

AEP Transmission Formula Rate Template
 Utilizing FERC Form 1 Data
 For rates effective July 1, 2014

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)	\$39,932,998	\$229,848
2	LESS: REVENUE CREDITS	(TCOS Line 5)	\$1,799,108	\$5,550
3	CURRENT YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(TCOS Line 6)	\$38,133,890	\$224,298
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(TCOS Line 7)	6,199,133	-
6	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet F)	-	-
7	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet F)	-	-
8	SUBTOTAL		6,199,133	-
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	31,934,757	224,298
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)	\$31,934,757	\$224,298
12	2013 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, ln 17)	8,113 MW	8,113 MW
13	AEP Monthly NITS Rate in \$/MW - Month	(Line 11 / Line 12) / 12	\$328.01	\$2.30
B. Point-to-Point Service				
14	Annual Point-to-Point Rate in \$/MW - Year	(Line 11 / Line 12)	\$3,936.09	\$27.65
15	Monthly Point-to-Point Rate in \$/MW - Month	(Line 14 / 12)	\$328.01	\$2.30
16	Weekly Point-to-Point Rate in \$/MW - Weekly	(Line 14 / 52)	\$75.69	\$0.53
17	Daily On-Peak Point-to-Point Rate in \$/MW - Day	(Line 14 / 260)	\$15.14	\$0.11
18	Daily Off-Peak Point-to-Point Rate in \$/MW - Day	(Line 14 / 365)	\$10.78	\$0.08
19	Hourly On-Peak Point-to-Point Rate in \$/MW - Hour	(Line 14 / 4160)	\$0.95	\$0.01
20	Hourly Off-Peak Point-to-Point Rate in \$/MW - Hour	(Line 14 / 8760)	\$0.45	\$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. Schedule 1 ARR For 2014 Projected Year				
1	Total Load Dispatch & Scheduling (Account 561) (TCOS Line 77)		\$11,519	\$52
2	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)		\$5,171	\$52
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)	\$6,348	\$0
5	Less: PTP Service Credit (prior year Sched 1 revenue from PTP transactions)		\$0	\$0
6	PROJECTED ZONAL ARR FOR 2014	(Line 4 - Line 5)	\$6,348	\$0
B. Schedule 1 Projected 7/1/2014 Rate Calculations				
7	2013 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 17)	8,113 MW	8,113 MW
8	Annual Point-to-Point Rate in \$/MW - Year	(Line 6 / Line 7)	\$0.78	\$0.00
9	Monthly Point-to-Point Rate (In 8 / 12) \$/MW - Month	(Line 8 / 12)	\$0.07	\$0.00
10	Weekly Point-to-Point Rate (In 8 / 52) \$/MW - Weekly	(Line 8 / 52)	\$0.02	\$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 2013

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 2013 REVENUE REQUIREMENT (w/o incentives)	(True-Up TCOS Line 1)	\$20,282,640	\$245,617
2	LESS: REVENUE CREDITS	(True-Up TCOS Line 5)	\$1,799,108	\$5,550
3	TRUE-UP YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(True-Up TCOS Line 6)	\$18,483,532	\$240,067
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(True-Up TCOS Line 7)	2,370,652	-
6	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-
7	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-
8	SUBTOTAL		2,370,652	-
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	16,112,880	240,067
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(True-Up TCOS Line 15)	-	-
11	TRUED-UP ZONAL ATRR (W/ INCENTIVES) FOR 2013	(Line 9 + Line 10)	16,112,880	240,067
12	2013 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 17)	8,113 MW	8,113 MW
13	Monthly NITS Rate in \$/MW - Month	(Line 11 / Line 12) /12	165.50	2.47

AEP Transmission Formula Rate Template
 Calculation of Schedule 11 Revenue Requirements For AEP Transmission Projects
 For Calendar Year 2013 and Projected Year 2014

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

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

(A)	(B)	(C)	(D)	(E)	(F)	(G) = (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 2014 From WS-F</u>							<u>True-Up ARR CY2013 From Worksheet G (includes adjustment for SPP Collections)</u>										
<u>Line No.</u>	<u>Sheet Name</u>	<u>Owner</u>	<u>Project Description</u>	<u>Year in Service</u>	<u>Base ARR</u>			<u>As Billed by SPP (for Prior Yr T-Service)</u>			<u>Incentive ARR</u>			<u>INTEREST Adjustment</u>	<u>Total Adjustments (True-Up, Billing, & Interest)</u>	<u>Total ADJUSTED Revenue Requirement Effective 7/1/2014</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>COLLECTION Adjustment</u>	<u>True-up</u>	<u>As Billed</u>	<u>Change</u>				
1	OKT.001	OKT	Snyder 138 kV Terminal Addition	2010	86,853	-	86,853	3,547	100,061	73,497	26,564	-	-	-	334	30,444	117,297
2	OKT.002	OKT	Coffeyville T to Dearing 138 kV Rebuild - 1.1 miles	2010	117,066	-	117,066	5,034	140,144	102,939	37,205	-	-	-	468	42,707	159,773
3	OKT.003	OKT	Tulsa Power Station Reactor	2011	74,613	-	74,613	3,147	50,459	37,064	13,396	-	-	-	183	16,726	91,339
4	OKT.004	OKT	Bartlesville SE to Coffeyville T Rebuild	2011	1,425,985	-	1,425,985	51,639	1,493,532	1,097,038	396,495	-	-	-	4,969	453,103	1,879,087
5	OKT.005	OKT	Install 345kV terminal at Valliant***	2012	-	-	-	-	-	-	-	-	-	-	-	-	-
6	OKT.006	OKT	Canadian River - McAlester City 138 kV Line Conversion	2013	3,554,730	-	3,554,730	(105,720)	3,137,502	2,304,575	832,927	-	-	-	8,063	735,270	4,290,000
7	OKT.007	OKT	Cornville Station Conversion	2014	891,534	-	891,534	-	-	-	-	-	-	-	-	-	891,534
8	OKT.008	OKT	Coweta 69 kV Capacitor	2014	48,353	-	48,353	-	-	-	-	-	-	-	-	-	48,353
OKT Total					6,199,133	-	6,199,133	(42,353)	4,921,698	3,615,113	1,306,586	-	-	-	14,017	1,278,250	7,477,383
9	SWT.001	SWT	insert project name here	2011	-	-	-	-	-	-	-	-	-	-	-	-	-
10	SWT Total					-	-	-	-	-	-	-	-	-	-	-	-

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

AEP West (SPP Zone-1)
Network Load for January Through December, 2013
Based on West Zone-SPP Monthly Transmission System Firm Peak Demands [1] for the Twelve Months Ended December 31, 2013

Historical Combined Load Worksheet (SPP Zone - 1)

Line No.	Peak Day Peak Hour	1/15/2013 1900	2/20/2013 1900	3/26/2013 800	4/29/2013 1700	5/31/2013 1700	6/27/2013 1600	7/10/2013 1700	8/6/2013 1700	9/4/2013 1700	10/3/2013 1700	11/27/2013 800	12/10/2013 800	12 Month Average MW	LRS
SPP Load Responsibility															
1	PSO (2)	2,531.00	2,490.00	2,551.00	2,520.00	3,059.00	4,031.00	3,985.00	3,987.00	3,601.00	3,178.00	2,437.00	2,759.00	3,094.08	38.1%
2	SWEPCO (2)	2,961.50	2,590.50	2,694.50	2,579.50	3,132.50	3,680.50	3,633.50	3,725.50	3,615.50	2,986.50	2,751.50	3,000.50	3,112.67	38.4%
3	AECC (3)	633.00	615.00	632.00	415.00	570.00	742.00	815.00	763.00	693.00	568.00	615.00	663.00	643.67	7.9%
4	WFEC (3)	32.00	33.00	31.00	26.00	30.00	33.00	33.00	34.00	31.00	28.00	31.00	30.00	31.00	0.4%
5	OMPA (3)	85.00	82.00	77.00	89.00	128.00	158.00	155.00	160.00	142.00	118.00	76.00	92.00	113.50	1.4%
6	OG&E (3)	19.00	21.00	18.00	21.00	22.00	14.00	18.00	21.00	20.00	24.00	23.00	20.00	20.08	0.25%
7	NTEC (3)	707.00	563.00	655.00	410.00	554.00	641.00	658.00	686.00	633.00	496.00	663.00	741.00	617.25	7.6%
8	ETEC (3)	91.00	64.00	78.00	51.00	71.00	84.00	88.00	90.00	80.00	65.00	88.00	98.00	79.00	1.0%
9	TEXLA (3)	109.00	74.00	96.00	68.00	89.00	106.00	109.00	115.00	93.00	83.00	102.00	105.00	95.75	1.2%
10	Greenbelt (3)	7.00	4.00	5.00	8.00	8.00	13.00	14.00	14.00	12.00	7.00	6.00	8.00	8.83	0.11%
11	Lighthouse (3)	2.00	1.00	1.00	2.00	2.00	2.00	3.00	3.00	3.00	1.00	2.00	2.00	2.00	0.02%
12	Bentonville, AR	90.00	87.00	93.00	88.00	103.00	146.00	150.00	135.00	125.00	112.00	87.00	90.00	108.83	1.3%
13	Prescott, AR (Entergy) (3)	13.00	11.00	11.00	13.00	11.00	16.00	16.00	18.00	12.00	12.00	7.00	11.00	12.58	0.16%
14	Minden, LA (Entergy) (3)	24.00	21.00	19.00	24.00	31.00	37.00	37.00	33.00	39.00	30.00	21.00	23.00	28.25	0.3%
15	Hope, AR (3)	43.00	41.00	42.00	42.00	47.00	59.00	60.00	59.00	50.00	48.00	35.00	37.00	46.92	0.6%
16	Coffeyville, KS (3)	94.00	93.00	96.00	94.00	106.00	99.00	82.00	115.00	78.00	113.00	107.00	110.00	98.92	1.2%
17	Zone 1 - System Firm Peak Demands	7,441.50	6,790.50	7,099.50	6,450.50	7,963.50	9,861.50	9,856.50	9,958.50	9,227.50	7,869.50	7,051.50	7,789.50	8,113.33	
Supporting Data															
18	PSO: PSO Native Load (2)	2,493.00	2,456.00	2,517.00	2,498.00	3,028.00	3,987.00	3,934.00	3,944.00	3,562.00	3,147.00	2,401.00	2,718.00		
19	KAMO	31.00	28.00	30.00	21.00	29.00	45.00	45.00	41.00	36.00	31.00	30.00	33.00		
20	GRDA load on PSO	11.00	10.00	11.00	5.00	7.00	12.00	12.00	11.00	10.00	8.00	11.00	13.00		
21	Allen Holdenville	-4.00	-4.00	-7.00	-4.00	-5.00	-13.00	-6.00	-9.00	-7.00	-8.00	-5.00	-5.00		
22	PSO Load Responsibility	2531.00	2490.00	2551.00	2520.00	3059.00	4031.00	3985.00	3987.00	3601.00	3178.00	2437.00	2759.00		
23	SWEPCO: SWEPCO Native Load (2) 5)	3,102.00	2,678.00	2,809.00	2,650.00	3,233.00	3,799.00	3,762.00	3,856.00	3,737.00	3,072.00	2,878.00	3,128.00		
24	Lafayette	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	0.00	0.00	0.00	0.00		
25	Dolet Hills Aux. Load (4)	0.00	0.00	0.00	2.00	0.00	0.00	0.00	0.00	0.00	8.00	2.00	2.00		
26	VEMCO (on Entergy/CLECO)	-156.00	-103.00	-130.00	-88.00	-116.00	-134.00	-144.00	-146.00	-131.00	-103.00	-138.00	-139.00		
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	2961.50	2590.50	2694.50	2579.50	3132.50	3680.50	3633.50	3725.50	3615.50	2986.50	2751.50	3000.50		

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
 2014 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2013 and Projected Net Plant at Year-End 2014

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 119)				39,932,998
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	1,799,108	DA	1.00000	1,799,108
4	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	-
5	Total Revenue Credits		1,799,108			1,799,108
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 5)				38,133,890

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)		6,199,133	DA	1.00000	6,199,133
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%				11.99%
10	Monthly Rate	(ln 9 / 12)				1.00%
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%				11.00%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((ln 1 - ln 94 - ln 95 - ln 116 - ln 117) / (Sum of lns 46, 47, 48, 49, 51)) x 100%				1.06%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)					0.00%

AEP West SPP Member Companies
 2014 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2013 and Projected Net Plant at Year-End 2014

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)	235,086,898	DA	235,086,898
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 1.00000	-
20	Plus: Transmission Plant-in-Service Additions (Worksheet B)		105,176,889	DA 1.00000	105,176,889
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)	796,989	W/S 1.00000	796,989
27	TOTAL GROSS PLANT	(sum Ins 16 to 26)	341,060,776		341,060,776
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)	3,880,176	TP1= 1.00000	3,880,176
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 1.00000	-
33	Plus: Transmission Plant-in-Service Additions (Worksheet B)		472,666	DA 1.00000	472,666
34	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		-	DA 1.00000	-
35	Plus: Additional Transmission Depreciation for 2014 (In 94)		2,810,141	TP1 1.00000	2,810,141
36	Plus: Additional General & Intangible Depreciation for (In 96+In 97)		117,304	W/S 1.00000	117,304
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)	152,988	W/S 1.00000	152,988
43	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 29 to 42)	7,433,275		7,433,275
44	NET PLANT IN SERVICE				
45	<i>Line Deliberately Left Blank</i>				
46	Transmission	(In 18 + In 19 - In 31 - In 32)	231,206,722		231,206,722
47	Plus: Transmission Plant-in-Service Additions (In 20 - In 33)		104,704,223		104,704,223
48	Plus: Additional Trans Plant on Transferred Assets (In 21 - In 34)		-		-
49	Plus: Additional Transmission Depreciation for 2014 (-In 35)		(2,810,141)		(2,810,141)
50	Plus: Additional General & Intangible Depreciation for 2014 (-In 36)		(117,304)		(117,304)
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)	644,001		644,001
55	TOTAL NET PLANT IN SERVICE	(sum Ins 45 to 54)	333,627,501		333,627,501
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)	(45,891,629)	DA	(45,891,629)
59	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & In 12.J)	(10,655,262)	DA	(8,172,487)
60	Account No. 190.1	(Worksheet C, In 19.C & In 21.J)	16,684,415	DA	9,590,391
61	Account No. 255 (enter negative)	(Worksheet C, In 28.C & In 30.J)	-	DA	-
62	TOTAL ADJUSTMENTS	(sum Ins 57 to 61)	(39,862,475)		(44,473,725)
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)	41,205		41,205
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)	-	W/S 1.00000	-
70	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	41,876	GP(h) 1.00000	41,876
71	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	31,500	DA 1.00000	31,500
72	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	-	NA 0.00000	-
73	TOTAL WORKING CAPITAL	(sum Ins 65 to 72)	114,581		114,581
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)		293,879,607		289,268,357

AEP West SPP Member Companies
 2014 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2013 and Projected Net Plant at Year-End 2014

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	520,866		
77	Less: Total Account 561	(Note I) 321.84-92.b	11,519		
78	Less: Account 565	(Note J) 321.96.b	179,704		
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>329,643</u>	TP 1.00000	329,643
81	Administrative and General	323.197.b (Note K)	734,270		
82	Less: Acct. 924, Property Insurance	323.185.b	63,189		
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	15,429		
86	Balance of A & G	(ln 81 - sum ln 82 to ln 85)	<u>655,652</u>	W/S 1.00000	655,652
87	Plus: Acct. 924, Property Insurance	(ln 82)	63,189	GP(h) 1.00000	63,189
88	Acct. 928 - Transmission Specific	Worksheet J ln 9.(E) (Note L)	-	TP 1.00000	-
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J ln 26.(E) (Note L)	-	TP 1.00000	-
90	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J ln 32.(E) (Note L)	-	DA 1.00000	-
90a	PBOP Adjustment	Worksheet O ln 16.B	41,990	DA 1.00000	41,990
91	A & G Subtotal	(sum lns 86 to 90 less ln 90a)	<u>760,832</u>		<u>760,832</u>
92	TOTAL O & M EXPENSE	(ln 80 + ln 91)	1,090,475		1,090,475
93	DEPRECIATION AND AMORTIZATION EXPENSE				
94	Transmission	336.7.f	2,810,141	TP 1.00000	2,810,141
95	Plus: Transmission Plant-in-Service Additions (Worksheet B)	(Worksheet A ln 39.C)	472,666	DA 1.00000	472,666
95a	Plus: Formation Costs Amortization	(Worksheet A ln 39.C)	14,055	DA 1.00000	14,055
96	General	336.10.f	-	W/S 1.00000	-
97	Intangible	336.1.f	117,304	W/S 1.00000	117,304
98	TOTAL DEPRECIATION AND AMORTIZATION	(sum lns 94 to 97)	<u>3,414,166</u>		<u>3,414,166</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	2,309,902	GP(h) 1.00000	2,309,902
104	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA 0.00000	-
105	Other	Worksheet L, Col. E	25	GP(h) 1.00000	25
106	TOTAL OTHER TAXES	(sum lns 101 to 105)	<u>2,309,927</u>		<u>2,309,927</u>
107	INCOME TAXES	(Note O)			
108	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		38.68%		
109	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		44.62%		
110	where WCLTD=(ln 146) and WACC = (ln 149)				
111	and FIT, SIT & p are as given in Note O.				
112	$GRCF=1 / (1 - T) =$ (from ln 108)		2		
113	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
114	Income Tax Calculation	(ln 109 * ln 117)	10,380,625		10,217,743
115	ITC adjustment	(ln 112 * ln 113)	-	NP(h) 1.00000	-
116	TOTAL INCOME TAXES	(sum lns 114 to 115)	<u>10,380,625</u>		<u>10,217,743</u>
117	RETURN ON RATE BASE (Rate Base*WACC)	(ln 75 * ln 149)	23,265,750		22,900,688
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>40,460,942</u>		<u>39,932,998</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>40,460,942</u>		<u>39,932,998</u>

AEP West SPP Member Companies
 2014 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2013 and Projected Net Plant at Year-End 2014

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= | 5.66% | (State Income Tax Rate or Composite SIT. Worksheet K) |
| | p = | 0.00% | (percent of federal income tax deductible for state purposes) |
- P Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Q Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- R Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- T The Capital Structure of AEP OKLAHOMA TRANSMISSION COMPANY, INC will be based on the Capital Structure of PSO until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS. Long Term Debt cost rate = long-term interest (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 2013 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.			Total	Allocator	Transmission Amount
166	REVENUE REQUIREMENT (w/o incentives)	(In 284)			27,821,930
167	REVENUE CREDITS	(Note A)			
168	Transmission Credits	(Worksheet H)	1,799,108	DA 1.00000	1,799,108
169	Assoc. Business Development	(Worksheet H)	-	DA 1.00000	-
170	Total Revenue Credits		1,799,108		1,799,108
171	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 170)			26,022,821
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)	6,199,133	DA 1.00000	6,199,133
173	NET PLANT CARRYING CHARGE	(w/o incentives) (Note B)			
174	Annual Rate	(In 166/ In 211 x 100%)			12.03%
175	Monthly Rate	(In 174 / 12)			1.00%
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%)			10.82%
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%)			1.53%
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 2013 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

	(1)	(2)	(3)	(4)	(5)
	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u> <u>NOTE D</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>
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)	235,086,898	DA	235,086,898
184	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 1.00000	-
185	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	NA 0.00000	N/A
186	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		N/A	NA 0.00000	N/A
187	<i>Line Deliberately Left Blank</i>				
188	<i>Line Deliberately Left Blank</i>				
189	General Plant	(Worksheet A In 7.C)	-	W/S 1.00000	-
190	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S 1.00000	-
191	Intangible Plant	(Worksheet A In 9.C)	796,989	W/S 1.00000	796,989
192	TOTAL GROSS PLANT	(sum Ins 181 to 191)	235,883,887	GP(h)= 1.00000 GTD= 1.00000	235,883,887
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)	3,880,176	TP1= 1.00000	3,880,176
197	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 1.00000	-
198	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	DA 1.00000	N/A
199	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		N/A	DA 1.00000	N/A
200	Plus: Additional Transmission Depreciation for 2014 (In 259)		N/A	TP1 1.00000	N/A
201	Plus: Additional General & Intangible Depreciation for 2014 (In 261+In 262)		N/A	W/S 1.00000	N/A
202	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		N/A	DA 1.00000	N/A
203	<i>Line Deliberately Left Blank</i>				
204	<i>Line Deliberately Left Blank</i>				
205	General Plant	(Worksheet A In 18.C)	-	W/S 1.00000	-
206	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S 1.00000	-
207	Intangible Plant	(Worksheet A In 20.C)	152,988	W/S 1.00000	152,988
208	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 194 to 207)	4,033,164		4,033,164
209	NET PLANT IN SERVICE				
210	<i>Line Deliberately Left Blank</i>				
211	Transmission	(In 183 + In 184 - In 196 - In 197)	231,206,722		231,206,722
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 2014 (-In 200)		N/A		N/A
215	Plus: Additional General & Intangible Depreciation for 2014 (-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)	644,001		644,001
220	TOTAL NET PLANT IN SERVICE	(sum Ins 210 to 219)	231,850,723	NP(h)= 1.00000	231,850,723
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)	(45,891,629)	DA	(45,891,629)
224	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(10,655,262)	DA	(8,172,487)
225	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	16,684,415	DA	9,590,391
226	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	(39,862,475)		(44,473,725)
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)	41,205		41,205
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)	41,876	GP(h) 1.00000	41,876
236	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	31,500	DA 1.00000	31,500
237	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	-	NA 0.00000	-
238	TOTAL WORKING CAPITAL	(sum Ins 230 to 237)	114,581		114,581
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)		192,102,829		187,491,579

AEP TRANSMISSION HOLDING COMPANY
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2013 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

	(1)	(2)	(3)	(4)	(5)
Line No.	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
	OPERATION & MAINTENANCE EXPENSE				
241	Transmission	321.112.b	520,866		
242	Less: Total Account 561	(Note I) 321.84-92.b	11,519		
243	Less: Account 565	(Note J) 321.96.b	179,704		
244	Less: expenses 100% assigned to TO billed customers (Worksheet I, ln 14)		-		
245	Total O&M Allocable to Transmission	(Ins 241 - 242 - 243 - 244)	329,643	TP 1.00000	329,643
246	Administrative and General	323.197.b (Note K)	734,270		
247	Less: Acct. 924, Property Insurance	323.185.b	63,189		
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	15,429		
251	Balance of A & G	(ln 246 - sum ln 247 to ln 250)	655,652	W/S 1.00000	655,652
252	Plus: Acct. 924, Property Insurance	(ln 247)	63,189	GP(h) 1.00000	63,189
253	Acct. 928 - Transmission Specific	Worksheet J ln 9.(E) (Note L)	-	TP 1.00000	-
254	Acct 930.1 - Only safety related ads -Direct	Worksheet J ln 26.(E) (Note L)	-	TP 1.00000	-
255	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J ln 32.(E) (Note L)	-	DA 1.00000	-
255a	PBOP Adjustment	Worksheet O ln 16.B	41,990	DA 1.00000	41,990
256	A & G Subtotal	(sum Ins 251 to 255 less ln 255a)	760,832		760,832
257	TOTAL O & M EXPENSE	(ln 245 + ln 256)	1,090,475		1,090,475
258	DEPRECIATION AND AMORTIZATION EXPENSE				
259	Transmission	336.7.f	2,810,141	TP 1.00000	2,810,141
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	117,304	W/S 1.00000	117,304
263	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 259 to 262)	2,955,554		2,955,554
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	2,309,902	GP(h) 1.00000	2,309,902
269	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA 0.00000	-
270	Other	Worksheet L, Col. E	25	GP(h) 1.00000	25
271	TOTAL OTHER TAXES	(sum Ins 266 to 270)	2,309,927		2,309,927
272	INCOME TAXES				
273	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.68%		
274	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		44.62%		
275	where WCLTD=(ln 311) and WACC = (ln 314)				
276	and FIT, SIT & p are as given in Note O.				
277	$GRCF=1 / (1 - T) =$ (from ln 273)		2		
278	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
279	Income Tax Calculation	(ln 274 * ln 282)	6,785,593		6,622,711
280	ITC adjustment	(ln 277 * ln 278)	-	NP(h) 1.00000	-
281	TOTAL INCOME TAXES	(sum Ins 279 to 280)	6,785,593		6,622,711
282	RETURN ON RATE BASE (Rate Base*WACC)	(ln 240 * ln 314)	15,208,324.12		14,843,262.42
283	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		-	DA 1.00000	-
284	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		28,349,873		27,821,930
285	(sum Ins 257, 263, 271, 281, 282, 283)				
286	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	-
287	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		28,349,873		27,821,930

AEP TRANSMISSION HOLDING COMPANY
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2013 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF							
288	Total transmission plant	(In 183)						235,086,898
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)						235,086,898
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	119,599	119,599	TP	1.00000	119,599
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	119,599	119,599			119,599
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. 21, col. (D))						6,137,103
303		Preferred Stock Dividends (Worksheet M, In. 27, col. (D))						-
304		Development of Common Stock:						
305		Proprietary Capital (112.16.c)						142,233,113
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)						142,233,113
310			Capital Structure Percentages			Cost		Weighted
311	Long Term Debt (Worksheet M, In. 21, col. (B))	\$ 132,450,000	Actual	Cap Limit		(Note T)		
312	Preferred Stock (Worksheet M, In. 27, col. (B))	-	48.22%	0.500		4.63%		2.32%
313	Common Stock (In 309) (Note U)	142,233,113	0.00%	-		-		0.00%
314	Total (sum Ins 311 to 313)	274,683,113	51.78%	0.500		11.2%		5.60%
						WACC=		7.92%
315	Capital Structure Equity Limit (Note U)	50.0%						
PUBLIC SERVICE COMPANY OF OKLAHOMA (Note T)								
316	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
317		Long Term Interest (PSO FR Worksheet M, In. 17, col. (D))						53,636,039
318		Preferred Stock Dividends (PSO FR Worksheet M, In. 21, col. (D))						-
319		Development of Common Stock:						
320		Proprietary Capital (112.16.c)						942,100,536
321		Less Preferred Stock (In 327)						-
322		Less Account 216.1 (112.12.c)						-
323		Less Account 219.1 (112.15.c)						5,757,380
324		Common Stock (In 320 - In 321 - In 322 - In 323)						936,343,156
325			Capital Structure Percentages			Cost		Weighted
326	Long Term Debt (PSO WS-M, In. 17, col. (B))	\$ 1,003,104,301	Actual	Cap Limit		(Note T)		
327	Preferred Stock (PSO WS-M, In. 21, col. (B))	-	51.72%	-		5.35%		2.77%
328	Common Stock (In 324) (Note U)	936,343,156	0.00%	-		-		0.00%
329	Total (sum Ins 326 to 328)	1,939,447,457	48.28%	-		11.2%		5.41%
						WACC=		8.17%
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 2013 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Letter

Notes

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

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

- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the projected revenue requirement for each project, based on an FCR rate calculated from inputs on this TCOS. Line 180 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- E The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet B.
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 245.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 239 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 283.
- I Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.
- L Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 273) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
- | | | | |
|------------------|-------|--------|---|
| Inputs Required: | FIT = | 35.00% | |
| | SIT = | 5.66% | (State Income Tax Rate or Composite SIT. Worksheet K) |
| | p = | 0.00% | (percent of federal income tax deductible for state purposes) |
- P Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Q Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- R Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- T The Capital Structure of AEP OKLAHOMA TRANSMISSION COMPANY, INC will be based on the Capital Structure of PSO until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS. Long Term Debt cost rate = long-term interest (In 317) / long term debt (In 326). Preferred Stock cost rate = preferred dividends (In 318) / preferred outstanding (In 327). Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, AEP OKLAHOMA TRANSMISSION COMPANY, INC equity is limited to 50% of AEP OKLAHOMA TRANSMISSION COMPANY, INC's Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2013 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 106)				\$20,282,640
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	1,799,108	DA	1.00000	\$ 1,799,108
4	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$ -
5	Total Revenue Credits		1,799,108			\$ 1,799,108
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 5)				<u>\$18,483,532</u>
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)		2,370,652	DA	1.00000	\$ 2,370,652
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
9	Annual Rate	(ln 1 / ln 39 x 100%)				13.19%
10	Monthly Rate	(ln 9 / 12)				1.10%
11	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DEPRECIATION (w/o incentives) (Note B)					
12	Annual Rate	((ln 1 - ln 82) / ln 39 x 100%)				11.37%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((ln 1 - ln 82 - ln 103 - ln 104) / ln 39 x 100%)				2.31%
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 2013 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

	(1)	(2)	(3)	(4)	(5)
	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total NOTE D	Allocator	Total Transmission
Line No.	GROSS PLANT IN SERVICE				
16	<i>Line Deliberately Left Blank</i>				
17	<i>Line Deliberately Left Blank</i>				
18	Transmission	(Worksheet A In 3.E & Ln 113)	156,200,850	DA	156,200,850
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E)	-	TP	-
20	<i>Line Deliberately Left Blank</i>				
21	<i>Line Deliberately Left Blank</i>				
22	General Plant	(Worksheet A In 7.E)	-	W/S	-
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	-	W/S	-
24	Intangible Plant	(Worksheet A In 9.E)	619,596	W/S	619,596
25	TOTAL GROSS PLANT	(sum Ins 16 to 24)	156,820,446	GP(TU)=	156,820,446
				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)	2,474,774	TP1=	2,474,774
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)	94,336	W/S	94,336
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	2,569,109		2,569,109
37	NET PLANT IN SERVICE				
38	<i>Line Deliberately Left Blank</i>				
39	Transmission	(In 18 + In 19 - In 29 - In 30)	153,726,076		153,726,076
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)	525,261		525,261
43	TOTAL NET PLANT IN SERVICE	(sum Ins 38 to 42)	154,251,336	NP(TU)=	154,251,336
				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)	(30,163,086)	DA	(30,163,086)
47	Account No. 283.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	(7,048,204)	DA	(5,411,676)
48	Account No. 190.1	(Worksheet C, In 25.C & Ln 27.J)	10,682,610	DA	6,006,624
49	Account No. 255 (enter negative)	(Worksheet C, In 34.C & Ln 36.J)	-	DA	-
50	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	(26,528,679)		(29,568,137)
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)	41,205		41,205
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)	4,807	W/S	4,807
58	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 7.F)	26,771	GP(TU)	26,771
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)	72,783		72,783
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	-	DA	-
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		127,795,440		124,755,983

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2013 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	520,866		
65	Less: Total Account 561	(Note I) 321.84-92.b	11,519		
66	Less: Account 565	(Note J) 321.96.b	179,704		
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)	329,643	TP	1.00000
69	Administrative and General	323.197.b (Note K)	734,270		
70	Less: Acct. 924, Property Insurance	323.185.b	63,189		
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	15,429		
74	Balance of A & G	(In 69 - sum In 70 to In 73)	655,652	W/S	1.00000
75	Plus: Acct. 924, Property Insurance	(In 70)	63,189	GP(TU)	1.00000
76	Acct. 928 - Transmission Specific	(Note I) 321.84-92.b	-	TP	1.00000
77	Acct 930.1 - Only safety related ads -Direct	(Note J) 321.96.b	-	GP(TU)	1.00000
78	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 32.(E) (Note L)	-	DA	1.00000
78a	PBOP Adjustment	Worksheet O In 16.B	41,990	DA	1.00000
79	A & G Subtotal	(sum Ins 74 to 78 less In 78a)	760,832		
80	TOTAL O & M EXPENSE	(In 68 + In 79)	1,090,475		
81	DEPRECIATION AND AMORTIZATION EXPENSE				
82	Transmission	336.7.f	2,810,141	TP	1.00000
83	General	336.10.f	-	W/S	1.00000
83a	Plus: Formation Costs Amortization	(Worksheet A In 37.E)	28,109	DA	1.00000
84	Intangible	336.1.f	117,304	W/S	1.00000
85	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 82 to 84)	2,955,554		
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	2,309,902	GP(TU)	1.00000
91	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000
92	Other	Worksheet L, Col. E	25	GP(TU)	1.00000
93	TOTAL OTHER TAXES	(sum Ins 88 to 92)	2,309,927		
94	INCOME TAXES	(Note O)			
95	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.68%		
96	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		46.29%		
97	where WCLTD=(In 133) and WACC = (In 136)				
98	and FIT, SIT & p are as given in Note O.				
99	$GRCF=1 / (1 - T) =$ (from In 95)		1.6308		
100	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
101	Income Tax Calculation	(In 96 * In 104)	4,514,081		
102	ITC adjustment	(In 99 * In 100)	-	NP(TU)	1.00000
103	TOTAL INCOME TAXES	(sum Ins 101 to 102)	4,514,081		
104	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 136)	9,751,901.17		
105	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA	1.00000
106	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		20,621,939		
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		20,621,939		

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2013 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)						156,200,850
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)						156,200,850
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	119,647	119,647	TP	1.00000
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	119,647	119,647		
122	Transmission related amount						W/S=	1.00000
	STAND ALONE (Note T)							
123	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
124	Long Term Interest	Long Term Interest (Worksheet N, In. 18, col. (E))						4,213,035
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))						108,350,204
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)						108,350,204
132		2014 Avg Balances		Capital Structure Percentages			Cost (Note S)	Weighted
133	Avg Long Term Debt (Worksheet N, In. 10, col. (E))	103,725,000		Actual	Cap Limit			
134	Avg Preferred Stock (Worksheet N, In. 46, col. (E))	-		48.91%	50.00%		4.06%	0.0203
135	Avg Common Stock (In 131) (Note U)	108,350,204		0.00%	0.00%		0.00%	0.0000
136	Total (sum Ins 133 to 135)	212,075,204		51.09%	50.00%		11.20%	0.0560
							WACC=	0.0763
137	Capital Structure Equity Limit (Note U)	50.0%						
	PUBLIC SERVICE COMPANY OF OKLAHOMA (Note T)							
138	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
139	Long Term Interest	Long Term Interest (PSO FR Worksheet N, In. 19, col. (E))						53,852,457
140	Preferred Dividends	Preferred Stock Dividends (PSO FR Worksheet N, In. 47, col. (E))						-
141	<u>Development of Common Stock:</u>							Average
142	Proprietary Capital	(PSO Worksheet N, In. 1, col. (E))						929,189,234
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))						6,118,882
146	Common Stock	(In 142 - In 143 - In 144 - In 145)						923,070,352
147		2013 Avg Balances		Capital Structure Percentages			Cost (Note S)	Weighted
148	Avg Long Term Debt (PSO WS-N, In. 10, col. (E))	978,305,470		Actual	Cap Limit			
149	Avg Preferred Stock (PSO WS-N, In. 46, col. (E))	-		51.45%	0.00%		5.50%	0.0283
150	Avg Common Stock (In 146) (Note U)	923,070,352		0.00%	0.00%		0.00%	0.0000
151	Total (sum Ins 148 to 150)	1,901,375,822		48.55%	0.00%		11.20%	0.0544
							WACC=	0.0827
152	Capital Structure Equity Limit (PSO Note U)	52.5%						

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

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2013 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

<u>Letter</u>	<u>Notes</u>						
	General Notes: a) References to data from FERC Form 1 are indicated as: page#.line#.col.# b) If transmission owner ("TO") functionalizes its costs to transmission on its books, those costs are shown above and on any supporting work papers rather than using the allocations above.						
A	The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.						
B	The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.						
C	This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the true-up revenue requirement for each project, based on an FCR rate calculated from inputs on this TCOS. Line 15 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.						
D	The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.						
E	The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet C.						
F	Identified as being transmission related or functionally booked to transmission.						
G	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 68.						
H	Consistent with Paragraph 657 of Order 2003-A, the amount on line 62 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 105.						
I	Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.						
J	Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.						
K	General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.						
L	Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.						
M	The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.						
N	Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.						
O	The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 95) multiplied by (1/1-T). If the applicable tax rates are zero enter 0. Inputs Required: <table border="0" style="margin-left: 20px;"> <tr> <td>FIT =</td> <td>35.00%</td> </tr> <tr> <td>SIT =</td> <td>5.66% (State Income Tax Rate or Composite SIT. Worksheet K)</td> </tr> <tr> <td>p =</td> <td>0.00% (percent of federal income tax deductible for state purposes)</td> </tr> </table>	FIT =	35.00%	SIT =	5.66% (State Income Tax Rate or Composite SIT. Worksheet K)	p =	0.00% (percent of federal income tax deductible for state purposes)
FIT =	35.00%						
SIT =	5.66% (State Income Tax Rate or Composite SIT. Worksheet K)						
p =	0.00% (percent of federal income tax deductible for state purposes)						
P	Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.						
Q	Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.						
R	Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.						
S	Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.						
T	The Capital Structure of AEP OKLAHOMA TRANSMISSION COMPANY, INC will be based on the Capital Structure of PSO until AEP OKLAHOMA TRANSMISSION COMPANY, INC establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS. Long Term Debt cost rate = long-term interest (In 139) / long term debt (In 148). Preferred Stock cost rate = preferred dividends (In 140) / preferred outstanding (In 149). Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.						
U	Per Settlement, equity is limited to 50% of AEP OKLAHOMA TRANSMISSION COMPANY, INC's Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.						

AEP West SPP Member Companies
2014 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 @ 12/31/2013</u>	<u>(D) Balances 12/31/2012</u>	<u>(E) Average Balance for 2013</u>
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
<u>Plant Investment Balances</u>					
1	Line Deliberately Left Blank				
2	Line Deliberately Left Blank				
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	235,086,898	77,314,801	156,200,850
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	-	-	-
5	Line Deliberately Left Blank				
6	Line Deliberately Left Blank				
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	-	-	-
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	-	-	-
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	796,989	442,203	619,596
10	Total Property Investment Balance	(Sum of Lines: 3, 7, 9)	235,883,887	77,757,004	156,820,446
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 8)	-	-	-
<u>Accumulated Depreciation & Amortization Balances</u>					
12	Line Deliberately Left Blank				
13	Line Deliberately Left Blank				
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	3,880,176	1,069,371	2,474,774
15	Transmission ARO Accumulated Depreciation	Company Records	-	-	-
16	Line Deliberately Left Blank				
17	Line Deliberately Left Blank				
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	-	-	-
19	General ARO Accumulated Depreciation	Company Records	-	-	-
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	152,988	35,683	94,336
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 18, 20)	4,033,164	1,105,054	2,569,109
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)	3,880,176	1,069,371	2,474,774
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	-	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	3,880,176	1,069,371	2,474,774
<u>Plant Held For Future Use</u>					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	-	-	-
30	Transmission Plant Held For Future	Company Records	-	-	-
<u>Regulatory Assets and Liabilities Approved for Recovery In Ratebase</u>					
Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.					
31	Beginning Balance of Regulatory Asset (Note 1)		42,164	70,273	56,219
32	Amortization in Months		18	30	24
33	Monthly Amortization	(line 31 / line 32)	2,342	2,342	2,342
34	Months in 2013 to be amortized		12	12	12
35	Amortization Expense in 2013 Year	(line 33 X line 34)	28,109	28,109	28,109
36	Months in 2014 to be amortized		6	12	9
37	Amortization Expense in 2014 Year	(line 33 X line 36)	14,055	28,109	21,082
38	Ending Balance of Regulatory Asset	(line 31 - line 35)	14,055	42,164	28,109
39	Average Balance of Regulatory Asset	(line 31 + line 38)/2	28,109	56,218	42,164
40	Unamortized Balance of Regulatory Asset at YE 2013 (Note 1)		14,055	42,164	28,109
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
 2014 Cost of Service Formula Rate Projected on 2013 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 (2013) (P.206, In 58,(b)):	77,314,801
2	Transmission Plant @ End of Historic Period (2013) (P.207, In 58,(g)):	235,086,898
3		312,401,699
4	Average Balance of Transmission Investment	156,200,850
5	Annual Depreciation Expense, Historic TCOS, In 259	2,810,141
6	Composite Depreciation Rate	1.80%
7	Average Depreciable Life (Years)	56
 <u>PUBLIC SERVICE COMPANY OF OKLAHOMA (Note 1)</u>		
8	Transmission Plant @ Beginning of Historic Period (2013) (P.206, In 58,(b)):	706,917,109
9	Transmission Plant @ End of Historic Period (2013) (P.207, In 58,(g)):	731,312,125
10		1,239,955,574
11	Average Balance of Transmission Investment	719,114,617
12	Annual Depreciation Expense, PSO Historic TCOS, In 246	13,945,554
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	\$ 10,065,339	1.80%	\$ 181,096	\$ 15,091	11	\$ 166,005
17	February	\$ -	1.80%	\$ -	\$ -	10	\$ -
18	March	\$ 9,120,217	1.80%	\$ 164,092	\$ 13,674	9	\$ 123,069
19	April	\$ -	1.80%	\$ -	\$ -	8	\$ -
20	May	\$ 13,915,515	1.80%	\$ 250,369	\$ 20,864	7	\$ 146,049
21	June	\$ 2,475,322	1.80%	\$ 44,536	\$ 3,711	6	\$ 22,268
22	July	\$ -	1.80%	\$ -	\$ -	5	\$ -
23	August	\$ -	1.80%	\$ -	\$ -	4	\$ -
24	September	\$ -	1.80%	\$ -	\$ -	3	\$ -
25	October	\$ 1,560,947	1.80%	\$ 28,085	\$ 2,340	2	\$ 4,681
26	November	\$ 7,066,137	1.80%	\$ 127,135	\$ 10,595	1	\$ 10,595
27	December	\$ 60,973,412	1.80%	\$ 1,097,039	\$ 91,420	0	\$ -
28	Investment	\$ 105,176,889				Depreciation Expense	\$ 472,666

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
 2014 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	2013 Year End Tax Deferrals - Ws C-1	(45,891,629)	-	(45,684,354)	-	-	(207,274)	
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	(45,684,354)	0	0	(207,274)	(45,891,629)
282 Balance to Use in True-Up									
4	282.1	2013 Year End Tax Deferrals - Ws C-1	(45,891,629)	-	(45,684,354)	-	-	(207,274)	
5	282.1	2012 Year End Tax Deferrals - Ws C-2	(14,434,543)	-	(14,292,261)	-	-	(142,282)	
6		Subtotal	(60,326,171)	-	(59,976,615)	-	-	(349,556)	
7		Average Balance	(30,163,086)	0	(29,988,307)	0	0	(174,778)	
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	(29,988,307)	0	0	(174,778)	(30,163,086)
Account 283 - Form-1 page 276-277, Ln 9, Col (k)									
283 Balance to Use in Projection									
10	283.1	2013 Year End Tax Deferrals - Ws C-1	(10,655,262)	(2,482,775)	(8,172,487)	-	-	-	
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	(8,172,487)	0	0	0	(8,172,487)
283 Balance to Use in True-Up									
13	283.1	2013 Year End Tax Deferrals - Ws C-1	(10,655,262)	(2,482,775)	(8,172,487)	-	-	-	
14	283.1	2012 Year End Tax Deferrals - Ws C-2	(3,441,146)	(790,282)	(2,650,864)	-	-	-	
15		Subtotal	(14,096,408)	(3,273,056)	(10,823,351)	-	-	-	
16		Average Balance	(7,048,204)	(1,636,528)	(5,411,676)	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	(5,411,676)	0	0	0	(5,411,676)
Account 190 - Form-1 page 234, Ln 8, Col. (c)									
190 Balance to Use in Projection									
19	190.1	2013 Year End Tax Deferrals - Ws C-1	16,684,415	7,094,025	9,590,391	-	-	-	
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	9,590,391	0	0	0	9,590,391
190 Balance to Use in True-Up									
22	190.1	2013 Year End Tax Deferrals - Ws C-1	16,684,415	7,094,025	9,590,391	-	-	-	
23	190.1	2012 Year End Tax Deferrals - Ws C-2	4,680,805	2,257,947	2,422,858	-	-	-	
24		Subtotal	21,365,221	9,351,972	12,013,249	-	-	-	
25		Average Balance	10,682,610	4,675,986	6,006,624	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	6,006,624	0	0	0	6,006,624
Account 255 - Form-1 page 266-267									
255 Balance to Use in Projection									
28	255.0	Acc Defrd ITC - Federal - 12/31/2013 (FF1 p. 267, Ln 2.h)	-						
29	255.0	Transmission Allocator from Historic TCOS [GP or W/S]		N/A	N/A	100.0000%	N/A	N/A	
30	255.0	Allocated Total				0			0
255 Balance to Use in True-Up									
31	255.0	Acc Defrd ITC - Federal - 12/31/2013 (FF1 p. 267, Ln 2.h)	-						
32	255.0	Acc Defrd ITC - Federal - 12/31/2012 (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, 2013

Account	Line #	Description	Balance		Allocation Method			Labor	
					Exclusions	100% Transmission	Line Deliberately Left Blank		Line Deliberately Left Blank
2821001	230A	ACRS BENEFIT NORMALIZED	(46,403,111)	T		(46,403,111)			
2821001	295A	GAIN/LOSS ON ACRS/MACRS PROPERTY	16,735	T		16,735			
2821001	320A	ABFUDC	(714,691)	T		(714,691)			
2821001	380J	INT EXP CAPITALIZED FOR TAX	1,412,180	T		1,412,180			
	712K	CAPITALIZED SOFTWARE COST-BOOK	(207,274)	Labor				(207,274)	
2821001	910K	REMOVAL CST	4,533	T		4,533			
2821001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(45,891,629)		0	(45,684,354)	0	0	(207,274)
		(absolute value Total Company Amount Ties to FF1 p.275(k) -- Acct 282 Electric)	45,891,629						
2831001	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	(2,482,775)	E	(2,482,775)				
2831001	664J	REG ASSET-TRANSCO PRE-FORMATION COSTS	(4,919)	T		(4,919)			
2831002	911Q-DSIT	DSIT ENTRY - NORMALIZED	(8,167,568)	T		(8,167,568)			
2831		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(10,655,262)		(2,482,775)	(8,172,487)	0	0	0
		(absolute value Total Company Amount Ties to FF1 p.277(k) -- Acct 283 Electric)	10,655,262						
1901001	011C	TAX CREDIT C/F - DEF TAX ASSET- MJE	383	E	383				
1901001	911Q-DSIT	DSIT ENTRY - NORMALIZED	2,858,649	T		2,858,649			
1901001	960Z	NOL - DEFERRED TAX ASSET RECLASS	6,731,742	T		6,731,742			
1901002	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	7,093,642	E	7,093,642				
1901001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	16,684,415		7,094,025	9,590,391	0	0	0
		(Total Company Amount Ties to FF1 p.234(c) -- Electric)	16,684,416						

Worksheet C-2 - ADIT & ITC Details

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

Account	Line #	Description	Balance		Exclusions	Allocation Method		Labor	
						100% Transmission	Line Deliberately Left Blank		Line Deliberately Left Blank
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)	Labor				(142,282)	
2821001	910K	REMOVAL CST	21,000	T		21,000			
2821001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(14,434,543)		0	(14,292,261)	0	0	(142,282)
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)	T		(14,757)			
2831002	911Q-DSIT	DSIT ENTRY - NORMALIZED	(2,636,107)	T		(2,636,107)			
2831001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(3,441,146)		(790,282)	(2,650,864)	0	0	0
1901001	911Q-DSIT	DSIT ENTRY - NORMALIZED	922,637	T		922,637			
1901001	014C-DSIT	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	T		1,500,221			
1901001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	4,680,805		2,257,947	2,422,858	0	0	0

AEP West SPP Member Companies
 2014 Cost of Service Formula Rate
Worksheet D - Working Capital Rate Base Adjustments
AEP OKLAHOMA TRANSMISSION COMPANY, INC

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
<u>Line Number</u>	<u>Source</u>	<u>Balance @ December 31, 2013</u> FF1, p. 227, Col. (c)	<u>Balance @ December 31, 2012</u> FF1, p. 227, Col. (b)	<u>Average Balance for Rate Year 2013</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 & b)	0	0	-			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c & b)	0	0	-			

Prepayment Balance Summary

	<u>Average of YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Plant Related</u>	<u>Labor Related</u>	<u>Total Included in Rate Base (E)+(F)+(G)</u>	
5	Totals as of December 31, 2013	73,376	0	31,500	41,876	0	73,376
6	Totals as of December 31, 2012	21,279			11,665	9,614	21,279
7	Average Balance	<u>47,328</u>	<u>0</u>	<u>0</u>	<u>26,771</u>	<u>4,807</u>	<u>47,328</u>

Prepayments Account 165 - Balance @ 12/31/2013

8	<u>Acc. No.</u>	<u>Description</u>	<u>2013 YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Plant Related</u>	<u>Labor Related</u>	<u>Total Included in Rate Base (E)+(F)+(G)</u>
9	1650001	Prepaid Insurance	2,409	0		2,409	0	2,409
10	1650021	Prepaid Insurance - EIS	39,468			39,468	0	39,468
11	1650023	Prepaid Lease	31,500		31,500			31,500
12								-
13								-
14								-
15								-
16								-
17								-
18								-
	Subtotal - Form 1, p 111.57.c		<u>73,376</u>	<u>0</u>	<u>31,500</u>	<u>41,876</u>	<u>0</u>	<u>73,376</u>

Prepayments Account 165 - Balance @ 12/31/2012

19	<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>
20	1650021	Prepaid Insurance - EIS	21,279	0		11,665	9,614	21,279
21								-
22								-
23								-
24								-
25								-
26								-
27								-
28								-
29								-
30	Subtotal - Form 1, p 111.57.c		<u>21,279</u>			<u>11,665</u>	<u>9,614</u>	<u>21,279</u>

AEP West SPP Member Companies
 2014 Cost of Service Formula Rate
Worksheet E - IPP Credits
AEP OKLAHOMA TRANSMISSION COMPANY, INC

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2013</u>
1	Net Funds from IPP Customers @ 12/31/2012 (2013 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 12/31/2013 (2013 FORM 1, P269, (F))	-
8	Average Balance for 2013 ((ln 1 + ln 7) / 2)	-

AEP TRANSMISSION HOLDING COMPANY
 2014 Cost of Service Formula Rate Projected on 2013 FF1 Balances
Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for BPU and Special-billed Projects
 Based on a Carrying Charge Derived from Historic 2013 Data
AEP OKLAHOMA TRANSMISSION COMPANY, INC

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

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

ROE w/o incentives (Projected TCOS, In 163)			11.20%
Project ROE Incentive Adder (Enter as whole number)			0 basis points
ROE with additional 0 basis point incentive			11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from Projected TCOS, Ins 146 through 148)			
	%	Cost	Weighted cost
Long Term Debt	50.00%	0.0463	0.0232
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	50.00%	0.1120	0.0560
		R =	0.0792

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS				
	Rev Require	W Incentives	Incentive Amounts	
PROJECTED YEAR	2014	6,199,133	6,199,133	\$ -

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)	289,268,357
R (from A. above)	0.0792
Return (Rate Base x R)	22,900,688

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

Return (from B. above)	22,900,688
Tax Rate (Projected TCOS, In 105)	38.68%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	44.62%
Income Tax Calculation (Return x EIT)	10,217,743
ITC Adjustment (Projected TCOS, In 115)	-
Income Taxes	10,217,743

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)	39,932,998
Return (Projected TCOS, In 117)	22,900,688
Income Taxes (Projected TCOS, In 116)	10,217,743
Gross Margin Taxes (Projected TCOS, In 121)	-
Net Revenue Requirement, Less Return and Taxes	6,814,567

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

Net Revenue Requirement, Less Return and Taxes	6,814,567
Return (from I.B. above)	22,900,688
Income Taxes (from I.C. above)	10,217,743
Net Revenue Requirement, with 0 Basis Point ROE increase	39,932,998
Gross Margin Tax with 0 Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	39,932,998
Less: Depreciation (Projected TCOS, In 94)	2,810,141
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	37,122,857

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

Net Revenue Requirement before Gross Margin Taxes, with 0	39,932,998
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)	333,100,804
Net Revenue Requirement, with 0 Basis Point ROE increase	39,932,998
FCR with 0 Basis Point increase in ROE	11.99%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	37,122,857
FCR with 0 Basis Point ROE increase, less Depreciation	11.14%
FCR less Depreciation (Projected TCOS, In 12)	11.00%
	0.14%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	77,314,801	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	235,086,898	<==From Input on Worksheet B
	312,401,699	
Transmission Plant Average Balance for 2013	156,200,850	
Annual Depreciation Expense (Historic TCOS, In 259)	2,810,141	
Composite Depreciation Rate	1.80%	
Depreciable Life for Composite Depreciation Rate	55.58	
Round to nearest whole year	56	

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 True-Up TCOS, Ins 133 through 135)			
	%	Cost	Weighted cost
Long Term Debt	50.00%	0.0406	0.0203
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	50.00%	0.1120	0.0560
		R =	0.0763

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

Rate Base (True-Up TCOS, In 63)	124,755,983
R (fom A. above)	0.0763
Return (Rate Base x R)	9,519,964

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

Return (from B. above)	9,519,964
Tax Rate (True-Up TCOS, In 95)	38.68%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	46.29%
Income Tax Calculation (Return x EIT)	4,406,720
ITC Adjustment (True-Up TCOS, In 102)	-
Income Taxes	4,406,720

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)	20,282,640
Return (True-Up TCOS, In 104)	9,519,964
Income Taxes (True-Up TCOS, In 103)	4,406,720
Gross Margin Taxes (True-Up TCOS, In 108)	-
Net Revenue Requirement, Less Return and Taxes	6,355,956

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

Net Revenue Requirement, Less Return and Taxes	6,355,956
Return (from I.B. above)	9,519,964
Income Taxes (from I.C. above)	4,406,720
Net Revenue Requirement, with 0 Basis Point ROE increase	20,282,640
Gross Margin Tax with Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	20,282,640
Less: Depreciation (True-Up TCOS, In 82)	2,810,141
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	17,472,499

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

Net Revenue Requirement before Gross Margin Taxes, with 0	20,282,640
Basis Point ROE increase (II B. above)	
Apportionment Factor to Texas (Worksheet K, In 12)	0.00%
Apportioned Texas Revenues	-
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	-
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	-
Gross-up Required for Gross Margin Tax Expense	-
Total Additional Gross Margin Tax Revenue Requirement	-

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

Net Transmission Plant (True-Up TCOS, In 39)	153,726,076
Net Revenue Requirement, with 0 Basis Point ROE increase	20,282,640
FCR with 0 Basis Point increase in ROE	13.19%
Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	17,472,499
FCR with 0 Basis Point ROE increase, less Depreciation	11.37%
FCR less Depreciation (True-Up TCOS, In 12)	11.37%
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)	77,314,801	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	235,086,898	<==From Input on Worksheet B
	312,401,699	
Transmission Plant Average Balance for 2013	156,200,850	
Annual Depreciation Expense (True-Up TCOS, In 82)	2,810,141	
Composite Depreciation Rate	1.80%	
Depreciable Life for Composite Depreciation Rate	55.58	
Round to nearest whole year	56	

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.

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR SPP BPU & NON-BPU PROJECTS					
TRUE-UP YEAR	2013	Rev Require	W Incentives	Incentive Amounts	
Σ Prior Year Projected (WS-F)	\$	2,413,005	\$	2,413,005	\$ -
Σ Prior Year True-Up (WS-G)	\$	2,370,652	\$	2,370,652	\$ -
True-up Adjustment For 2013		(42,353)		(42,353)	-

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

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2013 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			\$20,385,395
(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			\$14,971,175
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)			\$3,615,113
10 Flow Through of ERCOT Ancillary Charges			
11 Other			
			Net Transmission Credits
			\$1,799,108
VII. Total Worksheet A Revenue Credits			\$1,799,108

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 2013 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 2013 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) 2013 Expense</u>	<u>(D) 100% Non-Transmission</u>	<u>(E) 100% Transmission Specific</u>	<u>(F) Explanation</u>
		<u>Account 928</u>				
1						
2						
3						
4						
5						
6						
7						
8						
9		Total	<hr/>	<hr/>	<hr/>	
		<u>Account 930.1</u>				
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26		Total	<hr/>	<hr/>	<hr/>	
		<u>Account 930.2</u>				
27	9302000	MISC GENERAL EXPENSE	15,429	15,429	0	
28						
29						
30						
31						
32		Total	<hr/>	<hr/>	<hr/>	

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2013 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 2013

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

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

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		True-Up	
		Total Company	Trans. Only	Total Company	Trans. Only	Total Company	Trans. Only
		40,460,942	39,932,998	28,349,873	27,821,930	20,621,939	20,282,640
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 2013 FF1 Balances
Worksheet L - Taxes Other than Income
 AEP OKLAHOMA TRANSMISSION COMPANY, INC

HISTORIC PERIOD EXPENSE (2013) - 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	Ad Valorem	2,309,902	2,309,902			
5			-			
6			-			
7			-			
8	Payroll Taxes					
9				-		
10				-		
11				-		
12	Line Deliberately Left Blank					
13		-				-
14		-				-
15	Miscellaneous Taxes					
16					-	-
17	OK Franchise Tax	25			25	
18					-	-
19					-	-
20					-	-
21					-	-
22					-	-
23					-	-
24					-	-
25					-	-
26					-	-
26					-	-
27	Total Taxes by Allocable Basis	2,309,927	2,309,902	-	25	-
	(Total Company Amount Ties to FFI p.114, Ln 14,(c))	2,309,927	Error - Total doesn't tie to FF1			

AEP TRANSMISSION HOLDING COMPANY
 Cost of Service Formula Rate Using 2013 FF1 Balances
Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2013
AEP OKLAHOMA TRANSMISSION COMPANY, INC

(A)	(B)	(C)	(D)	(E)
<u>Issuance</u>	<u>Principle Amount</u> FF1.p. 257.x (h)	<u>Interest Rate</u>	<u>Annual Expense</u>	<u>Notes</u>
Long Term Debt (FF1.p. 256-257.h)				
1 <u>Bonds - Acc 221</u>			-	
2				
3 <u>Reacquired Bonds - Total Account 222</u>			-	
4			-	
4			-	
5			-	
6 <u>Advances from Assoc Companies</u>				
7 Senior Notes, Series A, Tranch D, 4.78%	75,000,000	4.78%	3,585,000	p257 L5(h)
8 Senior Notes, Series A, Tranch E, 4.83%	7,500,000	4.83%	362,250	p257 L6(h)
9 Senior Notes, Series B, Tranch A, 2.73%	9,250,000	2.73%	252,525	p257 L7(h)
10 Senior Notes, Series B, Tranch B, 4.05%	11,100,000	4.05%	449,550	p257 L8(h)
11 Senior Notes, Series B, Tranch C, 4.38%	11,100,000	4.38%	486,180	p257 L9(h)
12 Senior Notes, Series B, Tranch D, 5.32%	18,500,000	5.32%	984,200	p257 L10(h)
13			-	
14 <u>Other Long Term Debt - Acc 224</u>			-	
15			-	
16			-	
<u>Issuance Discount, Premium, & Expenses:</u>				
17 Amort of Debt Discount and Expenses	FF1.p. 117.63.c		17,398	
18 Less: Amor of Debt Premimums	FF1.p. 117.65.c		-	
<u>Reacquired Debt:</u>				
19 Amortization of Loss	FF1.p. 117.64.c		-	
20 Less: Amortization of Gain	FF1.p. 117.66.c		-	
21 Total Interest on Long Term Debt	132,450,000	4.63%	6,137,103	
Preferred Stock (FF1.p. 250-251) Preferred Balance Outstanding				
22			-	
23			-	
24			-	
25			-	
26			-	
27 Dividends on Preferred Stock	-	0.00%	-	

AEP TRANSMISSION HOLDING COMPANY
 Cost of Service Formula Rate Using 2013 FF1 Balances
 AEP OKLAHOMA TRANSMISSION COMPANY, INC

Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2012 and 12/31/2013

(A) Line	(B)	(C) Balances @ 12/31/2013	(D) Balances @ 12/31/2012	(E) Average
Development of Average Balance of Common Equity				
1 Total Proprietary Capital (p. 112.16.c&d)		142,233,113	74,467,294	108,350,204
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		142,233,113	74,467,294	108,350,204

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

6 Bonds (221) (p. 112.18.c&d)	0	0	-
7 Less: Reacquired Bonds (222) (p. 112.19.c&d)	0	0	-
8 Advances from Assoc. Companies (223) (p.112.20.c&d)	132,450,000	75,000,000	103,725,000
9 Senior Unsecured Notes (224) (p. 112.21.c&d)	0	0	-
10 Total Average Debt	132,450,000	75,000,000	103,725,000

11 Annual Interest Expense for 2014

12 Coupon Interest on Long Term Debt (256-257.33.i)	4,195,637
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)	17,398
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)	4,213,035

19 Average Cost of Debt for 2014 (Ln 18/Ln 10)

4.06%

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 2013	Remaining Unamortized Balance	Amortization Period	
			Beginning	Ending
21				
22				
23				
24				
25				
26				
27				
28				
29				

30 Total Hedge Amortization to be Removed

-

Development of Cost of Preferred Stock

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

AEPTCo subsidiaries in SPP
 Cost of Service Formula Rate Using 2013 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	(17,177,382)
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	-\$17,177,382
6	Total AEP System Direct Labor Expense	\$1,225,451,318
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	-\$0.014
8	Currently Approved PBOP Rate	\$0.094
9	Base PBOP TransCo labor expensed in current year	\$504,378
10	Allowable TransCo PBOP Expense for current year (Line 8 * Line 9)	\$47,411
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)	\$5,421
15	Actual PBOP Expense (Sum Lines 11-14)	\$5,421
16	PBOP Adjustment Line 10 less Line 15	\$41,990

AEP West SPP Member Companies
 2014 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2013 and Projected Net Plant at Year-End 2014

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 119)			\$229,848
2	REVENUE CREDITS	(Note A)			
3	Transmission Credits	(Worksheet H)	5,550	DA 1.00000	\$ 5,550
4	Assoc. Business Development	(Worksheet H)	-	DA 1.00000	\$ -
5	Total Revenue Credits		5,550		\$ 5,550
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)			\$224,298

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	(In 1 / (Sum of Ins 46, 47, 48, 49, 51)) x 100%			19.13%
10	Monthly Rate	(In 9 / 12)			1.59%
11	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DEPRECIATION (w/o incentives) (Note B)				
12	Annual Rate	((In 1 - In 94 - In 95) / (Sum of Ins 46, 47, 48, 49, 51)) x 100%			15.62%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)				
14	Annual Rate	((In 1 - In 94 - In 95 - In 116 - In 117) / (Sum of Ins 46, 47, 48, 49, 51)) x 100%			5.63%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)				-

AEP West SPP Member Companies
 2014 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2013 and Projected Net Plant at Year-End 2014

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(1)	(2)	(3)	(4)	(5)
	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u> <u>NOTE D</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>
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.C & Hist. Template Ln 183)	0	DA	0
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	1.00000
20	Plus: Transmission Plant-in-Service Additions (Worksheet B)		-	DA	1.00000
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)	-	W/S	1.00000
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=	0.00000
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.00000
33	Plus: Transmission Plant-in-Service Additions (Worksheet B)		-	DA	1.00000
34	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		-	DA	1.00000
35	Plus: Additional Transmission Depreciation for 2014 (In 94)		-	TP1	0.00000
36	Plus: Additional General & Intangible Depreciation for (In 96+In 97)		-	W/S	1.00000
37	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		-	DA	1.00000
38	<i>Line Deliberately Left Blank</i>				
39	<i>Line Deliberately Left Blank</i>				
40	General Plant	(Worksheet A In 18.C)	-	W/S	1.00000
41	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	1.00000
42	Intangible Plant	(Worksheet A In 20.C)	-	W/S	1.00000
43	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 29 to 42)	<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 2014 (-In 35)		-		-
50	Plus: Additional General & Intangible Depreciation for 2014 (-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)	(30,028)	DA	(988)
60	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	139,292	DA	71,074
61	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
62	TOTAL ADJUSTMENTS	(sum Ins 57 to 61)	<u>109,264</u>		<u>70,086</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)	3,910		3,910
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)	-	W/S	1.00000
70	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	-	GP(h)	1.00000
71	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA	1.00000
72	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	-	NA	0.00000
73	TOTAL WORKING CAPITAL	(sum Ins 65 to 72)	<u>3,910</u>		<u>3,910</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>113,174</u>		<u>73,996</u>

AEP West SPP Member Companies
 2014 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2013 and Projected Net Plant at Year-End 2014

AEP SOUTHWESTERN 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	31,336		
77	Less: Total Account 561	(Note I) 321.84-92.b	52		
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)	31,284	TP 1.00000	31,284
81	Administrative and General	323.197.b (Note K)	166,615		
82	Less: Acct. 924, Property Insurance	323.185.b	-		
83	Acct. 928, Reg. Com. Exp.	323.189.b	(7)		
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)	166,622	W/S 1.00000	166,622
87	Plus: Acct. 924, Property Insurance	(ln 82)	-	GP(h) 1.00000	-
88	Acct. 928 - Transmission Specific	Worksheet J ln 5.(E) (Note L)	1,552	TP 1.00000	1,552
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)	5,857	DA 1.00000	5,857
91	A & G Subtotal	(sum lns 86 to 90 less ln 90a)	174,031		174,031
92	TOTAL O & M EXPENSE	(ln 80 + ln 91)	205,315		205,315
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)	14,754	DA 1.00000	14,754
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)	14,754		14,754
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	42	GP(h) 1.00000	42
106	TOTAL OTHER TAXES	(sum lns 101 to 105)	42		42
107	INCOME TAXES	(Note O)			
108	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		39.43%		
109	$EIT=(T/(1-T)) * (1-(WCLTD/WACC))$		43.47%		
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)		1.6511		
113	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
114	Income Tax Calculation	(ln 109 * ln 117)	4,211		2,753
115	ITC adjustment	(ln 112 * ln 113)	-	NP(h) 1.00000	-
116	TOTAL INCOME TAXES	(sum lns 114 to 115)	4,211		2,753
117	RETURN ON RATE BASE (Rate Base*WACC)	(ln 75 * ln 164)	9,688		6,334
118	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		-	DA 1.00000	-
119	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		234,010		229,199
120	(sum lns 92, 98, 106, 116, 117, 118)				
121	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		663	DA	649
122	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		234,673		229,848

AEP West SPP Member Companies
 2014 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2013 and Projected Net Plant at Year-End 2014

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= | 6.82% (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 2013 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)			\$244,643
167	REVENUE CREDITS	(Note A)			
168	Transmission Credits	(Worksheet H)	5,550	DA 1.00000	\$ 5,550
169	Assoc. Business Development	(Worksheet H)	-	DA 1.00000	\$ -
170	Total Revenue Credits		5,550		\$ 5,550
171	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 170)			\$ 239,093

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 2013 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				
181	<i>Line Deliberately Left Blank</i>				
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 2014 (In 259)		N/A	TP1	0.00000
201	Plus: Additional General & Intangible Depreciation for 2014 (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		0.100
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 2014 (-In 200)		N/A		N/A
215	Plus: Additional General & Intangible Depreciation for 2014 (-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)	(30,028)	DA	(988)
225	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	139,292	DA	71,074
226	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	109,264		70,086
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)	3,910		3,910
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)	3,910		3,910
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)		113,174		73,996

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2013 with Year-End Rate Base Balances

AEP SOUTHWESTERN 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	
	OPERATION & MAINTENANCE EXPENSE					
241	Transmission	321.112.b	31,336			
242	Less: Total Account 561	(Note I) 321.84-92.b	52			
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)	31,284	TP	1.00000	31,284
246	Administrative and General	323.197.b (Note K)	166,615			
247	Less: Acct. 924, Property Insurance	323.185.b	-			
248	Acct. 928, Reg. Com. Exp.	323.189.b	(7)			
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)	166,622	W/S	1.00000	166,622
252	Plus: Acct. 924, Property Insurance	(In 247)	-	GP(h)	1.00000	-
253	Acct. 928 - Transmission Specific	Worksheet J In 5.(E) (Note L)	1,552	TP	1.00000	1,552
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)	5,857	DA	1.00000	5,857
256	A & G Subtotal	(sum Ins 251 to 255 less In 255a)	174,031			174,031
257	TOTAL O & M EXPENSE	(In 245 + In 256)	205,315			205,315
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					
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	42	GP(h)	1.00000	42
271	TOTAL OTHER TAXES	(sum Ins 266 to 270)	42			42
272	INCOME TAXES					
273	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		39.43%			
274	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		43.47%			
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)		1.6511			
278	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-			
279	Income Tax Calculation	(In 274 * In 282)	4,211			2,753
280	ITC adjustment	(In 277 * In 278)	-	NP(h)	1.00000	-
281	TOTAL INCOME TAXES	(sum Ins 279 to 280)	4,211			2,753
282	RETURN ON RATE BASE (Rate Base*WACC)	(In 240 * In 329)	9,688			6,334
283	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA	1.00000	-
284	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		248,764			243,952
285	(sum Ins 257, 263, 271, 281, 282, 283)					
286	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		704	DA		691
287	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		249,468			244,643

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2013 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)								0
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	38,411	38,411	TP	1.00000			38,411
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	38,411	38,411					38,411
300	Transmission related amount								W/S=	1.00000
301	STAND ALONE (Note T)									
301	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									
302										\$
303										-
304										-
304	Development of Common Stock:									
305										(646,214)
306										-
307										-
308										-
309										(646,214)
310										
310										
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)									0.0000
314	Total (sum Ins 311 to 313)									WACC=
315	Capital Structure Equity Limit (Note U)									0.0000
315										50.0%
316	SOUTHWESTERN ELECTRIC POWER COMPANY (Note T)									
316	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									
317										\$
318										113,891,031
319										-
319	Development of Common Stock:									
320										2,055,439,065
321										-
322										21,517,257
323										(8,446,167)
324										2,042,367,975
325										
325										
326	Long Term Debt (SWEPCO WS-M, In. 21, col. (B))									0.0285
327	Preferred Stock (SWEPCO WS-M, In. 22, col. (B))									0.0000
328	Common Stock (In 324) (Note U)									0.0571
329	Total (sum Ins 326 to 328)									WACC=
330	Capital Structure Equity Limit (Note U for SWEPCO)									0.0856
330										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 2013 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 = | 6.82% | (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 2013 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 106)			\$245,617
2	REVENUE CREDITS	(Note A)			
3	Transmission Credits	(Worksheet H)	5,550	DA	\$ 5,550
4	Assoc. Business Development	(Worksheet H)	-	DA	\$ -
5	Total Revenue Credits		5,550		\$ 5,550
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 2)			\$240,067

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

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

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2013 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(1)	(2)	(3)	(4)	(5)
		Data Sources (See "General Notes")	TO Total NOTE D	Allocator	Total Transmission
RATE BASE CALCULATION					
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>				
21	<i>Line Deliberately Left Blank</i>				
22	General Plant	(Worksheet A In 7.E)	-	W/S	-
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	-	W/S	-
24	Intangible Plant	(Worksheet A In 9.E)	-	W/S	-
25	TOTAL GROSS PLANT	(sum Ins 16 to 24)	<u>0</u>	GP(TU)= GTD=	<u>0</u> 1.00000
ACCUMULATED DEPRECIATION AND AMORTIZATION					
26	<i>Line Deliberately Left Blank</i>				
27	<i>Line Deliberately Left Blank</i>				
28	Transmission	(Worksheet A In 14.E & 28.E)	-	TP1=	-
29	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	-
30	<i>Line Deliberately Left Blank</i>				
31	<i>Line Deliberately Left Blank</i>				
32	General Plant	(Worksheet A In 18.E)	-	W/S	-
33	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	-	W/S	-
34	Intangible Plant	(Worksheet A In 20.E)	-	W/S	-
35	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	<u>-</u>		<u>-</u>
NET PLANT IN SERVICE					
36	<i>Line Deliberately Left Blank</i>				
37	Transmission	(In 18 + In 19 - In 29 - In 30)	0		0
38	<i>Line Deliberately Left Blank</i>				
39	General Plant	(In 22 + In 23 - In 33 - In 34)	-		-
40	Intangible Plant	(In 24 - In 35)	-		-
41	TOTAL NET PLANT IN SERVICE	(sum Ins 38 to 42)	<u>0</u>	NP(TU)=	<u>0</u> 1.00000
DEFERRED TAX ADJUSTMENTS TO RATE BASE					
42	Account No. 281.1 (enter negative)	(Note E) 272-273.8.k	-	NA	-
43	Account No. 282.1 (enter negative)	(Worksheet C, In 7.C & In 9.J)	-	DA	-
44	Account No. 283.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	(31,727)	DA	(1,801)
45	Account No. 190.1	(Worksheet C, In 25.C & Ln 27.J)	135,601	DA	79,605
46	Account No. 255 (enter negative)	(Worksheet C, In 34.C & Ln 36.J)	-	DA	-
47	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	<u>103,874</u>		<u>77,805</u>
48	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	-	DA	-
49	REGULATORY ASSETS	(Worksheet A In 38. (C))	29,507	DA	29,507
WORKING CAPITAL					
50	Cash Working Capital	(Note F) (1/8 * In 68) (Note G)	3,910		3,910
51	Transmission Materials & Supplies	(Worksheet D, In 2.(F))	-	TP	-
52	A&G Materials & Supplies	(Worksheet D, In 3.(F))	-	W/S	-
53	Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	-
54	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 7.G)	282	W/S	282
55	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 7.F)	276	GP(TU)	276
56	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 7.E)	-	DA	-
57	Prepayments (Account 165) - Unallocable	(Worksheet D, In 7.D)	-	NA	-
58	TOTAL WORKING CAPITAL	(sum Ins 53 to 60)	<u>4,468</u>		<u>4,468</u>
59	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	-	DA	-
60	RATE BASE (sum Ins 43, 50, 51, 61, 62)		<u>108,342</u>		<u>82,273</u>

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2013 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
	OPERATION & MAINTENANCE EXPENSE				
64	Transmission	321.112.b	31,336		
65	Less: Total Account 561	(Note I) 322.84-92.b	52		
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)	31,284	TP	1.00000 31,284
69	Administrative and General	323.197.b (Note K)	166,615		
70	Less: Acct. 924, Property Insurance	323.185.b	-		
71	Acct. 928, Reg. Com. Exp.	322.189.b	(7)		
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)	166,622	W/S	1.00000 166,622
75	Plus: Acct. 924, Property Insurance	(In 70)	-	GP(TU)	1.00000 -
76	Acct. 928 - Transmission Specific	Worksheet J In 5.(E) (Note L)	1,552	TP	1.00000 1,552
77	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 19.(E) (Note L)	-	GP(TU)	1.00000 -
78	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 25.(E) (Note L)	-	DA	1.00000 -
78a	PBOP Adjustment	(Worksheet O In 16.D)	5,857	DA	1.00000 5,857
79	A & G Subtotal	(sum Ins 74 to 78 less In 78a)	174,031		174,031
80	TOTAL O & M EXPENSE	(In 68 + In 79)	205,315		205,315
	DEPRECIATION AND AMORTIZATION EXPENSE				
82	Transmission	336.7.f	-	TP	1.00000 -
83	General	336.10.f	-	W/S	1.00000 -
84a	Plus: Formation Costs Amortization	(Worksheet A In 35.E)	29,507	W/S	1.00000 29,507
84	Intangible	336.1.f	-	W/S	1.00000 -
85	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 82 to 84)	29,507		29,507
	TAXES OTHER THAN INCOME				
87	Labor Related	(Note N)			
88	Payroll	Worksheet L, Col. D	-	W/S	1.00000 -
89	Plant Related				
90	Property	Worksheet L, Col. C	-	GP(TU)	1.00000 -
91	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000 -
92	Other	Worksheet L, Col. E	42	GP(TU)	1.00000 42
93	TOTAL OTHER TAXES	(sum Ins 88 to 92)	42		42
	INCOME TAXES				
94		(Note O)			
95	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		39.43%		
96	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		43.58%		
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)		1.6511		
100	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
101	Income Tax Calculation	(In 96 * In 104)	4,020		3,053
102	ITC adjustment	(In 99 * In 100)	-	NP(TU)	1.00000 -
103	TOTAL INCOME TAXES	(sum Ins 101 to 102)	4,020		3,053
104	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 151)	9,226		7,006
105	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA	1.00000 -
106	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		248,111		244,923
107	(sum Ins 80, 85, 93, 103, 104, 105)				
108	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		702	DA	693
109	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		248,813		245,617

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2013 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

SUPPORTING CALCULATIONS

In								
<u>No.</u>	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)							
116	<i>Line Deliberately Left Blank</i>	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
117	Transmission	354.21.b	0	38,411	38,411	TP	1.00000	38,411
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	38,411	38,411			38,411
122	Transmission related amount						W/S=	1.00000
	STAND ALONE (Note T)							
123	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							
124	Long Term Interest	Long Term Interest (Worksheet N, In. 18, col. (E))						\$ -
125	Preferred Dividends	Preferred Stock Dividends (Worksheet N, In. 47, col. (E))						-
126	<u>Development of Common Stock:</u>							Average
127	Proprietary Capital	(Worksheet N, In. 1, col. (E))						(564,779)
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)						(564,779)
132		2014 Avg Balances						
133	Avg Long Term Debt (Worksheet N, In. 10, col. (E))	-		0.00%	0.00%		Cost (Note S)	0.00%
134	Avg Preferred Stock (Worksheet N, In. 46, col. (E))	-		0.00%	0.00%			0.00%
135	Avg Common Stock (In 131) (Note U)	(564,779)		0.00%	0.00%			11.20%
136	Total (sum Ins 133 to 135)	(564,779)						WACC= 0.0000
137	Capital Structure Equity Limit (Note U)	50.0%						
	SOUTHWESTERN ELECTRIC POWER COMPANY (Note T)							
	NOTE: All WACC related entries below sourced from SWEPCO's FF1 or Template							
138	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							
139	Long Term Interest	Long Term Interest (SWE FR Worksheet N, In. 19, col. (E))						\$ 112,399,028
140	Preferred Dividends	Preferred Stock Dividends (SWE FR Worksheet N, In. 46, col. (E))						-
141	<u>Development of Common Stock:</u>							Average
142	Proprietary Capital	(SWE Worksheet N, In. 1, col. (E))						2,038,325,382
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))						20,355,577
145	Less Account 219	(SWE Worksheet N, In. 4, col. (E))						(13,154,311)
146	Common Stock	(In 142 - In 143 - In 144 - In 145)						2,031,124,116
147		2013 Avg Balances						
148	Avg Long Term Debt (SWE WS-N, In. 10, col. (E))	1,960,200,000		49.11%	0.00%		Cost (Note S)	5.73%
149	Avg Preferred Stock (SWE WS-N, In. 46, col. (E))	-		0.00%	0.00%			0.00%
150	Avg Common Stock (In 146) (Note U)	2,031,124,116		50.89%	0.00%			11.20%
151	Total (sum Ins 148 to 150)	3,991,324,116						WACC= 0.0852
152	Capital Structure Equity Limit (Note U for SWEPCO)	52.5%						

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2013 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 = | 6.82% (State Income Tax Rate or Composite SIT. Worksheet K) |
| | $p =$ | 0.00% (percent of federal income tax deductible for state purposes) |
- P Effective January 1, 2007, Texas instituted a gross margin tax. This tax is calculated on the Texas allocated revenue of the Company, reduced by 30% to derive a "Gross Margin" for the Company. The tax rate of one percent is assessed on the resulting amount. The jurisdictional allocator is based on transmission demand allocators.
- Q Removes plant excluded from the OATT because it does not meet the SPP's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- R Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note Q.
- S Includes functional wages & salaries incurred by parent company service corporation for support of the operating company.
- T The Capital Structure of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. will be based on the Capital Structure of SWEPCO until AEP SOUTHWESTERN TRANSMISSION COMPANY, INC. establishes a stand alone capital structure computed on Worksheet M for the Projected TCOS or Worksheet N for the True-up TCOS.
 Long Term Debt cost rate = long-term interest (In 139) / long term debt (In 148). Preferred Stock cost rate = preferred dividends (In 140) / preferred outstanding (In 149).
 Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket Nos. ER07-1069 and ER10-355. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 50% of AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.'s Capital Structure. If the percentage of equity exceeds the cap, the excess is included in long term debt in the cap structure. This value can only change via an approved 205 or 206 filing.

AEP West SPP Member Companies
 2014 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 @ 12/31/2013</u>	<u>(D) Balances 12/31/2012</u>	<u>(E) Average Balance for 2013</u>
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
Plant Investment Balances					
1	Line Deliberately Left Blank				
2	Line Deliberately Left Blank				
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58	0	0	0
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 57	-	-	-
5	Line Deliberately Left Blank				
6	Line Deliberately Left Blank				
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 99	-	-	-
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 98	-	-	-
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 5	-	-	-
10	Total Property Investment Balance	(Sum of Lines: 3, 7, 9)	0	0	0
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 8)	-	-	-
Accumulated Depreciation & Amortization Balances					
12	Line Deliberately Left Blank				
13	Line Deliberately Left Blank				
14	Transmission Accumulated Depreciation	FF1, page 219, ln 25, Col. (b)	-	-	-
15	Transmission ARO Accumulated Depreciation	Company Records	-	-	-
16	Line Deliberately Left Blank				
17	Line Deliberately Left Blank				
18	General Accumulated Depreciation	FF1, page 219, ln 28, Col. (b)	-	-	-
19	General ARO Accumulated Depreciation	Company Records	-	-	-
20	Intangible Accumulated Amortization	FF1, page 200, ln 21, Col. (b)	-	-	-
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 18, 20)	-	-	-
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 19)	-	-	-
Generation Step-Up Units					
23	GSU Investment Amount	Company Records	-	-	-
24	GSU Accumulated Depreciation	Company Records	-	-	-
25	GSU Net Balance	(Line 23 - Line 24)	-	-	-
Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation					
26	Transmission Accumulated Depreciation	(Line 14 Above)	-	-	-
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	-	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	-	-	-
Plant Held For Future Use					
29	Plant Held For Future Use	FF1, page 214, ln 47, Col. (d)	-	-	-
30	Transmission Plant Held For Future	Company Records	-	-	-
Regulatory Assets and Liabilities Approved for Recovery In Ratebase					
Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.					
31	Regulatory Asset (Note 1)		44,261	73,768	59,015
32	Amortization in Months		18	30	24
33	Monthly Amortization	(line 31 / line 32)	2,459	2,459	2,459
34	Months in 2013 to be amortized		12	12	12
35	Amortization Expense in 2013 Year	(line 33 X line 34)	29,507	29,507	29,507
36	Months in 2014 to be amortized		6	12	9
37	Amortization Expense in 2014 Year	(line 33 X line 36)	14,754	29,507	22,130
38	Balance of Regulatory Asset	(line 31 - line 35)	14,754	44,261	29,507
39	Average Balance of Regulatory Asset	(line 31 + line 38)/2	29,507	59,014	44,261
40	Unamortized Balance of Regulatory Asset at YE 2013 (Note 1)		14,754	44,261	29,507
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
 2014 Cost of Service Formula Rate Projected on 2013 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 (2013) (P.206, In 58,(b)):	-
2	Transmission Plant @ End of Historic Period (2013) (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 (2013) (P.206, In 58,(b)):	1,115,290,032
9	Transmission Plant @ End of Historic Period (2013) (P.207, In 58,(g)):	1,164,661,669
10		2,279,951,701
11	Average Balance of Transmission Investment	1,139,975,851
12	Annual Depreciation Expense, SWEPCO Historic TCOS, In 246	26,835,221
13	Composite Depreciation Rate	2.35%
14	Average Depreciable Life (Years)	42

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
16	January		2.35%	\$ -	\$ -	11
17	February		2.35%	\$ -	\$ -	10
18	March		2.35%	\$ -	\$ -	9
19	April		2.35%	\$ -	\$ -	8
20	May		2.35%	\$ -	\$ -	7
21	June		2.35%	\$ -	\$ -	6
22	July		2.35%	\$ -	\$ -	5
23	August		2.35%	\$ -	\$ -	4
24	September		2.35%	\$ -	\$ -	3
25	October		2.35%	\$ -	\$ -	2
26	November		2.35%	\$ -	\$ -	1
27	December		2.35%	\$ -	\$ -	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
 2014 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	2013 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	0
282 Balance to Use in True-Up									
4	282.1	2013 Year End Tax Deferrals - Ws C-1	-	-	-	-	-	-	-
5	282.1	2012 Year End Tax Deferrals - Ws C-2	-	-	-	-	-	-	-
6		Subtotal	-	-	-	-	-	-	-
7		Average Balance	0	0	0	0	0	0	0
8		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
9		Allocated Total	0	0	0	0	0	0	0
Account 283 - Form-1 page 276-277, Ln 9, Col (k)									
283 Balance to Use in Projection									
10	283.1	2013 Year End Tax Deferrals - Ws C-1	(30,028)	(29,040)	(988)	-	-	-	-
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	0	(988)	0	0	0	(988)
283 Balance to Use in True-Up									
13	283.1	2013 Year End Tax Deferrals - Ws C-1	(30,028)	(29,040)	(988)	-	-	-	-
14	283.1	2012 Year End Tax Deferrals - Ws C-2	(33,425)	(30,812)	(2,613)	-	-	-	-
15		Subtotal	(63,453)	(59,852)	(3,601)	-	-	-	-
16		Average Balance	(31,727)	(29,926)	(1,801)	0	0	0	0
17		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	100.0000%	
18		Allocated Total	0	0	(1,801)	0	0	0	(1,801)
Account 190 - Form-1 page 234, Ln 8, Col. (c)									
190 Balance to Use in Projection									
19	190.1	2013 Year End Tax Deferrals - Ws C-1	139,292	68,218	71,074	-	-	-	-
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	0	71,074	0	0	0	71,074
190 Balance to Use in True-Up									
22	190.1	2013 Year End Tax Deferrals - Ws C-1	139,292	68,218	71,074	-	-	-	-
23	190.1	2012 Year End Tax Deferrals - Ws C-2	131,910	43,774	88,136	-	-	-	-
24		Subtotal	271,202	111,992	159,210	-	-	-	-
25		Average Balance	135,601	55,996	79,605	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	0	79,605	0	0	0	79,605
Account 255 - Form-1 page 266-267									
255 Balance to Use in Projection									
28	255	Acc Defrd ITC - Federal - 12/31/2013 (FF1 p. 267, Ln 2.h)	-						
29	255	Transmission Allocator from Historic TCOS [GP or W/S]		N/A	N/A	100.0000%	N/A	N/A	
30	255	Allocated Total	0	0	0	0	0	0	0
255 Balance to Use in True-Up									
31	255	Acc Defrd ITC - Federal - 12/31/2013 (FF1 p. 267, Ln 2.h)	-						
32	255	Acc Defrd ITC - Federal - 12/31/2012 (FF1 p. 266, Ln 2.b)	-						
33		Subtotal	-						
34		Average Balance	0						
35		Transmission Allocator from True-Up TCOS [GP or W/S]		N/A	N/A	100.0000%	N/A	N/A	
36		Allocated Total	0	0	0	0	0	0	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, 2013

Account	Line #	Description	Balance	Exclusions	Allocation Method				Labor
					100% Transmission	Line Deliberately Left Blank	Line Deliberately Left Blank		
2821001									
2821001									
2821001									
2821001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	0	0	0	0	0	0	0
		(absolute value Total Company Amount Ties to FF1 p.275(k) -- Acct 282 Electric)							
2831001	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	(23,876) E	(23,876)					
2831001	664J	REG ASSET-TRANSCO PRE-FORMATION COSTS	(5,164) E	(5,164)					
2831002	911Q-DSIT	DSIT ENTRY - NORMALIZED	(988) T		(988)				
2831		TOTAL ELECTRIC ACCOUNT SUBTOTAL	(30,028)	(29,040)	(988)	0	0	0	0
		(absolute value Total Company Amount Ties to FF1 p.277(k) -- Acct 283 Electric)	30,028						
1901001	911Q-DSIT	DSIT ENTRY - NORMALIZED	346 T		346				
1901001	960Z	NOL - DEFERRED TAX ASSET RECLASS	70,728 T		70,728				
1901002	014C-DSIT	NOL-STATE C/F-DEF STATE TAX ASSET-L/T	68,218 E	68,218					
		TOTAL ELECTRIC ACCOUNT SUBTOTAL	139,292	68,218	71,074	0	0	0	0
		(Total Company Amount Ties to FF1 p.234(c) -- Electric)	139,292						

Worksheet C-2 - ADIT & ITC Details

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

Account	Line #	Description	Balance	Exclusions	Allocation Method			Labor
					100% Transmission	Line Deliberately Left Blank	Line Deliberately Left Blank	
2821001								
2821001								
2821001								
2821001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	0	0	0	0	0	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)				
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
1901001	911Q-DSIT	DSIT ENTRY - NORMALIZED	915 T		915			
1901001	960Z	NOL - DEFERRED TAX ASSET RECLASS	87,222 T		87,222			
1901001	014C-DSIT	NOL STATE C/F DEF STATE TAX ASSET	43,774 E	43,774				
1901001		TOTAL ELECTRIC ACCOUNT SUBTOTAL	131,910	43,774	88,136	0	0	0

AEP West SPP Member Companies
 2014 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, 2013</u>	<u>Balance @ December 31, 2012</u>	<u>Average Balance for Rate Year 2013</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, 2013	0	0	0	0	0	0
6 Totals as of December 31, 2012	1,115			551	564	1,115
7 Average Balance	558	0	0	276	282	558

Prepayments Account 165 - Balance @ 12/31/2013

<u>Acc. No.</u>	<u>Description</u>	<u>2013 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 @ 12/31/2012

<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>
19							
20	1650001 Prepaid Insurance	1,115			551	564	1,115
21							0
22							0
23							0
24							0
25							0
26							0
27							0
28							0
29							0
30	Subtotal - Form 1, p 111.57.d	1,115			551	564	1,115

AEP West SPP Member Companies
 2014 Cost of Service Formula Rate
Worksheet E - IPP Credits
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2013</u>
1	Net Funds from IPP Customers @ 12/31/2012 (2013 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 12/31/2013 (2013 FORM 1, P269, (F))	-
8	Average Balance for 2013 ((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	48.97%	0.0581	0.0285
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	51.03%	0.1120	0.0571
		R =	0.0856

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR	2014	-	\$ -

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)	73,996
R (from A. above)	0.0856
Return (Rate Base x R)	6,334

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

Return (from B. above)	6,334
Tax Rate (Projected TCOS, In 108)	39.43%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	43.47%
Income Tax Calculation (Return x EIT)	2,753
ITC Adjustment (Projected TCOS, In 115)	-
Income Taxes	2,753

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)	229,848
Return (Projected TCOS, In 117)	6,334
Income Taxes (Projected TCOS, In 116)	2,753
Gross Margin Taxes (Projected TCOS, In 121)	649
Net Revenue Requirement, Less Return and Taxes	220,111

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

Net Revenue Requirement, Less Return and Taxes	220,111
Return (from I.B. above)	6,334
Income Taxes (from I.C. above)	2,753
Net Revenue Requirement, with 0 Basis Point ROE increase	229,199
Gross Margin Tax with 0 Basis Point ROE Increase (II C. below)	649
Revenue Requirement w/ Gross Margin Taxes	229,848
Less: Depreciation (Projected TCOS, In 94)	-
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	229,848

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)	229,199
Apportionment Factor to Texas (Worksheet K, In 12)	40.33%
Apportioned Texas Revenues	92,436
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	64,705
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	647
Gross-up Required for Gross Margin Tax Expense	2
Total Additional Gross Margin Tax Revenue Requirement	649

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	229,199
FCR with 0 Basis Point increase in ROE	0.00%
Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	229,848
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)	1,115,290,032	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	1,164,661,669	<==From Input on Worksheet B
Transmission Plant Average Balance for 2013	2,279,951,701	
Annual Depreciation Expense (Projected TCOS, In 94)	1,139,975,851	
Composite Depreciation Rate	26,835,221	
Depreciable Life for Composite Depreciation Rate	2.35%	
Round to nearest whole year	42.48	
	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
 2014 Cost of Service Formula Rate Projected on 2013 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 2013 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	49.11%	0.0573	0.0282
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	50.89%	0.1120	0.0570
		R =	0.0852

SUMMARY OF TRUED-UP ANNUAL REV. REQ. FOR SPP BPU & NON-BPU PROJECTS				
TRUE-UP YEAR	2013	Rev Require	W Incentives	Incentive Amounts
Σ Prior Year Projected (WS-F)	\$	-	\$	-
Σ Prior Year True-Up (WS-G)	\$	-	\$	-
True-up Adjustment For 2013		-		-

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)	82,273
R (from A. above)	0.0852
Return (Rate Base x R)	7,006

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

Return (from B. above)	7,006
Tax Rate (True-Up TCOS, In 95)	39.43%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	43.58%
Income Tax Calculation (Return x EIT)	3,053
ITC Adjustment (True-Up TCOS, In 102)	-
Income Taxes	3,053

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)	245,617
Return (True-Up TCOS, In 104)	7,006
Income Taxes (True-Up TCOS, In 103)	3,053
Gross Margin Taxes (True-Up TCOS, In 108)	693
Net Revenue Requirement, Less Return and Taxes	234,864

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

Net Revenue Requirement, Less Return and Taxes	234,864
Return (from I.B. above)	7,006
Income Taxes (from I.C. above)	3,053
Net Revenue Requirement, with 0 Basis Point ROE increase	244,923
Gross Margin Tax with Basis Point ROE Increase (II C. below)	693
Revenue Requirement w/ Gross Margin Taxes	245,617
Less: Depreciation (True-Up TCOS, In 82)	-
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	245,617

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

Net Revenue Requirement before Gross Margin Taxes, with 0	244,923
Basis Point ROE increase (II B. above)	
Apportionment Factor to Texas (Worksheet K, In 12)	40.33%
Apportioned Texas Revenues	98,778
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	69,145
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	691
Gross-up Required for Gross Margin Tax Expense	2
Total Additional Gross Margin Tax Revenue Requirement	693

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	245,617
FCR with 0 Basis Point increase in ROE	245616841.63%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	245,617
FCR with 0 Basis Point ROE increase, less Depreciation	245616841.63%
FCR less Depreciation (True-Up TCOS, In 12)	0.00%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	245616841.63%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	1,115,290,032	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	1,164,661,669	<==From Input on Worksheet B
	2,279,951,701	
Transmission Plant Average Balance for 2013	1,139,975,851	
Annual Depreciation Expense (True-Up TCOS, In 82)	26,835,221	
Composite Depreciation Rate	2.35%	
Depreciable Life for Composite Depreciation Rate	42.48	
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 SWEPSCO and shown on lines 8 through 14 of Worksheet B.

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2013 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 Electirc Property	0		0
(Revenue related to transmission facilities for pole attachments, rentals, etc. Provide data sources and explanations in Section VIII, Notes below)			
IV. Account 4560015, Revenues from Associated Business Development			
1 Account 4560015, Revenues from Associated Business Development			
V. Total Other Operating Revenues To Reduce Revenue Requirement			0
VI. Account 456.1, Revenues from Transmission of Electricity of Others			221,065
(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			215,515
4 Revenue for GFA's (Relative to SPP OATT) Associated with Load Included in the Divisor			
5 Network Service Revenue (SPP Schedule 9) Associated with Load included in the Divisor			
6 Revenue Associated with Transmission Plant Excluded From SPP Tariff			
7 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			\$5,550
VII. Total Worksheet A Revenue Credits			\$5,550

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 2013 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 2013 FF1 Balances
Worksheet J - Allocation of Specific O&M or A&G Expenses
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

<u>Line Number</u>	<u>(A) FERC Acct No.</u>	<u>(B) Description</u>	<u>(C) 2013 Expense</u>	<u>(D) 100% Non-Transmission</u>	<u>(E) 100% Transmission Specific</u>	<u>(F) Explanation</u>
		<u>Account 928</u>				
1	9280002	Regulatory Commission Exp - Case	1,552	-	1,552	Service Company labor expense
2						
3						
4						
5		Total	<u>1,552</u>	<u>-</u>	<u>1,552</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 2013 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 2013

State Income Tax Rate - Louisiana		8.00%	
Apportionment Factor		55.06%	
Effective Louisiana State Income Tax Rate			4.4048%
State Income Tax Rate - Arkansas		6.50%	
Apportionment Factor		37.18%	
Effective Arkansas State Income Tax Rate			2.4168%
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>6.8216%</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		True-Up	
		Total Company	Trans. Only	Total Company	Trans. Only	Total Company	Trans. Only
		234,010	229,199	248,764	243,952	248,111	244,923
1	Apportionment Factor to Texas (In12)	40.33%	40.33%	40.33%	40.33%	40.33%	40.33%
2	Apportioned Texas Revenues	\$94,377	\$92,436	\$100,327	\$98,387	\$100,064	\$98,778
3	Taxable Percentage of Revenue (70%)	70%	70%	70%	70%	70%	70%
4	Taxable, Apportioned Margin	66,064	64,705	70,229	68,871	70,045	69,145
5	Texas Gross Margin Tax Rate (1%)	1%	1%	1%	1%	1%	1%
6	Texas Gross Margin Tax Expense	661	647	702	689	700	691
7	Gross-up Required for Texas Gross Margin Expense (In 6 * In 3 * In 1)/(1- In 5) * In 5)	2	2	2	2	2	2
8	Total Additional Gross Margin Tax Revenue Requirement	<u>663</u>	<u>649</u>	<u>704</u>	<u>691</u>	<u>702</u>	<u>693</u>
9	WHOLESALE LOAD ALLOCATOR (For Use in Gross Margin Tax Allocator)						
10	Texas Jurisdictional Load	1,270,000	KW				
11	Total Load	3,149,000	KW				
12	Allocation Percentage (In 10 / In 11)	<u>40.33%</u>					

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2013 FF1 Balances
Worksheet L - Taxes Other than Income
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

HISTORIC PERIOD EXPENSE (2013) - TO BE USED ON TRUE-UP TEMPLATE

	(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Account	Total Company	Property	Labor	Other	Non-Allocable
1	Revenue Taxes					
2						-
3	Real Estate and Personal Property Taxes					
4			-			
5			-			
6			-			
7			-			
8	Payroll Taxes					
9				-		
10				-		
11				-		
12	<u>Line Deliberately Left Blank</u>					
13		-				-
14		-				-
15	Miscellaneous Taxes					
16	Federal Excise Tax					-
17	Franchise Tax	42			42	
18	Sales/Use				-	
19	License Registration	-			-	
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))	42 42	-	-	42	-

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2013 FF1 Balances
Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2013
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>
Long Term Debt (FF1.p. 256-257.h)					
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%	-	
Preferred Stock (FF1.p. 250-251)					
		Preferred Balance Outstanding			
21				-	
22				-	
23				-	
24				-	
25				-	
26	Dividends on Preferred Stock		0.00%	-	

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2013 FF1 Balances
 AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2012 and 12/31/2013

(A)	(B)	(C)	(D)	(E)
Line		Balances @ 12/31/2013	Balances @ 12/31/2012	Average
Development of Average Balance of Common Equity				
1	Total Proprietary Capital (p. 112.16.c&d)	(644,046)	(485,511)	(564,779)
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	(644,046)	(485,511)	(564,779)

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

6	Bonds (221) (p. 112.18.c&d)	-	-	-
7	Less: Reacquired Bonds (222) (p. 112.19.c&d)	-	-	-
8	Advances from Assoc. Companies (223) (p.112.20.c&d)	-	-	-
9	Senior Unsecured Notes (224) (p. 112.21.c&d)	-	-	-
10	Total Average Debt	-	-	-
11	Annual Interest Expense for 2013			
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 2014 (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 2014	Remaining Unamortized Balance	Amortization Period	
				Beginning	Ending
21				0	0
22				0	0
23				0	0
24				0	0
25				0	0
26				0	0
27				0	0
28				0	0
29				0	0
30	Total Hedge Amortization to be Removed	-			

Development of Cost of Preferred Stock

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

AEPTCo subsidiaries in SPP
 Cost of Service Formula Rate Using 2013 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	(17,177,382)
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	-\$17,177,382
6	Total AEP System Direct Labor Expense	\$1,225,451,318
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	-\$0.014
8	Currently Approved PBOP Rate	\$0.094
9	Base PBOP TransCo labor expensed in current year	\$77,616
10	Allowable TransCo PBOP Expense for current year (Line 8 * Line 9)	\$7,296
11	Direct PBOP Expense per Actuarial Report	\$0
12	Additional PBOP Ledger Entry (From Company Records)	\$0
13	Medicare Credit	\$0
14	PBOP Expenses From AEP Affiliates (From Company Records)	\$1,439
15	Actual PBOP Expense (Sum Lines 11-14)	\$1,439
16	PBOP Adjustment Line 10 less Line 15	\$5,857