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January 17, 2017

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

Re: American Electric Power Service Corporation
Docket No. ER17-_____

Dear Secretary Bose:

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

I. Background

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

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

The formula rate approved as part of the Settlement permits AEP to include depreciation costs as recorded by PSO in its FERC Form 1 (“FF1”) report.

PSO primarily serves retail customers in Oklahoma with its retail jurisdiction representing over 99% of its business. At the time of the Settlement, the depreciation rates utilized by PSO on its books were the depreciation rates approved by the “OCC in Cause No. PUD 200800144, effective in 2009.

AEP sought and received approval of the manner in which the weighted composite depreciation rate utilized in the Formula Rate in Docket No. ER07-1069.¹ Under the terms of the Settlement, Paragraph I, 8 of Addendum 4 to Attachment H of the SPP OATT, a change to the Formula Rate inputs related to revised depreciation rates may not be made absent an appropriate filing with the Commission pursuant to section 205 or 206 of the Federal Power Act.²

II. Description of Proposed Change

As noted above, at the time the Settlement was filed with the Commission, the depreciation rates for PSO that generate the book expense included in the formula rate calculation had been in existence since 2009. As a result of recent retail rate cases, these underlying depreciation rates have now been changed.³ The order approving the underlying depreciation rates was issued on November 10, 2016 and can be viewed at the following links:

OCC Order:

<http://imaging.occeweb.com/AP/Orders/occ5325329.pdf>

By this filing, AEP now seeks Commission authorization under section 205 of the FPA to update the depreciation rate inputs in its existing formula rate to reflect the new state approved depreciation rates for PSO. The updated depreciation rates are set forth in Attachment A to this transmittal letter. As shown in Attachment A to this filing, the changes in depreciation rates will result in increased annual transmission depreciation expenses for PSO.

As further shown on page 1 of Attachment A, three of the PSO transmission depreciation rates, for land rights (350.1), structure and improvements (352) and underground conductors (358), have decreased; however, as page 2 of Attachment A shows, the plant in those

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

² AEP’s transmission company depreciation rates track those of the operating companies. Therefore, the updated depreciation rate for PSO in the formula rate will also apply to the AEP Oklahoma Transmission Company formula rate.

³ *See Oklahoma Corporation Commission Cause NO. PUD 201500208, Order No. 657877, Application of Public Service Company of Oklahoma, An Oklahoma Corporation, For An Adjustment In Its Rates And Charges For Electric Service In The State of Oklahoma.*

accounts is a small portion of the total transmission investment. As a result, the overall transmission depreciation expense will increase for PSO.

III. Effective Date and Waiver Request

AEP seeks approval to update the data inputs regarding depreciation rates in its formula rate to reflect the new state approved depreciation rates effective as of January 15, 2016. AEP respectfully requests that the Commission waive provisions of section 35.13 or any other applicable regulation to permit this request. Good cause exists for granting this waiver because AEP is making this filing pursuant to the requirements of a Commission approved Settlement and to implement a state commission order that was issued on November 10, 2016.

Moreover, AEP wishes to make clear that it is *not* requesting a change to the formula rate on file with the Commission as approved in Docket No.ER07-1069. Nor is AEP seeking a change in the manner in which the composite depreciation rate is calculated. Finally, implementation of AEP's request will result in an overall depreciation rate and expense increase effective on January 15, 2016.

IV. Contents of this Filing

This filing consists of the following documents:

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

V. Service

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

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

VI. Correspondence

Correspondence relating to this filing should be addressed to:

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VII. Conclusion

Wherefore, for the reasons explained herein, AEP respectfully requests that the Commission accept these proposed revisions effective January 15, 2016.

Respectfully submitted,

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Dated: January 17, 2017

ATTACHMENT A

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

		CURRENT RATES (A)	PRIOR RATES (B)
TRANSMISSION PLANT			
350.1	Land Rights	0.77%	1.09%
352.0	Structures & Improvements	1.75%	1.88%
353.0	Station Equipment	1.77%	1.53%
354.0	Towers & Fixtures	1.76%	1.12%
355.0	Poles & Fixtures	3.12%	2.78%
356.0	OH Conductor & Devices	2.15%	1.92%
358.0	Underground Conductor	2.30%	3.01%

Notes:

(A) Current depreciation rates were effective on January 15, 2016 in accordance with the order from Cause No. PUD 201500208, Order No. 657877 signed on November 10, 2016 and made effective after the Company filed tariffs were reviewed by the Director of the Public Utility Division.

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

**PUBLIC SERVICE COMPANY OF OKLAHOMA
CALCULATION OF TOTAL TRANSMISSION PLANT DEPRECIATION RATE
USING CURRENT AND PRIOR DEPRECIATION RATES BY ACCOUNT AND PLANT AT DECEMBER 31, 2014**

		<u>ORIGINAL COST AT 12/31/2014</u>	<u>CURRENT RATES (A)</u>	<u>CURRENT ANNUAL DEPR EXPENSE</u>	<u>PRIOR RATES (B)</u>	<u>PRIOR ANNUAL DEPR EXPENSE</u>
TRANSMISSION PLANT						
350.1	Land Rights	38,255,178	0.77%	294,055	1.09%	416,981
352.0	Structures & Improvements	4,611,552	1.75%	80,670	1.88%	86,697
353.0	Station Equipment	346,843,672	1.77%	6,139,134	1.53%	5,306,708
354.0	Towers & Fixtures	17,788,368	1.76%	313,101	1.12%	199,230
355.0	Poles & Fixtures	213,845,301	3.12%	6,678,291	2.78%	5,944,899
356.0	OH Conductor & Devices	164,344,392	2.15%	3,530,720	1.92%	3,155,412
358.0	Underground Conductor	<u>71,915</u>	2.30%	<u>1,654</u>	3.01%	<u>2,165</u>
	Total Transmission Plant	785,760,378	2.17%	17,037,625	1.92%	15,112,092