Basis Point increase in ROE	11.94%
Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	27,724,349
FCR with 0 Basis Point ROE increase, less Depreciation	11.57%
FCR less Depreciation (Projected TCOS, In 12)	10.92%
	0.64%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	15,010,858	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	77,314,801	<==From Input on Worksheet B
	92,325,659	
Transmission Plant Average Balance for 2012	46,162,830	
Annual Depreciation Expense (Historic TCOS, In 259)	897,005	
Composite Depreciation Rate	1.94%	
Depreciable Life for Composite Depreciation Rate	51.46	
Nearest whole year	51	

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

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

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

ROE w/o incentives (True-Up TCOS, In 150)			11.20%
Project ROE Incentive Adder (Enter as whole number)		0	basis points
ROE with additional 0 basis point incentive			11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from PSO True-Up TCOS, Ins 147 through 149)			
	%	Cost	Weighted cost
Long Term Debt	51.48%	0.0565	0.0291
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	48.52%	0.1120	0.0543
		R =	0.0834

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR SPP BPU & NON-BPU PROJECTS				
TRUE-UP YEAR	2012	Rev Require	W Incentives	Incentive Amounts
Σ Prior Year Projected (WS-F)	\$	2,837,925	\$	2,837,925
Σ Prior Year True-Up (WS-G)	\$	2,228,274	\$	2,228,274
True-up Adjustment For 2012		(609,651)		(609,651)

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

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

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

Rate Base (True-Up TCOS, In 63)	31,267,829
R (from A. above)	0.0834
Return (Rate Base x R)	2,609,185

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

Return (from B. above)	2,609,185
Tax Rate (True-Up TCOS, In 95)	38.66%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	41.04%
Income Tax Calculation (Return x EIT)	1,070,841
ITC Adjustment (True-Up TCOS, In 102)	-
Income Taxes	1,070,841

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

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

Net Revenue Requirement (True-Up TCOS, In 109)	5,515,939
Return (True-Up TCOS, In 104)	2,609,185
Income Taxes (True-Up TCOS, In 103)	1,070,841
Gross Margin Taxes (True-Up TCOS, In 108)	-
Net Revenue Requirement, Less Return and Taxes	1,835,914

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

Net Revenue Requirement, Less Return and Taxes	1,835,914
Return (from I.B. above)	2,609,185
Income Taxes (from I.C. above)	1,070,841
Net Revenue Requirement, with 0 Basis Point ROE increase	5,515,939
Gross Margin Tax with Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	5,515,939
Less: Depreciation (True-Up TCOS, In 82)	897,005
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	4,618,934

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 (II B. above)	5,515,939
Apportionment Factor to Texas (Worksheet K, In 12)	0.00%
Apportioned Texas Revenues	-
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	-
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	-
Gross-up Required for Gross Margin Tax Expense	-
Total Additional Gross Margin Tax Revenue Requirement	-

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

Net Transmission Plant (True-Up TCOS, In 39)	45,574,344
Net Revenue Requirement, with 0 Basis Point ROE increase	5,515,939
FCR with 0 Basis Point increase in ROE	12.10%
Net Rev. Req. w/ 0 Basis Point ROE increase, less Dep.	4,618,934
FCR with 0 Basis Point ROE increase, less Depreciation	10.13%
FCR less Depreciation (True-Up TCOS, In 12)	10.13%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	15,010,858	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	77,314,801	<==From Input on Worksheet B
	92,325,659	
Transmission Plant Average Balance for 2012	46,162,830	
Annual Depreciation Expense (True-Up TCOS, In 82)	897,005	
Composite Depreciation Rate	1.94%	
Depreciable Life for Composite Depreciation Rate	51.46	
Round to nearest whole year	51	

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

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet H - Revenue Credits for Historic Period
 AEP OKLAHOMA TRANSMISSION COMPANY, INC

Revenue Credits for

	Total Company	Non- Transmission	Transmission
I. Account 450, Forfeited Discounts		-	-
II. Account 451, Miscellaneous Service Revenues		-	-
III. Account 454, Rent from Electric Property			
1 Account 4540001 - Rent from Elect Property-Aff		-	
2 Account 4540002 - Rent from Elect Property - Non-Aff		-	
3 Account 4540003 - Rent from Elect Property - ABD - Aff		-	
4 Account 4540004 - Rent from Elect Property - ABD - Non-Aff		-	
5 Total Rents from Electric Property	-		-
(Revenue related to transmission facilities for pole attachments, rentals, etc. Provide data sources and explanations in Section VIII, Notes below)			
IV. Account 4560015, Revenues from Associated Business Development			
1 Account 4560015, Revenues from Associated Business Development			
V. Total Other Operating Revenues To Reduce Revenue Requirement			-
VI. Account 456.1, Revenues from Transmission of Electricity of Others			\$3,518,050
(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			\$1,352,197
6 Revenue Associated with Transmission Plant Excluded From SPP Tariff			
7 Other Non-Transmission Revenue			
8 Revenue from SPP Ancillary Services Provided			
9 Base Plan Revenue (from SPP)			\$2,115,726
10 Flow Through of ERCOT Ancillary Charges			
11 Other			
			Net Transmission Credits
			\$50,127
VII. Total Worksheet A Revenue Credits			\$50,127

VIII. Data Sources:

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

AEP West SPP Member Companies
Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet I - Supporting Transmission Expense Adjustments
AEP OKLAHOMA TRANSMISSION COMPANY, INC

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

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

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

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet J - Allocation of Specific O&M or A&G Expenses
AEP OKLAHOMA TRANSMISSION COMPANY, INC

<u>Line Number</u>	<u>(A) FERC Acct No.</u>	<u>(B) Description</u>	<u>(C) 2012 Expense</u>	<u>(D) 100% Non-Transmission</u>	<u>(E) 100% Transmission Specific</u>	<u>(F) Explanation</u>
		<u>Account 928</u>				
1						
2						
3						
4						
5						
6						
7						
8						
9		Total	-	-	-	
		<u>Account 930.1</u>				
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26		Total	-	-	-	
		<u>Account 930.2</u>				
27	9302000	MISC GENERAL EXPENSE	4,492	0	4,492	AEPSC allocated costs.
28						
29						
30						
31						
32		Total	4,492	-	4,492	

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet K - Development of Composite State Income Tax Rate
AEP OKLAHOMA TRANSMISSION COMPANY, INC

I. DEVELOPMENT OF COMPOSITE STATE INCOME TAX RATES FOR 2012

State Income Tax Rate - Oklahoma	Note 1	5.66%	
Apportionment Factor		99.42%	
Effective State Income Tax Rate			5.6269%
State Income Tax Rate - Ohio	Note 2	0.0000%	
Apportionment Factor		0.0000%	
Tax Phase-out Factor		0.0000%	
Effective State Income Tax Rate			0.0000%
Total Effective State Income Tax Rate			5.6269%

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 #	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX (In 117 of Template)	Projected		Historic		Actual	
		Total Company	Trans. Only	Total Company	Trans. Only	Total Company	Trans. Only
		28,454,949	28,122,058	9,325,633	8,977,303	5,688,274	5,515,939
1	Apportionment Factor to Texas (In12)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2	Apportioned Texas Revenues	\$0	\$0	\$0	\$0	\$0	\$0
3	Taxable Percentage of Revenue (70%)	70%	70%	70%	70%	70%	70%
4	Taxable, Apportioned Margin	-	-	-	-	-	-
5	Texas Gross Margin Tax Rate (1%)	1%	1%	1%	1%	1%	1%
6	Texas Gross Margin Tax Expense	-	-	-	-	-	-
7	Gross-up Required for Texas Gross Margin Expense (In 6 * In 3 * In 1)/(1- In 5) * In 5)	-	-	-	-	-	-
8	Total Additional Gross Margin Tax Revenue Requirement	-	-	-	-	-	-
9	WHOLESALE LOAD ALLOCATOR (For Use in Gross Margin Tax Allocator)						
10	Texas Jurisdictional Load	-	KW				
11	Total Load	-	KW				
12	Allocation Percentage (In 10 / In 11)	0.00%					

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet L - Taxes Other than Income
 AEP OKLAHOMA TRANSMISSION COMPANY, INC

HISTORIC PERIOD EXPENSE (2012) - 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	<u>Real Estate and Personal Property Taxes</u>					
4	Ad Valorem	25,440	25,440			
5			-			
6			-			
7			-			
8	<u>Payroll Taxes</u>					
9				-		
10				-		
11				-		
12	<u>Line Deliberately Left Blank</u>					
13		-				-
14		-				-
15	<u>Miscellaneous Taxes</u>					
16					-	-
17	OK Franchise Tax	50			50	
18					-	-
19					-	-
20					-	-
21					-	-
22					-	-
23					-	-
24					-	-
25					-	-
26					-	-
26					-	-
27	Total Taxes by Allocable Basis	25,490	25,440	-	50	-
	(Total Company Amount Ties to FFI p.114, Ln 14,(c))	25,490				

AEP TRANSMISSION HOLDING COMPANY
 Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2012
AEP OKLAHOMA TRANSMISSION COMPANY, INC

(A)	(B)	(C)	(D)	(E)
<u>Issuance</u>	<u>Principle Amount</u> FF1.p. 257.x (h)	<u>Interest Rate</u>	<u>Annual Expense</u>	<u>Notes</u>
Long Term Debt (FF1.p. 256-257.h)				
1 <u>Bonds - Acc 221</u>			-	0
2				
3 <u>Reacquired Bonds - Total Account 222</u>			-	0
4			-	0
5			-	0
6 <u>Advances from Assoc Companies</u>				
7 <u>Senior Notes, Series A, Tranch D, 4.78%</u>	75,000,000	4.78%	3,585,000	p257 L5(h)
8			-	0
9			-	0
10			-	0
11 <u>Other Long Term Debt - Acc 224</u>			-	0
12			-	0
13			-	
<u>Issuance Discount, Premium, & Expenses:</u>				
14 Amort of Debt Discount and Expenses	FF1.p. 117.63.c		598	
15 Less: Amor of Debt Premimums	FF1.p. 117.65.c		-	
<u>Reacquired Debt:</u>				
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	75,000,000	4.78%	3,585,598	
Preferred Stock (FF1.p. 250-251) Preferred Balance Outstanding				
19			-	
20			-	
21			-	
22			-	
23			-	
24 Dividends on Preferred Stock	-	0.00%	-	

AEP TRANSMISSION HOLDING COMPANY
 Cost of Service Formula Rate Using 2012 FF1 Balances
 AEP OKLAHOMA TRANSMISSION COMPANY, INC

Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2011 and 12/31/2012

(A) Line	(B)	(C) Balances @ 12/31/2012	(D) Balances @ 12/31/2011	(E) Average
<u>Development of Average Balance of Common Equity</u>				
1	Total Proprietary Capital (p. 112.16.c&d)	74,467,294	35,757,989	55,112,642
2	Less Preferred Stock from Ln 46 below	0	0	-
3	Less Account 216.1 (p. 112.12.c&d)	0	0	-
4	Less Account 219.1 (p. 112.15.c&d)	0	0	-
5	Average Balance of Common Equity	74,467,294	35,757,989	55,112,642
<u>Development of Cost of Long Term Debt Based on Average Outstanding Balance</u>				
6	Bonds (221) (p. 112.18.c&d)	0	0	-
7	Less: Reacquired Bonds (222) (p. 112.19.c&d)	0	0	-
8	Advances from Assoc. Companies (223) (p.112.20.c&d)	75,000,000	0	37,500,000
9	Senior Unsecured Notes (224) (p. 112.21.c&d)	0	0	-
10	Total Average Debt	75,000,000	-	37,500,000
11	Annual Interest Expense for 2013			
12	Coupon Interest on Long Term Debt (256-257.33.i)			0
	Less: Total Hedge (Gain)/Expense Accumulated from p 256-257, col (i) of FERC			-
13	Form 1 included in Ln 12 and shown in Ln 30 below.			-
14	Amort of Debt Discount & Expense (428) (p. 117.63.c)			598
15	Amort of Loss on Reacquired Debt (428.1) (p. 117.64.c)			0
16	Less: Amort of Premium on Debt (429) (p. 117.65.c)			0
17	Less: Amort of Gain on Reacquired Debt (429.1) (p. 117.66.c)			0
18	Total Interest Expense (Ln 12 - Ln 14 + Ln 15 - Ln 16 - Ln 17)			598
19	Average Cost of Debt for 2013 (Ln 18/Ln 10)			0.00%

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 2012	Remaining Unamortized Balance	Amortization Period	
				Beginning	Ending
21					
22					
23					
24					
25					
26					
27					
28					
29					
30	Total Hedge Amortization to be Removed	-			

Development of Cost of Preferred Stock

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

AEPTCo subsidiaries in SPP
 Cost of Service Formula Rate Using 2012 FF1 Balances
 Calculation of Post-employment Benefits Other than Pensions Expenses Allocable to Transmission Service
 Worksheet O - PBOP Support
 AEP OKLAHOMA TRANSMISSION COMPANY, INC

PBOP	(A)	(B)
1	<u>Calculation of PBOP Expenses</u>	
2	<u>AEP TransCo - AEP Service Corp Employees</u>	
3	Total AEP System PBOP expenses	\$89,661,879
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	\$89,661,879
6	Total AEP System Direct Labor Expense	\$1,214,282,694
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	\$0.074
8	Currently Approved PBOP Rate	\$0.094
9	Base PBOP TransCo labor expensed in current year	\$155,148
10	Allowable TransCo PBOP Expense for current year (Line 8 * Line 9)	\$14,584
11	Direct PBOP Expense per Actuarial Report	\$0
12	Additional PBOP Ledger Entry (From Company Records)	\$0
13	Medicare Credit	\$0
14	PBOP Expenses From AEP Affiliates (From Company Records)	\$8,731
15	Actual PBOP Expense (Sum Lines 11-14)	\$8,731
16	PBOP Adjustment Line 10 less Line 15	\$5,853

AEP West SPP Member Companies
 2013 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 119)				\$194,664
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	5,652	DA	1.00000	\$ 5,652
4	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$ -
5	Total Revenue Credits		5,652			\$ 5,652
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 5)				\$189,012
MEMO: The Carrying Charge Calculations on lines 9 to 14 below is used in calculating project revenue requirements billed on SPP Schedule 11. The total non-incentive revenue requirements for these projects shown on line 7 is included in the total on line 6.						
7	Revenue Requirement for SPP BPU Regional Facilities (w/o incentives)	(Worksheet F)	-	DA	1.00000	\$ -
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
9	Annual Rate	(ln 1 / (Sum of lns 46, 47, 48, 49, 51)) x 100%				19.13%
10	Monthly Rate	(ln 9 / 12)				1.59%
11	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DEPRECIATION (w/o incentives) (Note B)					
12	Annual Rate	((ln 1 - ln 94 - ln 95) / (Sum of lns 46, 47, 48, 49, 51)) x 100%				15.62%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((ln 1 - ln 94 - ln 95 - ln 116 - ln 117) / (Sum of lns 46, 47, 48, 49, 51)) x 100%				5.63%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)					-

(using SWEPCO FCRs per Note 1 of Worksheet B)

AEP West SPP Member Companies
 2013 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.	(1) <u>RATE BASE CALCULATION</u>	(2) <u>Data Sources</u> <u>(See "General Notes")</u>	(3) <u>TO Total</u> <u>NOTE D</u>	(4) <u>Allocator</u>	(5) <u>Total</u> <u>Transmission</u>
16	GROSS PLANT IN SERVICE				
17	<i>Line Deliberately Left Blank</i>				
18	Transmission	(Worksheet A In 3.C & Hist. Template Ln 183)	0	DA	0
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	-
20	Plus: Transmission Plant-in-Service Additions (Worksheet B)		-	DA	-
21	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		-	TP	-
22	<i>Line Deliberately Left Blank</i>				
23	<i>Line Deliberately Left Blank</i>				
24	General Plant	(Worksheet A In 7.C)	-	W/S	-
25	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S	-
26	Intangible Plant	(Worksheet A In 9.C)	-	W/S	-
27	TOTAL GROSS PLANT	(sum Ins 16 to 26)	<u>0</u>		<u>0</u>
28	ACCUMULATED DEPRECIATION AND AMORTIZATION				
29	<i>Line Deliberately Left Blank</i>				
30	<i>Line Deliberately Left Blank</i>				
31	Transmission	(Worksheet A In 14.C & 28.C)	-	TP1=	-
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	-
33	Plus: Transmission Plant-in-Service Additions (Worksheet B)		-	DA	-
34	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		-	DA	-
35	Plus: Additional Transmission Depreciation for 2013 (In 94)		-	TP1	-
36	Plus: Additional General & Intangible Depreciation for (In 96+In 97)		-	W/S	-
37	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		-	DA	-
38	<i>Line Deliberately Left Blank</i>				
39	<i>Line Deliberately Left Blank</i>				
40	General Plant	(Worksheet A In 18.C)	-	W/S	-
41	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	-
42	Intangible Plant	(Worksheet A In 20.C)	-	W/S	-
43	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 29 to 42)	<u>-</u>		<u>-</u>
44	NET PLANT IN SERVICE				
45	<i>Line Deliberately Left Blank</i>				
46	Transmission	(In 18 + In 19 - In 31 - In 32)	0		0
47	Plus: Transmission Plant-in-Service Additions (In 20 - In 33)		-		-
48	Plus: Additional Trans Plant on Transferred Assets (In 21 - In 34)		-		-
49	Plus: Additional Transmission Depreciation for 2013 (-In 35)		-		-
50	Plus: Additional General & Intangible Depreciation for 2013 (-In 36)		-		-
51	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 37)		-		-
52	<i>Line Deliberately Left Blank</i>				
53	General Plant	(In 24 + In 25 - In 40 - In 41)	-		-
54	Intangible Plant	(In 26 - In 42)	-		-
55	TOTAL NET PLANT IN SERVICE	(sum Ins 45 to 54)	<u>0</u>		<u>0</u>
56	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)			
57	Account No. 281.1 (enter negative)	272-273.8.k	-	NA	-
58	Account No. 282.1 (enter negative)	(Worksheet C, In 1.C & In 3.J)	-	DA	-
59	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(33,425)	DA	(2,613)
60	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	131,910	DA	915
61	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
62	TOTAL ADJUSTMENTS	(sum Ins 57 to 61)	<u>98,485</u>		<u>(1,698)</u>
63	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	-	DA	-
63a	REGULATORY ASSETS	(Worksheet A In NOTE 1 . (C))	-	DA	1.00000
64	WORKING CAPITAL	(Note F)			
65	Cash Working Capital	(1/8 * In 80) (Note G)	4,888		4,888
66	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP	-
67	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S	-
68	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	-
69	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	-	W/S	-
70	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	-	GP(h)	-
71	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA	-
72	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	-	NA	-
73	TOTAL WORKING CAPITAL	(sum Ins 65 to 72)	<u>4,888</u>		<u>4,888</u>
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7 (B))	-	DA	1.00000
75	RATE BASE (sum Ins 55, 62, 63, 73, 74)		<u>103,373</u>		<u>3,190</u>

AEP West SPP Member Companies
 2013 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(1)	(2)	(3)	(4)	(5)
Line No.	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
76	OPERATION & MAINTENANCE EXPENSE				
76	Transmission	321.112.b	39,106		
77	Less: Total Account 561	(Note I) 321.84-92.b	-		
78	Less: Account 565	(Note J) 321.96.b	-		
79	Less: expenses 100% assigned to TO billed customers	(Worksheet I, ln 14)	\$0		
80	Total O&M Allocable to Transmission	(lns 76 - 77 - 78 - 79)	39,106	TP 1.00000	39,106
81	Administrative and General	323.197.b (Note K)	184,594		
82	Less: Acct. 924, Property Insurance	323.185.b	-		
83	Acct. 928, Reg. Com. Exp.	323.189.b	64,483		
84	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-		
85	Acct. 930.2, Misc. Gen. Exp.	323.192.b	-		
86	Balance of A & G	(ln 81 - sum ln 82 to ln 85)	120,111	W/S 1.00000	120,111
87	Plus: Acct. 924, Property Insurance	(ln 82)	-	GP(h) 1.00000	-
88	Acct. 928 - Transmission Specific	Worksheet J ln 5.(E) (Note L)	-	TP 1.00000	-
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J ln 19.(E) (Note L)	-	TP 1.00000	-
90	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J ln 25.(E) (Note L)	-	DA 1.00000	-
90a	PBOP Adjustment	(Worksheet O ln 16.D)	4,715	DA 1.00000	4,715
91	A & G Subtotal	(sum lns 86 to 90 less ln 90a)	124,826		124,826
92	TOTAL O & M EXPENSE	(ln 80 + ln 91)	163,932		163,932
93	DEPRECIATION AND AMORTIZATION EXPENSE				
94	Transmission	336.7.f	-	TP 1.00000	-
95	Plus: Transmission Plant-in-Service Additions (Worksheet B)	(Worksheet A ln 37.E)	-	DA 1.00000	-
95a	Plus: Formation Costs Amortization	(Worksheet A ln 37.E)	29,507	DA 1.00000	29,507
96	General	336.10.f	-	W/S 1.00000	-
97	Intangible	336.1.f	-	W/S 1.00000	-
98	TOTAL DEPRECIATION AND AMORTIZATION	(sum lns 94 to 97)	29,507		29,507
99	TAXES OTHER THAN INCOME	(Note N)			
100	Labor Related				
101	Payroll	Worksheet L, Col. D	-	W/S 1.00000	-
102	Plant Related				
103	Property	Worksheet L, Col. C	-	GP(h) 1.00000	-
104	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA 0.00000	-
105	Other	Worksheet L, Col. E	380	GP(h) 1.00000	380
106	TOTAL OTHER TAXES	(sum lns 101 to 105)	380		380
107	INCOME TAXES	(Note O)			
108	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		38.85%		
109	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		42.28%		
110	where WCLTD=(ln 161) and WACC = (ln 164)				
111	and FIT, SIT & p are as given in Note O.				
112	$GRCF=1 / (1 - T) =$ (from ln 108)		1.6353		
113	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
114	Income Tax Calculation	(ln 109 * ln 117)	3,733		115
115	ITC adjustment	(ln 112 * ln 113)	-	NP(h) 1.00000	-
116	TOTAL INCOME TAXES	(sum lns 114 to 115)	3,733		115
117	RETURN ON RATE BASE (Rate Base*WACC)	(ln 75 * ln 164)	8,828		272
118	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		-	DA 1.00000	-
119	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		206,380		194,207
120	(sum lns 92, 98, 106, 116, 117, 118)				
121	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		486	DA	457
122	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		206,866		194,664

AEP West SPP Member Companies
 2013 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

SUPPORTING CALCULATIONS

In										
No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF									
123	Total transmission plant	(In 18, 19, 20, 21)								0
124	Less transmission plant excluded from SPP Tariff	(Note Q)								-
125	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note R)								-
126	Transmission plant included in SPP Tariff	(In 123 - In 124 - In 125)								<u>0</u>
127	Percent of transmission plant in SPP Tariff	(In 126 / In 123)							TP=	1.00000
128	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
129	<i>Line Deliberately Left Blank</i>									
130	Transmission	354.21.b	0	66,508	66,508	TP	1.00000			66,508
131	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000			-
132	<i>Line Deliberately Left Blank</i>									
133	Other (Excludes A&G)	354.24,25,26.b	0	0	-	NA	0.00000			-
134	Total	(sum Ins 129 to 133)	<u>0</u>	<u>66,508</u>	<u>66,508</u>					<u>66,508</u>
135	Transmission related amount								W/S=	1.00000
	STAND ALONE (Note T)									
136	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
137		Long Term Interest (Worksheet M, In. 20, col. (D))								-
138		Preferred Stock Dividends (Worksheet M, In. 26, col. (D))								-
139		Development of Common Stock:								
140		Proprietary Capital (112.16.c)								(485,511)
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>(485,511)</u>
			Capital Structure Percentages				Cost			
145		\$	Actual	Cap Limit			(Note T)		Weighted	
146	Long Term Debt (Worksheet M, In. 20, col. (B))	-	0.00%	0.00%			-		0.0000	
147	Preferred Stock (Worksheet M, In. 26, col. (B))	-	0.00%	0.00%			-		0.0000	
148	Common Stock (In 144) (Note U)	-	0.00%	0.00%			0.0%		0.0000	
149	Total (sum Ins 146 to 148)	-					WACC=		0.0000	
							0.0%			
150	Capital Structure Equity Limit (Note U)	50.0%								
	SOUTHWESTERN ELECTRIC POWER COMPANY (Note T)									
	NOTE: All WACC related entries below sourced from SWEPCO's FF1 or Template									
151	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
152		Long Term Interest (Worksheet M, In. 20, col. (D))								113,677,430
153		Preferred Stock Dividends (Worksheet M, In. 26, col. (D))								-
154		Development of Common Stock:								
155		Proprietary Capital (112.16.c)								2,021,211,699
156		Less Preferred Stock (In 162)								-
157		Less Account 216.1 (112.12.c)								19,193,896
158		Less Account 219.1 (112.15.c)								<u>(17,862,454)</u>
159		Common Stock (In 155 - In 156 - In 157 - In 158)								<u>2,019,880,257</u>
			Capital Structure Percentages				Cost			
160		\$	Actual	Cap Limit			(Note T)		Weighted	
161	Long Term Debt (Worksheet M, In. 20, col. (B))	1,960,200,000	49.25%	0.00%			0.0580		0.0286	
162	Preferred Stock (Worksheet M, In. 26, col. (B))	-	0.00%	0.00%			-		0.0000	
163	Common Stock (In 159) (Note U)	2,019,880,257	50.75%	0.00%			11.2%		0.0568	
164	Total (sum Ins 161 to 163)	<u>3,980,080,257</u>					WACC=		0.0854	
165	Capital Structure Equity Limit (Note U)	52.5%								

AEP West SPP Member Companies
 2013 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Letter

Notes

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

b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting workpapers rather than using the allocations above.

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

Inputs Required:	FIT =	35.00%	
	SIT=	5.92%	(State Income Tax Rate or Composite SIT. Worksheet K)
	p =	0.00%	(percent of federal income tax deductible for state purposes)
- P Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Q Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- R Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- T The Capital Structure of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. will be based on the Capital Structure of SWEPSCO until AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS.
 Long Term Debt cost rate = long-term interest (ln 152) / long term debt (ln 161). Preferred Stock cost rate = preferred dividends (ln 153) / preferred outstanding (ln 162).
 Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 50% of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.'s Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.			Total	Allocator		Transmission Amount
166	REVENUE REQUIREMENT (w/o incentives)	(In 284)				\$194,664
167	REVENUE CREDITS	(Note A)				
168	Transmission Credits	(Worksheet H)	5,652	DA	1.00000	\$ 5,652
169	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$ -
170	Total Revenue Credits		5,652			\$ 5,652
171	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 170)				\$ 189,012

MEMO: The Carrying Charge Calculations on lines 174 to 179 below is used in calculating project revenue requirements billed on SPP Schedule 11. The total non-incentive revenue requirements for these projects shown on line is included in the total on line 171.

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

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.	(1) <u>RATE BASE CALCULATION</u>	(2) <u>Data Sources</u> <u>(See "General Notes")</u>	(3) <u>TO Total</u> <u>NOTE D</u>	(4) <u>Allocator</u>	(5) <u>Total</u> <u>Transmission</u>
181	GROSS PLANT IN SERVICE				
182	<i>Line Deliberately Left Blank</i>				
183	Transmission	(Worksheet A In 3.C & Ln 291)	0	DA	0
184	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	1.00000
185	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	NA	0.00000
186	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		N/A	NA	0.00000
187	<i>Line Deliberately Left Blank</i>				
188	<i>Line Deliberately Left Blank</i>				
189	General Plant	(Worksheet A In 7.C)	-	W/S	1.00000
190	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S	1.00000
191	Intangible Plant	(Worksheet A In 9.C)	-	W/S	1.00000
192	TOTAL GROSS PLANT	(sum Ins 181 to 191)	0	GP(h)= GTD=	1.000000 1.00000
193	ACCUMULATED DEPRECIATION AND AMORTIZATION				
194	<i>Line Deliberately Left Blank</i>				
195	<i>Line Deliberately Left Blank</i>				
196	Transmission	(Worksheet A In 14.C & 28.C)	-	TP1=	0.00000
197	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.00000
198	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	DA	1.00000
199	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		N/A	DA	1.00000
200	Plus: Additional Transmission Depreciation for 2013 (In 259)		N/A	TP1	0.00000
201	Plus: Additional General & Intangible Depreciation for 2013 (In 261+In 262)		N/A	W/S	1.00000
202	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		N/A	DA	1.00000
203	<i>Line Deliberately Left Blank</i>				
204	<i>Line Deliberately Left Blank</i>				
205	General Plant	(Worksheet A In 18.C)	-	W/S	1.00000
206	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	1.00000
207	Intangible Plant	(Worksheet A In 20.C)	-	W/S	1.00000
208	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 194 to 207)	-		-
209	NET PLANT IN SERVICE				
210	<i>Line Deliberately Left Blank</i>				
211	Transmission	(In 183 + In 184 - In 196 - In 197)	0		0.001
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 2013 (-In 200)		N/A		N/A
215	Plus: Additional General & Intangible Depreciation for 2013 (-In 201)		N/A		N/A
216	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 202)		N/A		N/A
217	<i>Line Deliberately Left Blank</i>				
218	General Plant	(In 189 + In 190 - In 205 - In 206)	-		-
219	Intangible Plant	(In 191 - In 207)	-		-
220	TOTAL NET PLANT IN SERVICE	(sum Ins 210 to 219)	0	NP(h)=	1.000000
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)	(33,425)	DA	(2,613)
225	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	131,910	DA	915
226	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	98,485		(1,698)
228	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	-	DA	-
228a	REGULATORY ASSETS	(Worksheet A In 41.(C))	-	DA	-
229	WORKING CAPITAL	(Note F)			
230	Cash Working Capital	(1/8 * In 245) (Note G)	4,888		4,888
231	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP	1.00000
232	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S	1.00000
233	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	1.00000
234	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	-	W/S	1.00000
235	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	-	GP(h)	1.00000
236	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA	1.00000
237	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	-	NA	0.00000
238	TOTAL WORKING CAPITAL	(sum Ins 230 to 237)	4,888		4,888
239	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	-	DA	1.00000
240	RATE BASE (sum Ins 220, 227, 228, 238, 239)		103,373		3,190

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(1)	(2)	(3)	(4)	(5)	
Line No.	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission	
	OPERATION & MAINTENANCE EXPENSE					
241	Transmission	321.112.b	39,106			
242	Less: Total Account 561	(Note I) 321.84-92.b	-			
243	Less: Account 565	(Note J) 321.96.b	-			
244	Less: expenses 100% assigned to TO billed customers (Worksheet I, In 14)		\$0			
245	Total O&M Allocable to Transmission	(Ins 241 - 242 - 243 - 244)	39,106	TP	1.00000	39,106
246	Administrative and General	323.197.b (Note K)	184,594			
247	Less: Acct. 924, Property Insurance	323.185.b	-			
248	Acct. 928, Reg. Com. Exp.	323.189.b	64,483			
249	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-			
250	Acct. 930.2, Misc. Gen. Exp.	323.192.b	-			
251	Balance of A & G	(In 246 - sum In 247 to In 250)	120,111	W/S	1.00000	120,111
252	Plus: Acct. 924, Property Insurance	(In 247)	-	GP(h)	1.00000	-
253	Acct. 928 - Transmission Specific	Worksheet J In 5.(E) (Note L)	-	TP	1.00000	-
254	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 19.(E) (Note L)	-	TP	1.00000	-
255	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 25.(E) (Note L)	-	DA	1.00000	-
255a	PBOP Adjustment	(Worksheet O In 16.D)	4,715	DA	1.00000	4,715
256	A & G Subtotal	(sum Ins 251 to 255 less In 255a)	124,826			124,826
257	TOTAL O & M EXPENSE	(In 245 + In 256)	163,932			163,932
258	DEPRECIATION AND AMORTIZATION EXPENSE					
259	Transmission	336.7.f	-	TP	1.00000	-
260	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A			N/A
260a	Plus: Formation Costs Amortization	(Worksheet A In 35.C)	29,507	DA	1.00000	29,507
261	General	336.10.f	-	W/S	1.00000	-
262	Intangible	336.1.f	-	W/S	1.00000	-
263	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 259 to 262)	29,507			29,507
264	TAXES OTHER THAN INCOME					
265	Labor Related	(Note N)				
266	Payroll	Worksheet L, Col. D	-	W/S	1.00000	-
267	Plant Related					
268	Property	Worksheet L, Col. C	-	GP(h)	1.00000	-
269	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000	-
270	Other	Worksheet L, Col. E	380	GP(h)	1.00000	380
271	TOTAL OTHER TAXES	(sum Ins 266 to 270)	380			380
272	INCOME TAXES					
273	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.85%			
274	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		42.28%			
275	where WCLTD=(In 326) and WACC = (In 329)					
276	and FIT, SIT & p are as given in Note O.					
277	$GRCF=1 / (1 - T) =$ (from In 273)		1.6353			
278	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-			
279	Income Tax Calculation	(In 274 * In 282)	3,733			115
280	ITC adjustment	(In 277 * In 278)	-	NP(h)	1.00000	-
281	TOTAL INCOME TAXES	(sum Ins 279 to 280)	3,733			115
282	RETURN ON RATE BASE (Rate Base*WACC)	(In 240 * In 329)	8,828			272
283	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA	1.00000	-
284	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		206,380			194,207
285	(sum Ins 257, 263, 271, 281, 282, 283)					
286	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		486	DA		457
287	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		206,866			194,664

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF								
288	Total transmission plant	(In 183)						0	
289	Less transmission plant excluded from SPP Tariff	(Note Q)						-	
290	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C))	(Note R)						-	
291	Transmission plant included in SPP Tariff	(In 288 - In 289 - In 290)						<u>0</u>	
292	Percent of transmission plant in SPP Tariff	(In 291 / In 288)					TP=	1.00000	
293	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total				
294	<i>Line Deliberately Left Blank</i>								
295	Transmission	354.21.b	0	66,508	66,508	TP	1.00000	66,508	
296	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000	-	
297	<i>Line Deliberately Left Blank</i>								
298	Other (Excludes A&G)	354.24,25,26.b	0	0	-	NA	0.00000	-	
299	Total	(sum Ins 294 to 298)	0	66,508	66,508			<u>66,508</u>	
300	Transmission related amount						W/S=	1.00000	
301	<u>STAND ALONE (Note T)</u>								
301	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								
302								\$	
303								-	
304								-	
304	Development of Common Stock:								
305								(485,511)	
306								-	
307								-	
308								-	
309								<u>(485,511)</u>	
310									
		\$					Cost (Note T)	Weighted	
311	Long Term Debt (Worksheet M, In. 20, col. (B))	-					-	0.0000	
312	Preferred Stock (Worksheet M, In. 26, col. (B))	-					-	0.0000	
313	Common Stock (In 309) (Note U)	(485,511)					11.2%	0.0000	
314	Total (sum Ins 311 to 313)	(485,511)					WACC=	0.0000	
315	Capital Structure Equity Limit (Note U)	50.0%							
316	<u>SOUTHWESTERN ELECTRIC POWER COMPANY (Note T)</u>								
316	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								
317								\$	
318								113,677,430	
318								-	
319								-	
319	Development of Common Stock:								
320								2,021,211,699	
321								-	
322								19,193,896	
323								(17,862,454)	
324								<u>2,019,880,257</u>	
325									
		\$					Cost (Note T)	Weighted	
326	Long Term Debt (SWEPCO WS-M, In. 21, col. (B))	1,960,200,000					0.0580	0.0286	
327	Preferred Stock (SWEPCO WS-M, In. 22, col. (B))	-					-	0.0000	
328	Common Stock (In 324) (Note U)	2,019,880,257					11.2%	0.0568	
329	Total (sum Ins 326 to 328)	3,980,080,257					WACC=	0.0854	
330	Capital Structure Equity Limit (Note U for SWEPCO)	52.5%							

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

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Letter

Notes

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

b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting workpapers rather than using the allocations above.

- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the projected revenue requirement for each project, based on an FCR rate calculated from inputs on this TCOS. Line 180 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- E The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet B.
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 245.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 239 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 283.
- I Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.
- L Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 273) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
- | | | | |
|------------------|-------|--------|---|
| Inputs Required: | FIT = | 35.00% | |
| | SIT= | 5.92% | (State Income Tax Rate or Composite SIT. Worksheet K) |
| | p = | 0.00% | (percent of federal income tax deductible for state purposes) |
- P Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Q Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- R Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- T The Capital Structure of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. will be based on the Capital Structure of SWEPCO until AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS. Long Term Debt cost rate = long-term interest (In 317) / long term debt (In 326). Preferred Stock cost rate = preferred dividends (In 318) / preferred outstanding (In 327).
 Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 50% of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.'s Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 106)			\$194,777
2	REVENUE CREDITS	(Note A)			
3	Transmission Credits	(Worksheet H)	5,652	DA	\$ 5,652
4	Assoc. Business Development	(Worksheet H)	-	DA	\$ -
5	Total Revenue Credits		5,652		\$ 5,652
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			\$189,125

MEMO: The Carrying Charge Calculations on lines 9 to 14 below is used in calculating project revenue requirements billed on SPP Schedule 11. The total non-incentive revenue requirements for these projects shown on line 7 is included in the total on line 6.

7	Trued-Up Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet G)		-	DA	1.00000	\$ -
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
9	Annual Rate	(In 1 / In 39 x 100)				0%
10	Monthly Rate	(In 9 / 12)				0.00%
11	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DEPRECIATION (w/o incentives) (Note B)					
12	Annual Rate	((In 1 - In 82) / In 39 x 100)				0.00%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((In 1 - In 82 - In 103 - In 104) / In 39 x 100)				0.00%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet G)					-

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(1)	(2)	(3)	(4)	(5)
	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total NOTE D	Allocator	Total Transmission
Line No.	GROSS PLANT IN SERVICE				
16	<i>Line Deliberately Left Blank</i>				
17	<i>Line Deliberately Left Blank</i>				
18	Transmission	(Worksheet A In 3.E & Ln 114)	0	DA	0
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E)	-	TP	-
20	<i>Line Deliberately Left Blank</i>			1.00000	
21	<i>Line Deliberately Left Blank</i>				
22	General Plant	(Worksheet A In 7.E)	-	W/S	-
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	-	W/S	-
24	Intangible Plant	(Worksheet A In 9.E)	-	W/S	-
25	TOTAL GROSS PLANT	(sum Ins 16 to 24)	<u>0</u>	GP(TU)=	<u>0</u>
				GTD=	1.000000
26	ACCUMULATED DEPRECIATION AND AMORTIZATION				
27	<i>Line Deliberately Left Blank</i>				
28	<i>Line Deliberately Left Blank</i>				
29	Transmission	(Worksheet A In 14.E & 28.E)	-	TP1=	-
30	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	-
31	<i>Line Deliberately Left Blank</i>				
32	<i>Line Deliberately Left Blank</i>				
33	General Plant	(Worksheet A In 18.E)	-	W/S	-
34	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	-	W/S	-
35	Intangible Plant	(Worksheet A In 20.E)	-	W/S	-
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	<u>-</u>		<u>-</u>
37	NET PLANT IN SERVICE				
38	<i>Line Deliberately Left Blank</i>				
39	Transmission	(In 18 + In 19 - In 29 - In 30)	0		0
40	<i>Line Deliberately Left Blank</i>				
41	General Plant	(In 22 + In 23 - In 33 - In 34)	-		-
42	Intangible Plant	(In 24 - In 35)	-		-
43	TOTAL NET PLANT IN SERVICE	(sum Ins 38 to 42)	<u>0</u>	NP(TU)=	<u>0</u>
				1.00000	
44	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)			
45	Account No. 281.1 (enter negative)	272-273.8.k	-	NA	-
46	Account No. 282.1 (enter negative)	(Worksheet C, In 7.C & In 9.J)	-	DA	-
47	Account No. 283.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	(29,622)	DA	(1,307)
48	Account No. 190.1	(Worksheet C, In 25.C & Ln 27.J)	65,960	DA	457
49	Account No. 255 (enter negative)	(Worksheet C, In 34.C & Ln 36.J)	-	DA	-
50	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	<u>36,338</u>		<u>(849)</u>
51	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	-	DA	-
51a	REGULATORY ASSETS	(Worksheet A In 38. (C))	59,015	DA	59,015
52	WORKING CAPITAL	(Note F)			
53	Cash Working Capital	(1/8 * In 68) (Note G)	4,888		4,888
54	Transmission Materials & Supplies	(Worksheet D, In 2.(F))	-	TP	-
55	A&G Materials & Supplies	(Worksheet D, In 3.(F))	-	W/S	-
56	Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	-
57	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 7.G)	-	W/S	-
58	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 7.F)	-	GP(TU)	-
59	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 7.E)	-	DA	-
60	Prepayments (Account 165) - Unallocable	(Worksheet D, In 7.D)	-	NA	-
61	TOTAL WORKING CAPITAL	(sum Ins 53 to 60)	<u>4,888</u>		<u>4,888</u>
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	-	DA	-
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		<u>41,226</u>		<u>4,039</u>

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(1)	(2)	(3)	(4)	(5)
Line No.	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
64	OPERATION & MAINTENANCE EXPENSE				
64	Transmission	321.112.b	39,106		
65	Less: Total Account 561	(Note I) 322.84-92.b	-		
66	Less: Account 565	(Note J) 322.96.b	-		
67	Less: expenses 100% assigned to TO billed customers (Worksheet I, In 14)		\$0		
68	Total O&M Allocable to Transmission	(Ins 64 - 65 - 66 - 67)	39,106	TP	39,106
69	Administrative and General	323.197.b (Note K)	184,594		
70	Less: Acct. 924, Property Insurance	323.185.b	-		
71	Acct. 928, Reg. Com. Exp.	322.189.b	64,483		
72	Acct. 930.1, Gen. Advert. Exp.	322.191.b	-		
73	Acct. 930.2, Misc. Gen. Exp.	322.192.b	-		
74	Balance of A & G	(In 69 - sum In 70 to In 73)	120,111	W/S	120,111
75	Plus: Acct. 924, Property Insurance	(In 70)	-	GP(TU)	-
76	Acct. 928 - Transmission Specific	Worksheet J In 5.(E) (Note L)	-	TP	-
77	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 19.(E) (Note L)	-	GP(TU)	-
78	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 25.(E) (Note L)	-	DA	-
78a	PBOP Adjustment	(Worksheet O In 16.D)	4,715	DA	4,715
79	A & G Subtotal	(sum Ins 74 to 78 less In 78a)	124,826		124,826
80	TOTAL O & M EXPENSE	(In 68 + In 79)	163,932		163,932
81	DEPRECIATION AND AMORTIZATION EXPENSE				
82	Transmission	336.7.f	-	TP	-
83	General	336.10.f	-	W/S	-
84a	Plus: Formation Costs Amortization	(Worksheet A In 35.E)	29,507		29,507
84	Intangible	336.1.f	-	W/S	-
85	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 82 to 84)	29,507		29,507
86	TAXES OTHER THAN INCOME	(Note N)			
87	Labor Related				
88	Payroll	Worksheet L, Col. D	-	W/S	-
89	Plant Related				
90	Property	Worksheet L, Col. C	-	GP(TU)	-
91	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	-
92	Other	Worksheet L, Col. E	380	GP(TU)	380
93	TOTAL OTHER TAXES	(sum Ins 88 to 92)	380		380
94	INCOME TAXES	(Note O)			
95	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.85%		
96	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		41.86%		
97	where WCLTD=(In 148) and WACC = (In 151)				
98	and FIT, SIT & p are as given in Note O.				
99	$GRCF=1 / (1 - T) =$ (from In 95)		1.6353		
100	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
101	Income Tax Calculation	(In 96 * In 104)	1,505		147
102	ITC adjustment	(In 99 * In 100)	-	NP(TU)	-
103	TOTAL INCOME TAXES	(sum Ins 101 to 102)	1,505		147
104	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 151)	3,596		352
105	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA	-
106	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		198,921		194,319
107	(sum Ins 80, 85, 93, 103, 104, 105)				
108	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		468	DA	458
109	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		199,389		194,777

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF								
110	Total transmission plant	(In 18)							0
111	Less transmission plant excluded from SPP Tariff (Note Q)								-
112	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note R)								-
113	Transmission plant included in SPP Tariff	(In 110 - In 111 - In 112)							0
114	Percent of transmission plant in SPP Tariff	(In 113 / In 110)						TP=	1.00000
115	WAGES & SALARY ALLOCATOR (W/S)	(Note S)		Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
116	<i>Line Deliberately Left Blank</i>								
117	Transmission	354.21.b		0	66,508	66,508	TP	1.00000	66,508
118	Regional Market Expenses	354.22.b		0	0	-	NA	0.00000	-
119	<i>Line Deliberately Left Blank</i>								
120	Other (Excludes A&G)		0	0	0	-	NA	0.00000	-
121	Total	(sum Ins 116 to 120)		0	66,508	66,508			66,508
122	Transmission related amount							W/S=	1.00000
123	STAND ALONE (Note T) WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
124	Long Term Interest	Long Term Interest (Worksheet N, In. 18, col. (E))							-
125	Preferred Dividends	Preferred Stock Dividends (Worksheet N, In. 47, col. (E))							-
126	<u>Development of Common Stock:</u>								Average
127	Proprietary Capital	(Worksheet N, In. 1, col. (E))							(342,296)
128	Less Preferred Stock (In 134)	(Worksheet N, In. 2, col. (E))							-
129	Less Account 216.1	(Worksheet N, In. 3, col. (E))							-
130	Less Account 219	(Worksheet N, In. 4, col. (E))							-
131	Common Stock	(In 142 - In 143 - In 144 - In 145)							(342,296)
132		2013 Avg Balances							
133	Avg Long Term Debt (Worksheet N, In. 10, col. (E))								-
134	Avg Preferred Stock (Worksheet N, In. 46, col. (E))								-
135	Avg Common Stock (In 131) (Note U)					(342,296)			0.0000
136	Total (sum Ins 133 to 135)					(342,296)			0.0000
137	Capital Structure Equity Limit (Note U)								50.0%
138	SOUTHWESTERN ELECTRIC POWER COMPANY (Note T) WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
139	Long Term Interest	Long Term Interest (SWE FR Worksheet N, In. 19, col. (E))							111,378,570
140	Preferred Dividends	Preferred Stock Dividends (SWE FR Worksheet N, In. 46, col. (E))							-
141	<u>Development of Common Stock:</u>								Average
142	Proprietary Capital	(SWE Worksheet N, In. 1, col. (E))							1,917,288,612
143	Less Preferred Stock (In 149)	(SWE Worksheet N, In. 2, col. (E))							-
144	Less Account 216.1	(SWE Worksheet N, In. 3, col. (E))							17,939,246
145	Less Account 219	(SWE Worksheet N, In. 4, col. (E))							(22,339,798)
146	Common Stock	(In 142 - In 143 - In 144 - In 145)							1,921,689,164
147		2012 Avg Balances							
148	Avg Long Term Debt (SWE WS-N, In. 10, col. (E))					1,822,700,000			48.68%
149	Avg Preferred Stock (SWE WS-N, In. 46, col. (E))					-			0.00%
150	Avg Common Stock (In 146) (Note U)					1,921,689,164			51.32%
151	Total (sum Ins 148 to 150)					3,744,389,164			0.0575
152	Capital Structure Equity Limit (Note U for SWEPCO)								52.5%

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

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Letter

Notes

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

b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting workpapers rather than using the allocations above.

- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the true-up revenue requirement for each project, based on an FCR rate calculated from inputs on this TCOS. Line 15 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- E The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet C.
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 68.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 62 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 105.
- I Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.
- L Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and $p =$ "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 95) multiplied by $(1/1-T)$. If the applicable tax rates are zero enter 0.
- | | | |
|------------------|-------|---|
| Inputs Required: | FIT = | 35.00% |
| | SIT= | 5.92% (State Income Tax Rate or Composite SIT. Worksheet K) |
| | p = | 0.00% (percent of federal income tax deductible for state purposes) |
- P Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Q Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- R Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- T The Capital Structure of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. will be based on the Capital Structure of SWEPSCO until AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS.
 Long Term Debt cost rate = long-term interest (In 139) / long term debt (In 148). Preferred Stock cost rate = preferred dividends (In 140) / preferred outstanding (In 149).
 Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 50% of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.'s Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEP West SPP Member Companies
 2013 Cost of Service Formula Rate
Worksheet A - Detail Plant Balances
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

<u>Line Number</u>	<u>(A) Rate Base Item & Supporting Balance</u>	<u>(B) Source of Data</u>	<u>(C) Balances @ 12/31/2012</u>	<u>(D) Balances 12/31/2011</u>	<u>(E) Average Balance for 2012</u>
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
Plant Investment Balances					
1	<i>Line Deliberately Left Blank</i>				
2	<i>Line Deliberately Left Blank</i>				
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	0	0	0
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	-	-	-
5	<i>Line Deliberately Left Blank</i>				
6	<i>Line Deliberately Left Blank</i>				
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	-	-	-
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	-	-	-
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	-	-	-
10	Total Property Investment Balance	(Sum of Lines: 3, 7, 9)	0	0	0
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 8)	-	-	-
Accumulated Depreciation & Amortization Balances					
12	<i>Line Deliberately Left Blank</i>				
13	<i>Line Deliberately Left Blank</i>				
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	-	-	-
15	Transmission ARO Accumulated Depreciation	Company Records	-	-	-
16	<i>Line Deliberately Left Blank</i>				
17	<i>Line Deliberately Left Blank</i>				
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	-	-	-
19	General ARO Accumulated Depreciation	Company Records	-	-	-
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	-	-	-
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 18, 20)	-	-	-
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 19)	-	-	-
Generation Step-Up Units					
23	GSU Investment Amount	Company Records	-	-	-
24	GSU Accumulated Depreciation	Company Records	-	-	-
25	GSU Net Balance	(Line 23 - Line 24)	-	-	-
Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation					
26	Transmission Accumulated Depreciation	(Line 14 Above)	-	-	-
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	-	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	-	-	-
Plant Held For Future Use					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	-	-	-
30	Transmission Plant Held For Future	Company Records	-	-	-
Regulatory Assets and Liabilities Approved for Recovery In Ratebase					
Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.					
31	Regulatory Asset (Note 1)		73,768	103,276	88,522
32	Amortization in Months		30	42	36
33	Monthly Amortization	(line 31 / line 32)	2,459	2,459	2,459
34	Months in 2012 to be amortized		12	12	12
35	Amortization Expense in 2012 Year	(line 33 X line 34)	29,507	29,507	29,507
36	Months in 2013 to be amortized		12	12	12
37	Amortization Expense in 2013 Year	(line 33 X line 36)	29,507	29,507	29,507
38	Balance of Regulatory Asset	(line 31 - line 35)	44,261	73,768	59,015
39	Average Balance of Regulatory Asset	(line 31 + line 38)/2	59,014	88,522	73,768
40	Unamortized Balance of Regulatory Asset at YE 2012 (Note 1)		44,261	73,768	59,015
41	Total Regulatory Deferrals Included in Ratebase		0	0	0

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

AEP West SPP Member Companies
 2013 Cost of Service Formula Rate Projected on 2012 FF1 Balances
Worksheet B - Projected Transmission Plant in Service Additions
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

I. Calculation of Composite Depreciation Rate

STAND ALONE (Note 1)		
1	Transmission Plant @ Beginning of Historic Period (2012) (P.206, In 58,(b)):	-
2	Transmission Plant @ End of Historic Period (2012) (P.207, In 58,(g)):	-
3		-
4	Average Balance of Transmission Investment	-
5	Annual Depreciation Expense, Historic TCOS, In 259	-
6	Composite Depreciation Rate	0.00%
7	Average Depreciable Life (Years)	0
 SOUTHWESTERN ELECTRIC POWER COMPANY (Note 1)		
8	Transmission Plant @ Beginning of Historic Period (2012) (P.206, In 58,(b)):	988,029,328
9	Transmission Plant @ End of Historic Period (2012) (P.207, In 58,(g)):	1,115,290,032
10		2,103,319,360
11	Average Balance of Transmission Investment	1,051,659,680
12	Annual Depreciation Expense, SWEPCO Historic TCOS, In 246	25,189,839
13	Composite Depreciation Rate	2.40%
14	Average Depreciable Life (Years)	42

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

	Month in Service	Capitalized Balance	Composite Annual Depreciation Rate	Annual Depreciation	Monthly Depreciation	No. Months Depreciation
15						
16	January		2.40%	\$ -	\$ -	11
17	February		2.40%	\$ -	\$ -	10
18	March		2.40%	\$ -	\$ -	9
19	April		2.40%	\$ -	\$ -	8
20	May		2.40%	\$ -	\$ -	7
21	June		2.40%	\$ -	\$ -	6
22	July		2.40%	\$ -	\$ -	5
23	August		2.40%	\$ -	\$ -	4
24	September		2.40%	\$ -	\$ -	3
25	October		2.40%	\$ -	\$ -	2
26	November		2.40%	\$ -	\$ -	1
27	December		2.40%	\$ -	\$ -	0
28	Investment	\$ -				Depreciation Expense

III. Plant Transferred

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

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

AEP West SPP Member Companies
 2013 Cost of Service Formula Rate
Worksheet C - ADIT Balances used in Projection & True-Up
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.	(A) Acc. No.	(B) Description	(C) YE Balance	(E) Exclusions *	(F) 100% Transmission Related	(G) PTD Plant Related	(H) Transmission Plant Related	(I) Labor Related	(J) Total Included in Ratebase (E)+(F)+(G)+(H)
Account 282 - Form-1 page 274-275, Ln 2 Col. (k)									
282 Balance to Use in Projection									
1	282.1	2012 Year End Tax Deferrals - Ws C-1	-	-	-	-	-	-	-
2	282.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
3	282.1	Allocated Total		0	0	0	0	0	0
282 Balance to Use in True-Up									
4	282.1	2012 Year End Tax Deferrals - Ws C-1	-	-	-	-	-	-	-
5	282.1	2011 Year End Tax Deferrals - Ws C-2	-	-	-	-	-	-	-
6		Subtotal	-	-	-	-	-	-	-
7		Average Balance	0	0	0	0	0	0	0
8		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
9		Allocated Total		0	0	0	0	0	0
Account 283 - Form-1 page 276-277, Ln 9, Col (k)									
283 Balance to Use in Projection									
10	283.1	2012 Year End Tax Deferrals - Ws C-1	(33,425)	(30,812)	(2,613)	-	-	-	-
11	283.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
12	283.1	Allocated Total		0	(2,613)	0	0	0	(2,613)
283 Balance to Use in True-Up									
13	283.1	2012 Year End Tax Deferrals - Ws C-1	(33,425)	(30,812)	(2,613)	-	-	-	-
14	283.1	2011 Year End Tax Deferrals - Ws C-2	(25,819)	(25,819)	-	-	-	-	-
15		Subtotal	(59,244)	(56,631)	(2,613)	-	-	-	-
16		Average Balance	(29,622)	(28,316)	(1,307)	0	0	0	0
17		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
18		Allocated Total		0	(1,307)	0	0	0	(1,307)
Account 190 - Form-1 page 234, Ln 8, Col. (c)									
190 Balance to Use in Projection									
19	190.1	2012 Year End Tax Deferrals - Ws C-1	131,910	130,996	915	-	-	-	-
20	190.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
21	190.1	Allocated Total		0	915	0	0	0	915
190 Balance to Use in True-Up									
22	190.1	2012 Year End Tax Deferrals - Ws C-1	131,910	130,996	915	-	-	-	-
23	190.1	2011 Year End Tax Deferrals - Ws C-2	9	9	-	-	-	-	-
24		Subtotal	131,919	131,005	915	-	-	-	-
25		Average Balance	65,960	65,502	457	0	0	0	0
26		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
27		Allocated Total		0	457	0	0	0	457
Account 255 - Form-1 page 266-267									
255 Balance to Use in Projection									
28	255	Acc Defrd ITC - Federal - 12/31/2012 (FF1 p. 267, Ln 2.h)	-						
29	255	Transmission Allocator from Historic TCOS [GP or W/S]				100.0000%			
30	255	Allocated Total		N/A	N/A	0	N/A	N/A	0
255 Balance to Use in True-Up									
31	255	Acc Defrd ITC - Federal - 12/31/2012 (FF1 p. 267, Ln 2.h)	-						
32	255	Acc Defrd ITC - Federal - 12/31/2011 (FF1 p. 266, Ln 2.b)	-						
33		Subtotal	-						
34		Average Balance	0						
35		Transmission Allocator from True-Up TCOS [GP or W/S]				100.0000%			
36		Allocated Total		N/A	N/A	0	N/A	N/A	0

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

Worksheet C-1 - ADIT & ITC Details

SOUTHWESTERN TRANSMISSION COMPANY
 DETAIL OF DEFERRED INCOME TAX BALANCES
 AS OF DECEMBER 31, 2012

Account	Line #	Description	Balance		Exclusions	Allocation Method			
						100% Transmission	PTD Plant	T&D	Labor
2821001									
2821001									
2821001									
2821001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	0		0	0	0	0	0
		(absolute value Total Company Amount Ties to FF1 p.275(k) -- Acct 282 Electric)	0						
2831001	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	(15,321)	E	(15,321)				
2831001	664J	REG ASSET-TRANSCO PRE-FORMATION COSTS	(15,491)	E	(15,491)				
2831001									
2831002	911Q-DSIT	DSIT ENTRY - NORMALIZED	(2,613)	T		(2,613)			
2831		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(33,425)		(30,812)	(2,613)	0	0	0
		(absolute value Total Company Amount Ties to FF1 p.277(k) -- Acct 283 Electric)	33,425						
1901001	911Q-DSIT	DSIT ENTRY - NORMALIZED	915	T		915			
1901001	960Z	NOL - DEFERRED TAX ASSET RECLASS	87,222	E	87,222				
1901001		NOL STATE C/F DEF STATE TAX ASSET	43,774	E	43,774				
1901001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	131,910		130,996	915	0	0	0
		(Total Company Amount Ties to FF1 p.234(c) -- Electric)	131,911						

Worksheet C-2 - ADIT & ITC Details

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

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

AEP West SPP Member Companies
 2013 Cost of Service Formula Rate
Worksheet D - Working Capital Rate Base Adjustments
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
<u>Line Number</u>	<u>Source</u>	<u>Balance @ December 31, 2012</u>	<u>Balance @ December 31, 2011</u>	<u>Average Balance for Rate Year 2012</u>				
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c & b)	0	0	-			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c & t)	0	0	-			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c & t)	0	0	-			

Prepayment Balance Summary

	<u>Average of YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Plant Related</u>	<u>Labor Related</u>	<u>Total Included in Rate Base (E)+(F)+(G)</u>
5 Totals as of December 31, 2012	0	0	0	0	0	0
6 Totals as of December 31, 2011	0	0	0	0	0	0
7 Average Balance	0	0	0	0	0	0

Prepayments Account 165 - Balance @ 12/31/2012

<u>Acc. No.</u>	<u>Description</u>	<u>2012 YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Plant Related</u>	<u>Labor Related</u>	<u>Total Included in Rate Base (E)+(F)+(G)</u>
8							
9							0
10							0
11							0
12							0
13							0
14							0
15							0
16							0
17							0
18							0
	Subtotal - Form 1, p 111.57.c	0	0	0	0	0	0

Prepayments Account 165 - Balance @ 12/31/2011

<u>Acc. No.</u>	<u>Description</u>	<u>2011 YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Plant Related</u>	<u>Labor Related</u>	<u>Total Included in Rate Base (E)+(F)+(G)</u>
19							
20							0
21							0
22							0
23							0
24							0
25							0
26							0
27							0
28							0
29							0
	Subtotal - Form 1, p 111.57.d						0

AEP West SPP Member Companies
 2013 Cost of Service Formula Rate
Worksheet E - IPP Credits
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2012</u>
1	Net Funds from IPP Customers @ 12/31/2011 (2012 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 12/31/2012 (2012 FORM 1, P269, (F))	-
8	Average Balance for 2012 ((In 1 + In 7) / 2)	-

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

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

ROE w/o incentives (Projected TCOS, In 163)			11.20%
Project ROE Incentive Adder (Enter as whole number)		0	basis points
ROE with additional 0 basis point incentive			11.20% <==Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from SWEPCO Projected TCOS, Ins 148 through 150)			
	%	Cost	Weighted cost
Long Term Debt	49.25%	0.0580	0.0286
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	50.75%	0.1120	0.0568
			R = 0.0854

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR 2013	-	-	\$ -

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

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

Rate Base (Projected TCOS, In 75)	3,190
R (from A. above)	0.0854
Return (Rate Base x R)	272

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

Return (from B. above)	272
Tax Rate (Projected TCOS, In 108)	38.85%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	42.28%
Income Tax Calculation (Return x EIT)	115
ITC Adjustment (Projected TCOS, In 115)	-
Income Taxes	115

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

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

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

Net Revenue Requirement (Projected TCOS, In 122)	194,664
Return (Projected TCOS, In 117)	272
Income Taxes (Projected TCOS, In 116)	115
Gross Margin Taxes (Projected TCOS, In 121)	457
Net Revenue Requirement, Less Return and Taxes	193,820

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

Net Revenue Requirement, Less Return and Taxes	193,820
Return (from I.B. above)	272
Income Taxes (from I.C. above)	115
Net Revenue Requirement, with 0 Basis Point ROE increase	194,207
Gross Margin Tax with 0 Basis Point ROE Increase (II C. below)	457
Revenue Requirement w/ Gross Margin Taxes	194,664
Less: Depreciation (Projected TCOS, In 94)	-
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	194,664

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

Net Revenue Requirement before Gross Margin Taxes, with 0 Basis Point ROE increase (II B. above)	194,207
Apportionment Factor to Texas (Worksheet K, In 12)	33.56%
Apportioned Texas Revenues	65,185
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	45,630
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	456
Gross-up Required for Gross Margin Tax Expense	1
Total Additional Gross Margin Tax Revenue Requirement	457

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

Net Transmission Plant (Projected TCOS, Ins 46, 47, 48, 49, 51)	0
Net Revenue Requirement, with 0 Basis Point ROE increase	194,207
FCR with 0 Basis Point increase in ROE	0.00%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	194,664
FCR with 0 Basis Point ROE increase, less Depreciation	0.00%
FCR less Depreciation (Projected TCOS, In 12)	15.62%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	-15.62%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	988,029,328	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	1,115,290,032	<==From Input on Worksheet B
Transmission Plant Average Balance for 2012	2,103,319,360	
Annual Depreciation Expense (Projected TCOS, In 94)	1,051,659,680	
Composite Depreciation Rate	25,189,839	
Depreciable Life for Composite Depreciation Rate	2.40%	
Nearest whole year	41.75	
	42	

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

AEP West SPP Member Companies
 2013 Cost of Service Formula Rate Projected on 2012 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 2012 Data
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

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

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

ROE w/o incentives (True-Up TCOS, In 150)	11.20%		
Project ROE Incentive Adder (Enter as whole number)		0	basis points
ROE with additional 0 basis point incentive	11.20%	=<=Incentive ROE Cannot Exceed 12.45%	
Determine R (cost of long term debt, cost of preferred stock and percent is from SWEPSCO True-Up TCOS, Ins 147 through 149)			
	%	Cost	Weighted cost
Long Term Debt	48.68%	0.0611	0.0297
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	51.32%	0.1120	0.0575
		R =	0.0872

SUMMARY OF TRUED-UP ANNUAL REV. REQ. FOR SPP BPU & NON-BPU PROJECTS				
TRUE-UP YEAR	2012	Rev Require	W Incentives	Incentive Amounts
Σ Prior Year Projected (WS-F)	\$	-	\$ -	\$ -
Σ Prior Year True-Up (WS-G)	\$	-	\$ -	\$ -
True-up Adjustment For 2012		-	-	-

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

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

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

Rate Base (True-Up TCOS, In 63)	4,039
R (from A. above)	0.0872
Return (Rate Base x R)	352

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

Return (from B. above)	352
Tax Rate (True-Up TCOS, In 95)	38.85%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	41.86%
Income Tax Calculation (Return x EIT)	147
ITC Adjustment (True-Up TCOS, In 102)	-
Income Taxes	147

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

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

Net Revenue Requirement (True-Up TCOS, In 109)	194,777
Return (True-Up TCOS, In 104)	352
Income Taxes (True-Up TCOS, In 103)	147
Gross Margin Taxes (True-Up TCOS, In 108)	458
Net Revenue Requirement, Less Return and Taxes	193,820

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

Net Revenue Requirement, Less Return and Taxes	193,820
Return (from I.B. above)	352
Income Taxes (from I.C. above)	147
Net Revenue Requirement, with 0 Basis Point ROE increase	194,319
Gross Margin Tax with Basis Point ROE Increase (II C. below)	458
Revenue Requirement w/ Gross Margin Taxes	194,777
Less: Depreciation (True-Up TCOS, In 82)	-
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	194,777

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

Net Revenue Requirement before Gross Margin Taxes, with 0	194,319
Basis Point ROE increase (II B. above)	
Apportionment Factor to Texas (Worksheet K, In 12)	33.56%
Apportioned Texas Revenues	65,223
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	45,656
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	457
Gross-up Required for Gross Margin Tax Expense	1
Total Additional Gross Margin Tax Revenue Requirement	458

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

Net Transmission Plant (True-Up TCOS, In 39)	0
Net Revenue Requirement, with 0 Basis Point ROE increase	194,777
FCR with 0 Basis Point increase in ROE	19477693101.01%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	194,777
FCR with 0 Basis Point ROE increase, less Depreciation	19477693101.01%
FCR less Depreciation (True-Up TCOS, In 12)	0.00%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	19477693101.01%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	988,029,328	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	1,115,290,032	<==From Input on Worksheet B
	2,103,319,360	
Transmission Plant Average Balance for 2012	1,051,659,680	
Annual Depreciation Expense (True-Up TCOS, In 82)	25,189,839	
Composite Depreciation Rate	2.40%	
Depreciable Life for Composite Depreciation Rate	41.75	
Round to nearest whole year	42	

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

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet H - Revenue Credits for Historic Period
 AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Revenue Credits for

	Total Company	Non-Transmission	Transmission
I. Account 450, Forfeited Discounts		-	-
II. Account 451, Miscellaneous Service Revenues		0	0
III. Account 454, Rent from Electric Property			
1 Account 4540001 - Rent from Elect Property-Aff		0	0
2 Account 4540002 - Rent from Elect Property - Non-Aff		0	0
3 Account 4540003 - Rent from Elect Property - ABD - Aff		0	0
4 Account 4540004 - Rent from Elect Property - ABD - Non-Aff		0	0
5 Total Rents from Electric Property	0		0

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

IV. Account 4560015, Revenues from Associated Business Development			0
1 Account 4560015, Revenues from Associated Business Development			0
V. Total Other Operating Revenues To Reduce Revenue Requirement			0

VI. Account 456.1, Revenues from Transmission of Electricity of Others			227,394
---	--	--	---------

(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			221,742
6 Revenue Associated with Transmission Plant Excluded From SPP Tariff			
7 Other Non-Transmission Revenue			
8 Revenue from SPP Ancillary Services Provided			
9 Base Plan Revenue (from SPP)			
10 Flow Through of ERCOT Ancillary Charges			
11 Other			

Net Transmission Credits \$5,652

VII. Total Worksheet A Revenue Credits			\$5,652
---	--	--	---------

VIII. Data Sources:

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

AEP West SPP Member Companies
Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet I - Supporting Transmission Expense Adjustments
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

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

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

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

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet J - Allocation of Specific O&M or A&G Expenses
 AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

<u>Line Number</u>	<u>(A)</u> <u>FERC Acct No.</u>	<u>(B)</u> <u>Description</u>	<u>(C)</u> <u>2012 Expense</u>	<u>(D)</u> <u>100% Non-Transmission</u>	<u>(E)</u> <u>100% Transmission Specific</u>	<u>(F)</u> <u>Explanation</u>
		<u>Account 928</u>				
1	9280002	Regulatory Commission Exp - Case	64,483	64,483		CCA charges associated with SWTCo application to Arkansas for public utility status.
2						
3						
4						
5		Total	<u>64,483</u>	<u>64,483</u>	<u>-</u>	
		<u>Account 930.1</u>				
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19		Total	<u>-</u>	<u>-</u>	<u>-</u>	
		<u>Account 930.2</u>				
20						
21						
22						
23						
24						
25		Total	<u>-</u>	<u>-</u>	<u>-</u>	

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet K - Development of Composite State Income Tax Rate
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

I. DEVELOPMENT OF COMPOSITE STATE INCOME TAX RATES FOR 2012

State Income Tax Rate - Louisiana		8.00%	
Apportionment Factor		34.17%	
Effective Louisiana State Income Tax Rate			2.7336%
State Income Tax Rate - Arkansas		6.50%	
Apportionment Factor		49.01%	
Effective Arkansas State Income Tax Rate			3.1857%
State Income Tax Rate - Oklahoma	Note 1	0.0000%	
Apportionment Factor		0.0000%	
Effective State Income Tax Rate			0.0000%
State Income Tax Rate - Ohio		0.0000%	
Apportionment Factor		0.0000%	
Tax Phase-out Factor	Note 2	0.0000%	
Effective State Income Tax Rate			0.0000%
State Income Tax Rate - Nebraska		0.0000%	
Apportionment Factor		0.0000%	
Effective Nebraska State Income Tax Rate			0.0000%
Total Effective State Income Tax Rate			<u>5.9193%</u>

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 #	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX (In 117 of Template)	Projected		Historic		Actual	
		Total Company	Trans. Only	Total Company	Trans. Only	Total Company	Trans. Only
		206,380	194,207	206,380	194,207	198,921	194,319
1	Apportionment Factor to Texas (In12)	<u>33.56%</u>	<u>33.56%</u>	<u>33.56%</u>	<u>33.56%</u>	<u>33.56%</u>	<u>33.56%</u>
2	Apportioned Texas Revenues	\$69,271	\$65,185	\$69,271	\$65,185	\$66,767	\$65,223
3	Taxable Percentage of Revenue (70%)	<u>70%</u>	<u>70%</u>	<u>70%</u>	<u>70%</u>	<u>70%</u>	<u>70%</u>
4	Taxable, Apportioned Margin	48,490	45,630	48,490	45,630	46,737	45,656
5	Texas Gross Margin Tax Rate (1%)	<u>1%</u>	<u>1%</u>	<u>1%</u>	<u>1%</u>	<u>1%</u>	<u>1%</u>
6	Texas Gross Margin Tax Expense	485	456	485	456	467	457
7	Gross-up Required for Texas Gross Margin Expense (In 6 * In 3 * In 1)/(1- In 5) * In 5)	1	1	1	1	1	1
8	Total Additional Gross Margin Tax Revenue Requirement	<u>486</u>	<u>457</u>	<u>486</u>	<u>457</u>	<u>468</u>	<u>458</u>
9	WHOLESALE LOAD ALLOCATOR (For Use in Gross Margin Tax Allocator)						
10	Texas Jurisdictional Load	1,257,000	KW				
11	Total Load	3,745,000	KW				
12	Allocation Percentage (In 10 / In 11)	<u>33.56%</u>					

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet L - Taxes Other than Income
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

HISTORIC PERIOD EXPENSE (2012) - TO BE USED ON TRUE-UP TEMPLATE

Line No.	(A) Account	(B) Total Company	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
1	Revenue Taxes					
2						-
3	Real Estate and Personal Property Taxes					
4			-			
5			-			
6			-			
7			-			
8	Payroll Taxes					
9				-		
10				-		
11				-		
12	<i>Line Deliberately Left Blank</i>					
13		-				-
14		-				-
15	Miscellaneous Taxes					
16	Federal Excise Tax					-
17	Franchise Tax	43			43	
18	Sales/Use				-	
19	License Registration	337			337	
20					-	
21					-	
22					-	
23					-	
24					-	
25					-	
26					-	
27					-	
28					-	-
29					-	-
30					-	-
31					-	-
32	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	380 380	-	-	380	-

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2012
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

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

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
 AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2011 and 12/31/2012

(A) <u>Line</u>	(B)	(C) <u>Balances @</u> <u>12/31/2012</u>	(D) <u>Balances @</u> <u>12/31/2011</u>	(E) <u>Average</u>
<u>Development of Average Balance of Common Equity</u>				
1 Total Proprietary Capital (p. 112.16.c&d)		(485,511)	(199,080)	(342,296)
2 Less Preferred Stock from Ln 46 below		0	0	-
3 Less Account 216.1 (p. 112.12.c&d)		0	0	-
4 Less Account 219.1 (p. 112.15.c&d)		0	0	-
5 Average Balance of Common Equity		(485,511)	(199,080)	(342,296)

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

6 Bonds (221) (p. 112.18.c&d)	-	-	-
7 Less: Reacquired Bonds (222) (p. 112.19.c&d)	-	-	-
8 Advances from Assoc. Companies (223) (p112.20.c&d)	-	-	-
9 Senior Unsecured Notes (224) (p. 112.21.c&d)	-	-	-
10 Total Average Debt	-	-	-
11 Annual Interest Expense for 2012			
12 Coupon Interest on Long Term Debt (256-257.33.i)			-
Less: Total Hedge Gain/Expense Accumulated from p 256-257, col (i) of FERC Form 1 included in Ln 12 and shown in Ln Development of Cost of Preferred Stock 13 below.			-
14 Amort of Debt Discount & Expense (428) (p. 117.63.c)			-
15 Amort of Loss on Reacquired Debt (428.1) (p. 117.64.c)			-
16 Less: Amort of Premium on Debt (429) (p. 117.65.c)			-
17 Less: Amort of Gain on Reacquired Debt (429.1) (p. 117.66.c)			-
18 Total Interest Expense (Ln 12 - Ln 13 + Ln 14 + Ln 15 - Ln 16 - Ln 17)			-
19 Average Cost of Debt for 2013 (Ln 18/Ln 10)			0.00%

CALCULATION OF HEDGE GAINS/LOSSES TO BE EXCLUDED FROM TCOS

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

	HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)	Total Hedge (Gain)/Loss for 2013	Remaining Unamortized Balance	Amortization Period	
				Beginning	Ending
21				0	0
22				0	0
23				0	0
24				0	0
25				0	0
26				0	0
27				0	0
28				0	0
29				0	0

30 Total Hedge Amortization to be Removed

Development of Cost of Preferred Stock

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

AEPTCo subsidiaries in SPP
 Cost of Service Formula Rate Using 2012 FF1 Balances
 Calculation of Post-employment Benefits Other than Pensions Expenses Allocable to Transmission Service
 Worksheet O - PBOP Support
 AEP SOUTHWESTERN TRANSMISSION COMPANY

PBOP	(A)	(B)
1	<u>Calculation of PBOP Expenses</u>	
2	<u>AEP TransCo - AEP Service Corp Employees</u>	
3	Total AEP System PBOP expenses	\$89,661,879
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	\$89,661,879
6	Total AEP System Direct Labor Expense	\$1,214,282,694
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	\$0.074
8	Currently Approved PBOP Rate	\$0.094
9	Base PBOP TransCo labor expensed in current year	\$114,060
10	Allowable TransCo PBOP Expense for current year (Line 8 * Line 9)	\$10,722
11	Direct PBOP Expense per Actuarial Report	\$0
12	Additional PBOP Ledger Entry (From Company Records)	\$0
13	Medicare Credit	\$0
14	PBOP Expenses From AEP Affiliates (From Company Records)	\$6,006
15	Actual PBOP Expense (Sum Lines 11-14)	\$6,006
16	PBOP Adjustment Line 10 less Line 15	\$4,715