

AEP Transmission Formula Rate Template  
Utilizing FERC Form 1 Data  
For rates effective July 1, 2012

**SPP Zone 1 Projected AEP Revenue Requirements**

Line No.			OKTCO Annual Revenue Requirement	SWTCO Annual Revenue Requirement
<b>A. AEP Network Integration Transmission Service (NITS)</b>				
1	REVENUE REQUIREMENT (w/o incentives)	(TCOS Line 1 )	\$5,429,748	\$113,636
2	LESS: REVENUE CREDITS	(TCOS Line 5 )	\$0	\$0
3	CURRENT YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(TCOS Line 6 )	<u>\$5,429,748</u>	<u>\$113,636</u>
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(TCOS Line 7 )	2,837,925	-
6	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet F)	-	-
7	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet F)	-	-
8	SUBTOTAL		<u>2,837,925</u>	<u>-</u>
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	<u>2,591,823</u>	<u>113,636</u>
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(TCOS Line 15 )	-	-
11	<b>EXISTING ZONAL ATRR FOR SPP OATT ATTACHMENT H, SEC. 1, COL. 3</b>	<b>(Ln 9 + Ln 10)</b>	<b><u>\$2,591,823</u></b>	<b><u>\$113,636</u></b>
12	2011 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, ln 17)	8,323 MW	8,323 MW
13	<b>AEP Monthly NITS Rate in \$/MW - Month</b>	<b>(Line 11 / Line 12) / 12</b>	<b>\$25.95</b>	<b>\$1.14</b>
<b>B. Point-to-Point Service</b>				
14	Annual Point-to-Point Rate in \$/MW - Year	(Line 11 / Line 12)	\$311.42	\$13.65
15	Monthly Point-to-Point Rate in \$/MW - Month	(Line 14 / 12)	\$25.95	\$1.14
16	Weekly Point-to-Point Rate in \$/MW - Weekly	(Line 14 / 52)	\$5.99	\$0.26
17	Daily On-Peak Point-to-Point Rate in \$/MW - Day	(Line 14 / 260)	\$1.20	\$0.05
18	Daily Off-Peak Point-to-Point Rate in \$/MW - Day	(Line 14 / 365)	\$0.85	\$0.04
19	Hourly On-Peak Point-to-Point Rate in \$/MW - Hour	(Line 14 / 4160)	\$0.07	\$0.00
20	Hourly Off-Peak Point-to-Point Rate in \$/MW - Hour	(Line 14 / 8760)	\$0.04	\$0.00

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SPP SCHEDULE 1 AEP Revenue Requirements

<u>Line No.</u>			OKTCo Annual Revenue Requirement	SWTCo Annual Revenue Requirement
<b>A. <u>Schedule 1 ARR For 2012 Projected Year</u></b>				
1	Total Load Dispatch & Scheduling (Account 561) (TCOS Line 77)		\$0	\$0
2	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)		\$0	\$0
3	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)		\$0	\$0
4	Total 561 Internally Developed Costs	(Line 1 - Line 2 - Line 3)	\$0	\$0
5	Less: PTP Service Credit (prior year Sched 1 revenue from PTP transactions)		\$0	\$0
6	<b>PROJECTED ZONAL ARR FOR 2012</b>	(Line 4 - Line 5)	\$0	\$0
<b>B. <u>Schedule 1 Projected 7/1/2012 Rate Calculations</u></b>				
7	2011 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 17)	8,323 MW	8,323 MW
8	Annual Point-to-Point Rate in \$/MW - Year	(Line 6 / Line 7)	\$0.00	\$0.00
9	Monthly Point-to-Point Rate (In 8 / 12) \$/MW - Month	(Line 8 / 12)	\$0.00	\$0.00
10	Weekly Point-to-Point Rate (In 8 / 52) \$/MW - Weekly	(Line 8 / 52)	\$0.00	\$0.00
11	Daily Off-Peak Point-to-Point Rate (In 8 / 365) \$/MW - Day	(Line 8 / 365)	\$0.00	\$0.00
12	Hourly Off-Peak Point-to-Point Rate (In 8 / 8760) \$/MW - Hour	(Line 8 / 8760)	\$0.00	\$0.00

AEP Transmission Formula Rate Template  
Calculation of True-Up Rate For Schedule 9  
For Calendar Year 2011

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

<u>Line No.</u>			<b>OKTCO Annual Revenue Requirement</b>	<b>SWTCO Annual Revenue Requirement</b>
<b>A. Network Service</b>				
1	TRUE-UP YEAR 2011 REVENUE REQUIREMENT (w/o incentives)	(True-Up TCOS Line 1 )	\$742,586	\$104,031
2	LESS: REVENUE CREDITS	(True-Up TCOS Line 5 )	\$0	\$0
3	TRUE-UP YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(True-Up TCOS Line 6 )	<u>\$742,586</u>	<u>\$104,031</u>
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(True-Up TCOS Line 7 )	708,386	-
6	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-
7	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-
8	SUBTOTAL		<u>708,386</u>	<u>-</u>
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	<u>34,200</u>	<u>104,031</u>
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(True-Up TCOS Line 15 )	-	-
<b>11</b>	<b>TRUED-UP ZONAL ATRR (W/ INCENTIVES) FOR 2011</b>	<b>(Line 9 + Line 10)</b>	<b>34,200</b>	<b>104,031</b>
12	2011 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 17)	8,323 MW	8,323 MW
13	<b>Monthly NITS Rate in \$/MW - Month</b>	<b>(Line 11 / Line 12) /12</b>	<b>0.34</b>	<b>1.04</b>

AEP Transmission Formula Rate Template  
Calculation of Schedule 11 Revenue Requirements For AEP Transmission Projects  
For Calendar Year 2011 and Projected Year 2012

**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 2012 From WS-F</u>							<u>True-Up ARR CY2011 From Worksheet G (includes adjustment for SPP Collections)</u>										
							<u>Base ARR</u>					<u>Incentive ARR</u>					<u>Total</u>
<u>Line No.</u>	<u>Sheet Name</u>	<u>Owner</u>	<u>Project Description</u>	<u>Year in Service</u>	<u>Base ARR (WS-F)</u>	<u>Incentive</u>	<u>Total</u>	<u>TRUE-UP Adjustment (WS-G)</u>	<u>Adjusted ARR from Prior Update</u>	<u>As Billed by SPP (for Prior Yr T-Service)</u>	<u>COLLECTION Adjustment</u>	<u>True-up</u>	<u>As Billed</u>	<u>Change</u>	<u>INTEREST Adjustment</u>	<u>Total Adjustments (True-Up, Billing, &amp; Interest)</u>	<u>Total ADJUSTED Revenue Requirement Effective 7/1/2012</u>
1	OKT.001	OKT	Snyder 138 kV Terminal Addition	2010	84,180	-	84,180	(25,220)	111,383	63,879	47,504	-	-	-	2,004	24,288	108,468
2	OKT.002	OKT	Coffeyville T to Dearing 138 kV Rebuild - 1.1 miles	2010	109,575	-	109,575	(27,460)	160,694	92,159	68,535	-	-	-	3,693	44,768	154,343
3	OKT.003	OKT	Tulsa Power Station Reactor	2011	101,867	-	101,867	(100,932)	125,485	71,966	53,518	-	-	-	(4,263)	(51,677)	50,190
4	OKT.004	OKT	Bartlesville SE to Coffeyville T Rebuild	2011	1,426,879	-	1,426,879	(1,153,938)	1,690,106	969,286	720,820	-	-	-	(38,944)	(472,062)	954,817
5	OKT.005	OKT	Install 345kV terminal at Valliant	2012	423,079	-	423,079	-	-	-	-	-	-	-	-	-	423,079
5	OKT.006	OKT	Canadian River - McAlester City 138 kV Line Conversion	2012	692,344	-	692,344	-	-	-	-	-	-	-	-	-	692,344
<b>OKT Total</b>					2,837,925	-	2,837,925	(1,307,549)	2,087,668	1,197,290	890,378	-	-	-	(37,511)	(454,682)	\$ 2,383,242
6	SWT.001	SWT	insert project name here	2011	-	-	-	-	-	-	-	-	-	-	-	-	-
7			SWT Total		-	-	-	-	-	-	-	-	-	-	-	-	-

\*<\$100K investment

**AEP West (SPP Zone-1)**  
**Network Load for January Through December, 2011**  
**Based on West Zone-SPP Monthly Transmission System Firm Peak Demands [1] for the Twelve Months Ended December 31, 2011**

**Historical Combined Load Worksheet (SPP Zone - 1)**

Line No.	Peak Day Peak Hour	1/13/2011 800	2/1/2011 1900	3/10/2011 800	4/19/2011 1700	5/31/2011 1700	6/27/2011 1600	7/27/2011 1700	8/3/2011 1600	9/1/2011 1700	10/7/2011 1700	11/28/2011 800	12/7/2011 800	12 Month Average MW	LRS
<b>SPP Load Responsibility</b>															
1	PSO (2)	2,810.00	2,797.00	2,233.00	2,391.00	3,327.00	4,087.00	4,323.00	4,469.00	4,038.00	2,685.00	2,299.00	2,621.00	3,173.33	38.1%
2	SWEPCO (2)	3,189.00	3,207.00	2,352.00	2,820.00	3,282.50	3,619.50	3,817.50	4,149.50	3,722.50	2,716.50	2,526.50	2,805.50	3,184.00	38.3%
3	AECC (3)	780.00	766.00	529.00	460.00	591.00	737.00	853.00	919.00	786.00	463.00	507.00	621.00	667.67	8.0%
4	WFEC (3)	36.00	38.00	28.00	27.00	31.00	35.00	33.00	41.00	37.00	31.00	33.00	33.00	33.58	0.4%
5	OMPA (3)	89.00	98.00	69.00	89.00	129.00	161.00	176.00	180.00	163.00	103.00	75.00	87.00	118.25	1.4%
6	OG&E (3)	-	-	4.00	5.00	7.00	8.00	7.00	7.00	6.00	7.00	7.00	6.00	5.33	0.06%
7	NTEC (3)	809.00	850.00	511.00	473.00	591.00	655.00	697.00	758.00	668.00	469.00	605.00	663.00	645.75	7.8%
8	ETEC (3)	107.00	114.00	64.00	64.00	77.00	85.00	90.00	101.00	89.00	63.00	70.00	89.00	84.42	1.0%
9	TEXLA (3)	123.00	123.00	77.00	69.00	101.00	108.00	104.00	124.00	112.00	74.00	90.00	102.00	100.58	1.2%
10	Greenbelt (3)	7.00	5.00	4.00	5.00	9.00	12.00	13.00	11.00	10.00	4.00	5.00	6.00	7.58	0.09%
11	Lighthouse (3)	1.00	2.00	1.00	2.00	3.00	3.00	3.00	3.00	3.00	1.00	2.00	2.00	2.17	0.03%
12	Bentonville, AR	98.00	91.00	81.00	88.00	104.00	126.00	145.00	157.00	139.00	89.00	80.00	91.00	107.42	1.3%
13	Prescott, AR (Entergy) (3)	12.00	11.00	9.00	13.00	14.00	16.00	16.00	18.00	18.00	12.00	11.00	11.00	13.42	0.16%
14	Minden, LA (Entergy) (3)	25.00	26.00	19.00	27.00	35.00	39.00	40.00	45.00	40.00	29.00	20.00	23.00	30.67	0.4%
15	Hope, AR (3)	46.00	45.00	37.00	45.00	54.00	60.00	60.00	64.00	59.00	44.00	37.00	39.00	49.17	0.6%
16	Coffeyville, KS (3)	97.00	89.00	89.00	91.00	102.00	111.00	113.00	115.00	113.00	92.00	85.00	95.00	99.33	1.2%
17	<b>Zone 1 - System Firm Peak Demands</b>	<b>8,229.00</b>	<b>8,262.00</b>	<b>6,107.00</b>	<b>6,669.00</b>	<b>8,457.50</b>	<b>9,862.50</b>	<b>10,490.50</b>	<b>11,161.50</b>	<b>10,003.50</b>	<b>6,882.50</b>	<b>6,452.50</b>	<b>7,294.50</b>	<b>8,322.67</b>	
<b>Supporting Data</b>															
18	PSO: PSO Native Load (2)	2,756.00	2,740.00	2,192.00	2,367.00	3,283.00	4,030.00	4,263.00	4,407.00	3,977.00	2,654.00	2,262.00	2,573.00		
19	KAMO	35.00	37.00	30.00	18.00	33.00	41.00	42.00	42.00	45.00	23.00	25.00	33.00		
20	GRDA load on PSO	19.00	20.00	11.00	6.00	11.00	16.00	18.00	20.00	16.00	8.00	12.00	15.00		
21	<b>PSO Load Responsibility</b>	<b>2810.00</b>	<b>2797.00</b>	<b>2233.00</b>	<b>2391.00</b>	<b>3327.00</b>	<b>4087.00</b>	<b>4323.00</b>	<b>4469.00</b>	<b>4038.00</b>	<b>2685.00</b>	<b>2299.00</b>	<b>2621.00</b>		
22	SWEPCO: SWEPCO Native Load (2) 5)	3,336.00	3,356.00	2,445.00	2,916.00	3,394.00	3,739.00	3,924.00	4,289.00	3,846.00	2,793.00	2,622.00	2,923.00		
23	Lafayette	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00		
24	Doflet Hills Aux. Load (4)	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
25	VEMCO (on Entergy/CLECO)	-163.00	-155.00	-99.00	-102.00	-127.00	-135.00	-122.00	-155.00	-139.00	-92.00	-111.00	-133.00		
26	VEMCO (SPA Hydro Replacement) (6)	0.00	0.00	0.00	0.00	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50		
27	<b>SWEPCO Load Responsibility</b>	<b>3189.00</b>	<b>3207.00</b>	<b>2352.00</b>	<b>2820.00</b>	<b>3282.50</b>	<b>3619.50</b>	<b>3817.50</b>	<b>4149.50</b>	<b>3722.50</b>	<b>2716.50</b>	<b>2526.50</b>	<b>2805.50</b>		

**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  
2012 Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 119)			\$5,429,748
2	REVENUE CREDITS	(Note A)			
3	Transmission Credits	(Worksheet H)	-	DA 1.00000	\$ -
4	Assoc. Business Development	(Worksheet H)	-	DA 1.00000	\$ -
5	Total Revenue Credits		-		\$ -
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)			<u>\$5,429,748</u>
<b>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.</b>					
7	Revenue Requirement for SPP BPU Regional Facilities (w/o incentives)		2,837,925	DA 1.00000	\$ 2,837,925
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%			10.12%
10	Monthly Rate	(In 9 / 12)			0.84%
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%			9.66%
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%			0.76%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)				-

AEP West SPP Member Companies  
2012 Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.	(1)	(2)	(3)	(4)	(5)
	<b>RATE BASE CALCULATION</b>	<b>Data Sources (See "General Notes")</b>	<b>TO Total NOTE D</b>	<b>Allocator</b>	<b>Total Transmission</b>
16	GROSS PLANT IN SERVICE				
17	<i>Line Deliberately Left Blank</i>				
18	Transmission	(Worksheet A In 3.C & Hist. Template Ln 183)	15,010,858	DA	15,010,858
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 1.00000	-
20	Plus: Transmission Plant-in-Service Additions (Worksheet B)		39,003,833	DA 1.00000	39,003,833
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 0.99691	-
25	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S 0.99691	-
26	Intangible Plant	(Worksheet A In 9.C)	-	W/S 0.99691	-
27	<b>TOTAL GROSS PLANT</b>	(sum Ins 16 to 26)	<b>54,014,691</b>		<b>54,014,691</b>
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)	107,601	TP1= 1.00000	107,601
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 1.00000	-
33	Plus: Transmission Plant-in-Service Additions (Worksheet B)		118,667	DA 1.00000	118,667
34	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		-	DA 1.00000	-
35	Plus: Additional Transmission Depreciation for 2012 (In 94)		124,635	TP1 1.00000	124,635
36	Plus: Additional General & Intangible Depreciation for (In 96+In 97)		(1)	W/S 0.99691	(1)
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 0.99691	-
41	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S 0.99691	-
42	Intangible Plant	(Worksheet A In 20.C)	-	W/S 0.99691	-
43	<b>TOTAL ACCUMULATED DEPRECIATION</b>	(sum Ins 29 to 42)	<b>350,902</b>		<b>350,902</b>
44	NET PLANT IN SERVICE				
45	<i>Line Deliberately Left Blank</i>				
46	Transmission	(In 18 + In 19 - In 31 - In 32)	14,903,257		14,903,257
47	Plus: Transmission Plant-in-Service Additions (In 20 - In 33)		38,885,166		38,885,166
48	Plus: Additional Trans Plant on Transferred Assets (In 21 - In 34)		-		-
49	Plus: Additional Transmission Depreciation for 2012 (-In 35)		(124,635)		(124,635)
50	Plus: Additional General & Intangible Depreciation for 2012 (-In 36)		1		1
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	<b>TOTAL NET PLANT IN SERVICE</b>	(sum Ins 45 to 54)	<b>53,663,789</b>		<b>53,663,789</b>
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)	(11,671,798)	DA	(11,671,798)
59	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & In 12.J)	(1,970,313)	DA	(1,945,718)
60	Account No. 190.1	(Worksheet C, In 19.C & In 21.J)	681,001	DA	681,001
61	Account No. 255 (enter negative)	(Worksheet C, In 28.C & In 30.J)	-	DA	-
62	<b>TOTAL ADJUSTMENTS</b>	(sum Ins 57 to 61)	<b>(12,961,110)</b>		<b>(12,936,514)</b>
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)	5,174		5,174
66	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP 1.00000	-
67	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S 0.99691	-
68	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h) 1.00000	-
69	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	1,551	W/S 0.99691	1,547
70	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	3,704	GP(h) 1.00000	3,704
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	<b>TOTAL WORKING CAPITAL</b>	(sum Ins 65 to 72)	<b>10,429</b>		<b>10,425</b>
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	-	DA 1.00000	-
75	<b>RATE BASE (sum Ins 55, 62, 63, 73, 74)</b>		<b>40,713,108</b>		<b>40,737,699</b>

AEP West SPP Member Companies  
2012 Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

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	81,644		
77	Less: Total Account 561	(Note I) 321.84-92.b	-		
78	Less: Account 565	(Note J) 321.96.b	40,252		
79	Less: expenses 100% assigned to TO billed customers (Worksheet I, In 14)		<u>0</u>		
80	Total O&M Allocable to Transmission	(Ins 76 - 77 - 78 - 79)	<u>41,392</u>	TP 1.00000	41,392
81	Administrative and General	323.197.b (Note K)	326,571		
82	Less: Acct. 924, Property Insurance	323.185.b	5,255		
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	<u>3,215</u>		
86	Balance of A & G	(In 81 - sum In 82 to In 85)	318,101	W/S 0.99691	317,117
87	Plus: Acct. 924, Property Insurance	(In 82)	5,255	GP(h) 1.00000	5,255
88	Acct. 928 - Transmission Specific	Worksheet J In 9.(E) (Note L)	-	TP 1.00000	-
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 26.(E) (Note L)	-	TP 1.00000	-
90	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 32.(E) (Note L)	-	DA 1.00000	-
90a	PBOP Adjustment	Worksheet O In 16.B	11,181	DA 1.00000	11,181
91	A & G Subtotal	(sum Ins 86 to 90 less In 90a)	<u>334,537</u>		<u>333,553</u>
92	TOTAL O & M EXPENSE	(In 80 + In 91)	<u>375,929</u>		<u>374,945</u>
93	DEPRECIATION AND AMORTIZATION EXPENSE				
94	Transmission	336.7.f	124,635	TP 1.00000	124,635
95	Plus: Transmission Plant-in-Service Additions (Worksheet B)		118,667	DA 1.00000	118,667
95a	Plus: Formation Costs Amortization	(Worksheet A In 39.C)	28,109	DA 1.00000	28,109
96	General	336.10.f	-	W/S 0.99691	-
97	Intangible	336.1.f	<u>(1)</u>	W/S 0.99691	<u>(1)</u>
98	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 94 to 97)	<u>271,410</u>		<u>271,410</u>
99	TAXES OTHER THAN INCOME	(Note N)			
100	Labor Related				
101	Payroll	Worksheet L, Col. D	-	W/S 0.99691	-
102	Plant Related				
103	Property	Worksheet L, Col. C	6,360	GP(h) 1.00000	6,360
104	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA 0.00000	-
105	Other	Worksheet L, Col. E	-	GP(h) 1.00000	-
106	TOTAL OTHER TAXES	(sum Ins 101 to 105)	<u>6,360</u>		<u>6,360</u>
107	INCOME TAXES	(Note O)			
108	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		38.68%		
109	$EIT=\frac{T}{(1-T)} * (1-(WCLTD/WACC))$		40.94%		
110	where WCLTD=(In 161) and WACC = (In 164)				
111	and FIT, SIT & p are as given in Note O.				
112	$GRCF=1 / (1 - T) =$ (from In 108)		1.6308		
113	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
114	Income Tax Calculation	(In 109 * In 117)	1,386,676		1,387,514
115	ITC adjustment	(In 112 * In 113)	-	NP(h) 1.00000	-
116	TOTAL INCOME TAXES	(sum Ins 114 to 115)	<u>1,386,676</u>		<u>1,387,514</u>
117	RETURN ON RATE BASE (Rate Base*WACC)	(In 75 * In 164)	3,387,473		3,389,519
118	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA 1.00000	-
119	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		<u>5,427,848</u>		<u>5,429,748</u>
120	(sum Ins 92, 98, 106, 116, 117, 118)				
121	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	-
122	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		<u>5,427,848</u>		<u>5,429,748</u>



AEP West SPP Member Companies  
2012 Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP OKLAHOMA TRANSMISSION COMPANY, INC

SUPPORTING CALCULATIONS

In										
No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF									
123	Total transmission plant	(In 18, 19, 20, 21)								54,014,691
124	Less transmission plant excluded from SPP Tariff (Note Q)									-
125	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note R)									-
126	Transmission plant included in SPP Tariff	(In 123 - In 124 - In 125)								54,014,691
127	Percent of transmission plant in SPP Tariff	(In 126 / In 123)							<b>TP=</b>	<b>1.00000</b>
128	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
129	<i>Line Deliberately Left Blank</i>									
130	Transmission	354.21.b	0	15,533	15,533	TP	1.00000			15,533
131	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000			-
132	<i>Line Deliberately Left Blank</i>									
133	Other (Excludes A&G)	354.24,25,26.b	0	48	48	NA	0.00000			-
134	Total	(sum Ins 129 to 133)	0	15,581	15,581					15,533
135	Transmission related amount								<b>W/S=</b>	<b>0.99691</b>
136	<b>STAND ALONE (Note T)</b>									
136	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
137		Long Term Interest (Worksheet M, In. 18, col. (D))								-
138		Less Preferred Stock (In 162)								-
139	Development of Common Stock:									
140		Proprietary Capital (112.16.c)								35,757,898
141		Less Preferred Stock (In 147)								-
142		Less Account 216.1 (112.12.c)								-
143		Less Account 219.1 (112.15.c)								-
144		Common Stock (In 140 - In 141 - In 142 - In 143)								35,757,898
145										
146	Long Term Debt (Worksheet M, In. 18, col. (B))									
147	Preferred Stock (Worksheet M, In. 24, col. (B))									
148	Common Stock (In 144) (Note U)									
149	Total (sum Ins 146 to 148)									
150	Capital Structure Equity Limit (Note U)		50.0%							
151	<b>PUBLIC SERVICE COMPANY OF OKLAHOMA (Note T)</b>									
151	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
152		Long Term Interest (Worksheet M, In. 18, col. (D))								53,651,112
153		Preferred Stock Dividends (Worksheet M, In. 24, col. (D))								-
154	Development of Common Stock:									
155		Proprietary Capital (112.16.c)								892,805,058
156		Less Preferred Stock (In 162)								-
157		Less Account 216.1 (112.12.c)								-
158		Less Account 219.1 (112.15.c)								7,148,518
159		Common Stock (In 155 - In 156 - In 157 - In 158)								885,656,540
160										
161	Long Term Debt (257.33.h)									
162	Preferred Stock (251.f)									
163	Common Stock (In 159) (Note U)									
164	Total (sum Ins 161 to 163)									
165	Capital Structure Equity Limit (Note U)		52.5%							

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

AEP West SPP Member Companies  
2012 Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

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) (In 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 (In 152) / long term debt (In 161). Preferred Stock cost rate = preferred dividends (In 153) / preferred outstanding (In 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 2011 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)				\$765,897
167	REVENUE CREDITS	(Note A)				
168	Transmission Credits	(Worksheet H)	-	DA	1.00000	\$ -
169	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$ -
170	Total Revenue Credits		-			\$ -
171	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 170)				\$ 765,897

**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)		2,837,925	DA	1.00000	\$ 2,837,925
	(Worksheet F)					
173	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
174	Annual Rate	(In 166/ In 211 x 100%)				5.14%
175	Monthly Rate	(In 174 / 12)				0.43%
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%)				4.30%
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%)				2.75%
180	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)					-

AEP TRANSMISSION HOLDING COMPANY  
Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.	(1) <b>RATE BASE CALCULATION</b>	(2) <b>Data Sources (See "General Notes")</b>	(3) <b>TO Total NOTE D</b>	(4) <b>Allocator</b>	(5) <b>Total Transmission</b>
181	GROSS PLANT IN SERVICE				
182	<i>Line Deliberately Left Blank</i>				
183	Transmission	(Worksheet A In 3.C & Ln 291)	15,010,858	DA	15,010,858
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 0.99691	-
190	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S 0.99691	-
191	Intangible Plant	(Worksheet A In 9.C)	-	W/S 0.99691	-
192	TOTAL GROSS PLANT	(sum Ins 181 to 191)	15,010,858	GP(h)= 1.000000 GTD= 1.00000	15,010,858
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)	107,601,000	TP1= 1.00000	107,601,000
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 2012 (-In 259)		N/A	TP1 1.00000	N/A
201	Plus: Additional General & Intangible Depreciation for 2012 (-In 261+In 262)		N/A	W/S 0.99691	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 0.99691	-
206	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S 0.99691	-
207	Intangible Plant	(Worksheet A In 20.C)	-	W/S 0.99691	-
208	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 194 to 207)	107,601		107,601
209	NET PLANT IN SERVICE				
210	<i>Line Deliberately Left Blank</i>				
211	Transmission	(In 183 + In 184 - In 196 - In 197)	14,903,257		14,903,257.000
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 2012 (-In 200)		N/A		N/A
215	Plus: Additional General & Intangible Depreciation for 2012 (-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)	14,903,257	NP(h)= 1.000000	14,903,257
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)	(11,671,798)	DA	(11,671,798)
224	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(1,970,313)	DA	(1,945,718)
225	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	681,001	DA	681,001
226	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	(12,961,110)		(12,936,514)
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)	5,174		5,174
231	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP 1.00000	-
232	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S 0.99691	-
233	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h) 1.00000	-
234	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	1,551	W/S 0.99691	1,547
235	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	3,704	GP(h) 1.00000	3,704
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)	10,429		10,425
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)		1,952,576		1,977,167

AEP TRANSMISSION HOLDING COMPANY  
Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
<b>OPERATION &amp; MAINTENANCE EXPENSE</b>					
241	Transmission	321.112.b	81,644		
242	Less: Total Account 561	(Note I) 321.84-92.b	0		
243	Less: Account 565	(Note J) 321.96.b	40,252		
244	Less: expenses 100% assigned to TO billed customers	(Worksheet I, In 14)	-		
245	Total O&M Allocable to Transmission	(Ins 241 - 242 - 243 - 244)	41,392	TP 1.00000	41,392
246	Administrative and General	323.197.b (Note K)	326,571		
247	Less: Acct. 924, Property Insurance	323.185.b	5,255		
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	3,215		
251	Balance of A & G	(In 246 - sum In 247 to In 250)	318,101	W/S 0.99691	317,117
252	Plus: Acct. 924, Property Insurance	(In 247)	5,255	GP(h) 1.00000	5,255
253	Acct. 928 - Transmission Specific	Worksheet J In 9.(E) (Note L)	-	TP 1.00000	-
254	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 26.(E) (Note L)	-	TP 1.00000	-
255	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 32.(E) (Note L)	-	DA 1.00000	-
255a	PBOP Adjustment	Worksheet O In 16.B	11,181	DA 1.00000	11,181
256	A & G Subtotal	(sum Ins 251 to 255 less In 255a)	334,537		333,553
257	TOTAL O & M EXPENSE	(In 245 + In 256)	375,929		374,945
<b>DEPRECIATION AND AMORTIZATION EXPENSE</b>					
258	Transmission	336.7.f	124,635	TP 1.00000	124,635
260	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A		N/A
260a	Plus: Formation Costs Amortization	(Worksheet A In 37.C)	28,109	DA 1.00000	28,109
261	General	336.10.f	-	W/S 0.99691	-
262	Intangible	336.1.f	(1)	W/S 0.99691	(1)
263	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 259 to 262)	152,743		152,743
<b>TAXES OTHER THAN INCOME</b>					
264	Labor Related	(Note N)			
265	Payroll	Worksheet L, Col. D	-	W/S 0.99691	-
267	Plant Related				
268	Property	Worksheet L, Col. C	6,360	GP(h) 1.00000	6,360
269	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA 0.00000	-
270	Other	Worksheet L, Col. E	-	GP(h) 1.00000	-
271	TOTAL OTHER TAXES	(sum Ins 266 to 270)	6,360		6,360
<b>INCOME TAXES</b>					
272	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =		38.68%		
274	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		40.94%		
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)		1.6308		
278	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
279	Income Tax Calculation	(In 274 * In 282)	66,504		67,342
280	ITC adjustment	(In 277 * In 278)	-	NP(h) 1.00000	-
281	TOTAL INCOME TAXES	(sum Ins 279 to 280)	66,504		67,342
282	RETURN ON RATE BASE (Rate Base*WACC)	(In 240 * In 329)	162,461		164,507
283	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA 1.00000	-
284	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		763,997		765,897
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		763,997		765,897

AEP TRANSMISSION HOLDING COMPANY  
Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 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)							15,010,858
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)							15,010,858
292	Percent of transmission plant in SPP Tariff	(In 291 / In 288)						<b>TP=</b>	<b>1.00000</b>
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	15,533	15,533	TP	1.00000		15,533
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	48	48	NA	0.00000		-
299	Total	(sum Ins 294 to 298)	0	15,581	15,581				15,533
300	Transmission related amount							<b>W/S=</b>	<b>0.99691</b>
	<b>STAND ALONE (Note T)</b>								
301	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
302			Long Term Interest (Worksheet M, In. 18, col. (D))						-
303			Preferred Stock Dividends (Worksheet M, In. 24, col. (D))						-
304		Development of Common Stock:							
305			Proprietary Capital (112.16.c)						35,757,898
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)						35,757,898
310		\$	<b>Capital Structure Percentages</b>			Cost		Weighted	
311	Long Term Debt (Worksheet M, In. 18, col. (B))	-	Actual	Cap Limit		(Note T)			
312	Preferred Stock (Worksheet M, In. 24, col. (B))	-	0.00%	50.00%		-			0.0000
313	Common Stock (In 309) (Note U)	35,757,898	100.00%	50.00%		11.2%			0.0560
314	Total (sum Ins 311 to 313)	35,757,898				<b>WACC=</b>			<b>0.0560</b>
315	Capital Structure Equity Limit (Note U)	50.0%							
	<b>PUBLIC SERVICE COMPANY OF OKLAHOMA (Note T)</b>								
316	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
317			Long Term Interest (PSO FR Worksheet M, In. 19, col. (D))						53,651,112
318			Preferred Stock Dividends (PSO FR Worksheet M, In. 23, col. (D))						-
319		Development of Common Stock:							
320			Proprietary Capital (112.16.c)						892,805,058
321			Less Preferred Stock (In 327)						-
322			Less Account 216.1 (112.12.c)						-
323			Less Account 219.1 (112.15.c)						7,148,518
324			Common Stock (In 320 - In 321 - In 322 - In 323)						885,656,540
325		\$	<b>Capital Structure Percentages</b>			Cost		Weighted	
326	Long Term Debt (PSO WS-M, In. 21, col. (B))	951,341,259	Actual	Cap Limit		(Note T)			
327	Preferred Stock (PSO WS-M, In. 25, col. (B))	-	51.79%	0.00%		0.0564			0.0292
328	Common Stock (In 324) (Note U)	885,656,540	0.00%	0.00%		-			0.0000
329	Total (sum Ins 326 to 328)	1,836,997,799	48.21%	0.00%		11.2%			0.0540
						<b>WACC=</b>			<b>0.0832</b>
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 2011 with Year-End Rate Base 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 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. <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">Inputs Required:</td> <td style="padding-right: 20px;">FIT =</td> <td style="background-color: #e0ffe0; padding: 2px;">35.00%</td> <td></td> </tr> <tr> <td></td> <td>SIT =</td> <td style="background-color: #e0ffe0; padding: 2px;">5.66%</td> <td>(State Income Tax Rate or Composite SIT. Worksheet K)</td> </tr> <tr> <td></td> <td>p =</td> <td style="background-color: #e0ffe0; padding: 2px;">0.00%</td> <td>(percent of federal income tax deductible for state purposes)</td> </tr> </table>	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)
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 2011 with Average Ratebase Balances

**AEP OKLAHOMA TRANSMISSION COMPANY, INC**

Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 106)				\$742,586
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	-	DA	1.00000	\$ -
4	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$ -
5	Total Revenue Credits		-			\$ -
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)				\$742,586
<b>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.</b>						
7	Trued-Up Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet G)		708,386	DA	1.00000	\$ 708,386
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
9	Annual Rate	(In 1/ In 39 x 100%)				8.93%
10	Monthly Rate	(In 9 / 12)				0.74%
11	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DEPRECIATION (w/o incentives) (Note B)					
12	Annual Rate	((In 1 - In 82) / In 39 x 100%)				7.44%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((In 1 - In 82 - In 103 - In 104) / In 39 x 100%)				4.85%
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 2011 with Average Ratebase 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				
16	<i>Line Deliberately Left Blank</i>				
17	<i>Line Deliberately Left Blank</i>				
18	Transmission	(Worksheet A In 3.E & Ln 113)	8,311,107	DA	8,311,107
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E)	-	TP	-
20	<i>Line Deliberately Left Blank</i>			1.00000	-
21	<i>Line Deliberately Left Blank</i>				
22	General Plant	(Worksheet A In 7.E)	-	W/S	-
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	-	W/S	-
24	Intangible Plant	(Worksheet A In 9.E)	35	W/S	35
25	TOTAL GROSS PLANT	(sum Ins 16 to 24)	<u>8,311,141</u>	<b>GP(TU)=</b> <b>GTD=</b>	<u>8,311,141</u> <b>1.00000</b>
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)	53,801	TP1=	-
30	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	-
31	<i>Line Deliberately Left Blank</i>			0.00000	-
32	<i>Line Deliberately Left Blank</i>				
33	General Plant	(Worksheet A In 18.E)	-	W/S	-
34	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	-	W/S	-
35	Intangible Plant	(Worksheet A In 20.E)	1	W/S	1
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	<u>53,801</u>		<u>1</u>
37	NET PLANT IN SERVICE				
38	<i>Line Deliberately Left Blank</i>				
39	Transmission	(In 18 + In 19 - In 29 - In 30)	8,257,306		8,311,107
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)	34		34
43	TOTAL NET PLANT IN SERVICE	(sum Ins 38 to 42)	<u>8,257,340</u>	<b>NP(TU)=</b>	<u>8,311,141</u> <b>1.00652</b>
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)	(5,835,899)	DA	(5,835,899)
47	Account No. 283.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	(1,002,374)	DA	(990,076)
48	Account No. 190.1	(Worksheet C, In 25.C & Ln 27.J)	340,501	DA	340,501
49	Account No. 255 (enter negative)	(Worksheet C, In 34.C & Ln 36.J)	-	DA	-
50	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	<u>(6,497,772)</u>		<u>(6,485,474)</u>
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)	5,174		5,174
54	Transmission Materials & Supplies	(Worksheet D, In 2.(F))	-	TP	-
55	A&G Materials & Supplies	(Worksheet D, In 3.(F))	-	W/S	-
56	Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	-
57	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 7.G)	-	W/S	-
58	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 7.F)	-	GP(TU)	-
59	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 7.E)	-	DA	-
60	Prepayments (Account 165) - Unallocable	(Worksheet D, In 7.D)	-	NA	-
61	TOTAL WORKING CAPITAL	(sum Ins 53 to 60)	<u>5,174</u>		<u>5,174</u>
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	-	DA	-
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		<u>1,764,742</u>		<u>1,830,840</u>

AEP West SPP Member Companies  
Transmission Cost of Service Formula Rate  
Utilizing Actual Cost Data for 2011 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	81,644		
65	Less: Total Account 561	(Note I) 321.84-92.b	-		
66	Less: Account 565	(Note J) 321.96.b	40,252		
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)	41,392	TP	1.00000
69	Administrative and General	323.197.b (Note K)	326,571		
70	Less: Acct. 924, Property Insurance	323.185.b	5,255		
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	3,215		
74	Balance of A & G	(In 69 - sum In 70 to In 73)	318,101	WS	1.00000
75	Plus: Acct. 924, Property Insurance	(In 70)	5,255	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	11,181	DA	1.00000
79	A & G Subtotal	(sum Ins 74 to 78 less In 78a)	334,537		
80	TOTAL O & M EXPENSE	(In 68 + In 79)	375,929		
81	DEPRECIATION AND AMORTIZATION EXPENSE				
82	Transmission	336.7.f	124,635	TP	1.00000
83	General	336.10.f	-	WS	1.00000
83a	Plus: Formation Costs Amortization	(Worksheet A In 37.E)	21,082	DA	1.00000
84	Intangible	336.1.f	(1)	WS	1.00000
85	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 82 to 84)	145,716		
86	TAXES OTHER THAN INCOME	(Note N)			
87	Labor Related				
88	Payroll	Worksheet L, Col. D	-	WS	1.00000
89	Plant Related				
90	Property	Worksheet L, Col. C	6,360	GP(TU)	1.00000
91	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000
92	Other	Worksheet L, Col. E	-	GP(TU)	1.00000
93	TOTAL OTHER TAXES	(sum Ins 88 to 92)	6,360		
94	INCOME TAXES	(Note O)			
95	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		38.68%		
96	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		39.73%		
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)		1,6308		
100	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
101	Income Tax Calculation	(In 96 * In 104)	58,805		
102	ITC adjustment	(In 99 * In 100)	-	NP(TU)	1.00652
103	TOTAL INCOME TAXES	(sum Ins 101 to 102)	58,805		
104	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 151)	148,029		
105	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA	1.00000
106	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		734,839		
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		734,839		

AEP West SPP Member Companies  
Transmission Cost of Service Formula Rate  
Utilizing Actual Cost Data for 2011 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)							8,311,107
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)							8,311,107
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	15,581	15,581	TP	1.00000		15,581
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	15,581	15,581				15,581
122	Transmission related amount							W/S=	1.00000
<b>STAND ALONE (Note T)</b>									
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))							17,860,523
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)							17,860,523
132		2012 Avg Balances						Capital Structure Percentages	Cost (Note S)
133	Avg Long Term Debt (Worksheet N, In. 10, col. (E))	-		0.00%	50.00%			0.00%	0.0000
134	Avg Preferred Stock (Worksheet N, In. 46, col. (E))	-		0.00%	0.00%			0.00%	0.0000
135	Avg Common Stock (In 131) (Note U)	17,860,523		100.00%	50.00%			11.20%	0.0560
136	Total (sum Ins 133 to 135)	17,860,523						WACC=	0.0560
137	Capital Structure Equity Limit (Note U)	50.0%							
<b>PUBLIC SERVICE COMPANY OF OKLAHOMA (Note T)</b>									
138	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
139	Long Term Interest	Long Term Interest (PSO Worksheet N, In. 19, col. (E))							56,663,595
140	Preferred Dividends	Preferred Stock Dividends (PSO Worksheet N, In. 47, col. (E))							98,153
141	<u>Development of Common Stock:</u>								Average
142	Proprietary Capital	(PSO Worksheet N, In. 1, col. (E))							870,079,531
143	Less Preferred Stock (In 149)	(PSO Worksheet N, In. 2, col. (E))							2,440,900
144	Less Account 216.1	(PSO Worksheet N, In. 3, col. (E))							-
145	Less Account 219	(PSO Worksheet N, In. 4, col. (E))							7,821,345
146	Common Stock	(In 142 - In 143 - In 144 - In 145)							859,817,286
147		2012 Avg Balances						Capital Structure Percentages	Cost (Note S)
148	Avg Long Term Debt (PSO WS-N, In. 10, col. (E))	962,475,630		52.75%	0.00%			5.89%	0.0311
149	Avg Preferred Stock (PSO WS-N, In. 46, col. (E))	2,440,900		0.13%	0.00%			4.02%	0.0001
150	Avg Common Stock (In 146) (Note U)	859,817,286		47.12%	0.00%			11.20%	0.0528
151	Total (sum Ins 148 to 150)	1,824,733,815						WACC=	0.0839
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 2011 with Average Ratebase Balances

AEP OKLAHOMA TRANSMISSION COMPANY, INC

**Letter**

**Notes**

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

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

- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the true-up revenue requirement for each project, based on an FCR rate calculated from inputs on this TCOS. Line 15 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- E The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet C.
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 68.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 62 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 105.
- I Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.
- L Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Act 928 includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 95) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
- |                  |       |   |
|------------------|-------|---|
| Inputs Required: | FIT = | 35.00%  |
|                  | SIT = | 5.66% (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  
2012 Cost of Service Formula Rate  
Worksheet A - Detail Plant Balances  
AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line Number	(A) Rate Base Item & Supporting Balance	(B) Source of Data	(C) Balances @ 12/31/2011	(D) Balances 12/31/2010	(E) Average Balance for 2011
<b>NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.</b>					
<b>Plant Investment Balances</b>					
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	15,010,858	1,611,355	8,311,107
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	-	69	35
10	<b>Total Property Investment Balance</b>	(Sum of Lines: 3, 7, 9)	15,010,858	1,611,424	8,311,141
11	<b>Total ARO Balance (included in total on line 10)</b>	(Sum of Lines: 4, 8)	-	-	-
<b>Accumulated Depreciation &amp; Amortization Balances</b>					
12	Line Deliberately Left Blank				
13	Line Deliberately Left Blank				
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	107,601	-	53,801
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)	-	1	1
21	<b>Total Accumulated Depreciation or Amortization</b>	(Sum of Lines: 14, 18, 20)	107,601	1	53,801
22	<b>Total ARO Balance (included in total on line 21)</b>	(Sum of Lines: 15, 19)	-	-	-
<b>Generation Step-Up Units</b>					
23	GSU Investment Amount	Company Records	-	-	-
24	GSU Accumulated Depreciation	Company Records	-	-	-
25	<b>GSU Net Balance</b>	(Line 23 - Line 24)	-	-	-
<b>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</b>					
26	Transmission Accumulated Depreciation	(Line 14 Above)	107,601	-	-
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	-	-	-
28	<b>Subtotal of Transmission Net of GSU</b>	(Line 26 - Line 27)	107,601	-	-
<b>Plant Held For Future Use</b>					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	-	-	-
30	Transmission Plant Held For Future	Company Records	-	-	-
<b>Regulatory Assets and Liabilities Approved for Recovery In Ratebase</b>					
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)		98,382	112,436	105,409
32	Amortization in Months		42	48	45
33	Monthly Amortization	(line 31 / line 32)	2,342	2,342	2,342
34	Months in 2011 to be amortized		12	6	9
35	Amortization Expense in 2011 Year	(line 33 X line 34)	28,109	14,055	21,082
36	Months in 2012 to be amortized		12	12	12
37	Amortization Expense in 2012 Year	(line 33 X line 36)	28,109	28,109	28,109
38	Ending Balance of Regulatory Asset	(line 31 - line 35)	70,273	98,382	84,327
39	Average Balance of Regulatory Asset	(line 31 + line 38)/2	84,327	105,409	94,868
40	Unamortized Balance of Regulatory Asset at YE 2011 (Note 1)		70,273	98,382	84,327
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**  
2012 Cost of Service Formula Rate Projected on 2011 FF1 Balances  
**Worksheet B - Projected Transmission Plant in Service Additions**  
**AEP OKLAHOMA TRANSMISSION COMPANY, INC**

**I. Calculation of Composite Depreciation Rate**

<b>STAND ALONE (Note 1)</b>		
1	Transmission Plant @ Beginning of Historic Period (2011) (P.206, In 58,(b)):	1,611,355
2	Transmission Plant @ End of Historic Period (2011) (P.207, In 58,(g)):	15,010,858
3		16,622,213
4	Average Balance of Transmission Investment	8,311,107
5	Annual Depreciation Expense, Historic TCOS, In 259	124,635
6	Composite Depreciation Rate	1.50%
7	Average Depreciable Life (Years)	67
<b>PUBLIC SERVICE COMPANY OF OKLAHOMA (Note 1)</b>		
8	Transmission Plant @ Beginning of Historic Period (2011) (P.206, In 58,(b)):	663,993,516
9	Transmission Plant @ End of Historic Period (2011) (P.207, In 58,(g)):	692,643,975
10		1,239,955,574
11	Average Balance of Transmission Investment	678,318,746
12	Annual Depreciation Expense, PSO Historic TCOS, In 246	13,147,941
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	\$ -	1.94%	\$ -	\$ -	11	\$ -
17	February	\$ 178,243	1.94%	\$ 3,455	\$ 288	10	\$ 2,879
18	March	\$ -	1.94%	\$ -	\$ -	9	\$ -
19	April	\$ 3,966,839	1.94%	\$ 76,890	\$ 6,407	8	\$ 51,260
20	May	\$ 5,614,435	1.94%	\$ 108,825	\$ 9,069	7	\$ 63,481
21	June	\$ 81,000	1.94%	\$ 1,570	\$ 131	6	\$ 785
22	July	\$ -	1.94%	\$ -	\$ -	5	\$ -
23	August	\$ -	1.94%	\$ -	\$ -	4	\$ -
24	September	\$ -	1.94%	\$ -	\$ -	3	\$ -
25	October	\$ -	1.94%	\$ -	\$ -	2	\$ -
26	November	\$ 162,000	1.94%	\$ 3,140	\$ 262	1	\$ 262
27	December	\$ 29,001,316	1.94%	\$ 562,136	\$ 46,845	0	\$ -
28	Investment	\$ 39,003,833				Depreciation Expense	\$ 118,667

**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  
2012 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)
<b>Account 282 - Form-1 page 274-275, Ln 2 Col. (k)</b>									
<b>282 Balance to Use in Projection</b>									
1	282.1	2011 Year End Tax Deferrals - Ws C-1	(11,671,798)	-	(11,671,798)	-	-	-	-
2	282.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	99.6907%	
3	282.1	Allocated Total		0	(11,671,798)	0	0	0	(11,671,798)
<b>282 Balance to Use in True-Up</b>									
4	282.1	2011 Year End Tax Deferrals - Ws C-1	(11,671,798)	-	(11,671,798)	-	-	-	-
5	282.1	2010 Year End Tax Deferrals - Ws C-2	-	-	-	-	-	-	-
6		Subtotal	(11,671,798)	-	(11,671,798)	-	-	-	-
7		Average Balance	(5,835,899)	0	(5,835,899)	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	(5,835,899)	0	0	0	(5,835,899)
<b>Account 283 - Form-1 page 276-277, Ln 9, Col (k)</b>									
<b>283 Balance to Use in Projection</b>									
10	283.1	2011 Year End Tax Deferrals - Ws C-1	(1,970,313)	(24,595)	(1,945,718)	-	-	-	-
11	283.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	99.6907%	
12	283.1	Allocated Total		0	(1,945,718)	0	0	0	(1,945,718)
<b>283 Balance to Use in True-Up</b>									
13	283.1	2011 Year End Tax Deferrals - Ws C-1	(1,970,313)	(24,595)	(1,945,718)	-	-	-	-
14	283.1	2010 Year End Tax Deferrals - Ws C-2	(34,434)	-	(34,434)	-	-	-	-
15		Subtotal	(2,004,747)	(24,595)	(1,980,152)	-	-	-	-
16		Average Balance	(1,002,374)	(12,298)	(990,076)	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	(990,076)	0	0	0	(990,076)
<b>Account 190 - Form-1 page 234, Ln 8, Col. (c)</b>									
<b>190 Balance to Use in Projection</b>									
19	190.1	2011 Year End Tax Deferrals - Ws C-1	681,001	-	681,001	-	-	-	-
20	190.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	100.0000%	100.0000%	99.6907%	
21	190.1	Allocated Total		0	681,001	0	0	0	681,001
<b>190 Balance to Use in True-Up</b>									
22	190.1	2011 Year End Tax Deferrals - Ws C-1	681,001	-	681,001	-	-	-	-
23	190.1	2010 Year End Tax Deferrals - Ws C-2	-	-	-	-	-	-	-
24		Subtotal	681,001	-	681,001	-	-	-	-
25		Average Balance	340,501	0	340,501	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	340,501	0	0	0	340,501
<b>Account 255 - Form-1 page 266-267</b>									
<b>255 Balance to Use in Projection</b>									
28	255.0	Acc Defrd ITC - Federal - 12/31/2011 (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
<b>255 Balance to Use in True-Up</b>									
31	255.0	Acc Defrd ITC - Federal - 12/31/2011 (FF1 p. 267, Ln 2.h)	-			-			
32	255.0	Acc Defrd ITC - Federal - 12/31/2010 (FF1 p. 266, Ln 2.b)	-			-			
33		Subtotal	-			-			
34		Average Balance	0			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

\* 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, 2011**

Account	Line #	Description	Balance		Exclusions	Allocation Method			
						100% Transmission	PTD Plant	T&D	Labor
2821001	230A	ACRD BENEFIT NORMALIZED	(11,677,111)	T		(11,677,111)			
2821001	320A	ABFUDC	(16,708)	T		(16,708)			
2821001	380J	INT EXP CAPITALIZED FOR TAX	22,021	T		22,021			
<b>2821001</b>		<b>TOTAL ELECTRIC ACCOUNT SUBTOTAL</b>	<b>(11,671,798)</b>		<b>0</b>	<b>(11,671,798)</b>	<b>0</b>	<b>0</b>	<b>0</b>
2831001	664J	REG ASSET-TRANSCO PRE-FORMATION COSTS	(24,595)	E	(24,595)				
2831001									
2831001									
2831002	911Q-DSIT	DSIT ENTRY - NORMALIZED	(1,945,718)	T		(1,945,718)			
<b>2831</b>		<b>TOTAL ELECTRIC ACCOUNT SUBTOTAL</b>	<b>(1,970,313)</b>		<b>(24,595)</b>	<b>(1,945,718)</b>	<b>0</b>	<b>0</b>	<b>0</b>
1901001	911Q-DSIT	DSIT ENTRY - NORMALIZED	681,001	T		681,001			
1901001									
<b>1901001</b>		<b>TOTAL ELECTRIC ACCOUNT SUBTOTAL</b>	<b>681,001</b>		<b>0</b>	<b>681,001</b>	<b>0</b>	<b>0</b>	<b>0</b>







AEP West SPP Member Companies  
 2012 Cost of Service Formula Rate  
**Worksheet E - IPP Credits**  
**AEP OKLAHOMA TRANSMISSION COMPANY, INC**

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2011</u>
1	Net Funds from IPP Customers @ 12/31/2010 (2011 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 12/31/2011 (2011 FORM 1, P269, (F))	-
8	Average Balance for 2011 ((ln 1 + ln 7) / 2)	-

AEP TRANSMISSION HOLDING COMPANY  
2012 Cost of Service Formula Rate Projected on 2011 FF1 Balances  
**Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for BPU and Special-billed Projects**  
Based on a Carrying Charge Derived from Historic 2011 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 PSO Projected TCOS, Ins 148 through 150)			
	%	Cost	Weighted cost
Long Term Debt	51.79%	0.0564	0.0292
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	48.21%	0.1120	0.0540
		R =	0.0832

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS				
	Rev Require	W Incentives	Incentive Amounts	
PROJECTED YEAR	2012	2,837,925	2,837,925	\$ -

**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)	40,737,699
R (from A, above)	0.0832
Return (Rate Base x R)	3,389,519

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

Return (from B, above)	3,389,519
Tax Rate (Projected TCOS, In 105)	38.68%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	40.94%
Income Tax Calculation (Return x EIT)	1,387,514
ITC Adjustment (Projected TCOS, In 115)	-
Income Taxes	1,387,514

**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)	5,429,748
Return (Projected TCOS, In 117)	3,389,519
Income Taxes (Projected TCOS, In 116)	1,387,514
Gross Margin Taxes (Projected TCOS, In 121)	-
Net Revenue Requirement, Less Return and Taxes	652,715

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

Net Revenue Requirement, Less Return and Taxes	652,715
Return (from I.B. above)	3,389,519
Income Taxes (from I.C. above)	1,387,514
Net Revenue Requirement, with 0 Basis Point ROE increase	5,429,748
Gross Margin Tax with 0 Basis Point ROE increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	5,429,748
Less: Depreciation (Projected TCOS, In 94)	124,635
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	5,305,113

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

Net Revenue Requirement before Gross Margin Taxes, with 0	5,429,748
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)	53,663,788
Net Revenue Requirement, with 0 Basis Point ROE increase	5,429,748
FCR with 0 Basis Point increase in ROE	10.12%
Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	5,305,113
FCR with 0 Basis Point ROE increase, less Depreciation	9.89%
FCR less Depreciation (Projected TCOS, In 12)	9.85%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.22%

**III. Calculation of Composite Depreciation Rate**

Transmission Plant @ Beginning of Period (P.206, In 58)	1,611,355	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	15,010,858	<==From Input on Worksheet B
	16,622,213	
Transmission Plant Average Balance for 2011	8,311,107	
Annual Depreciation Expense (Historic TCOS, In 259)	124,635	
Composite Depreciation Rate	1.50%	
Depreciable Life for Composite Depreciation Rate	66.68	
Nearest whole year	67	

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

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

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

ROE w/o incentives (True-Up TCOS, In 150)				11.20%
Project ROE Incentive Adder (Enter as whole number)			0	basis points
ROE with additional 0 basis point incentive				11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from				PSO True-Up TCOS, Ins 147 through 149)
	Cost	Weighted cost		
Long Term Debt	52.75%	0.0589		0.0311
Preferred Stock	0.13%	0.0402		0.0001
Common Stock	47.12%	0.1120		0.0528
			R =	0.0839

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

Rate Base (True-Up TCOS, In 63)	1,830,840
R (from A. above)	0.0839
Return (Rate Base x R)	153,574

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

Return (from B. above)	153,574
Tax Rate (True-Up TCOS, In 95)	38.68%
EIT=(T/(1-T)) * (1-(WCLD/WACC)) =	39.73%
Income Tax Calculation (Return x EIT)	61,008
ITC Adjustment (True-Up TCOS, In 102)	-
Income Taxes	61,008

**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)	742,586
Return (True-Up TCOS, In 104)	153,574
Income Taxes (True-Up TCOS, In 103)	61,008
Gross Margin Taxes (True-Up TCOS, In 108)	-
Net Revenue Requirement, Less Return and Taxes	528,005

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

Net Revenue Requirement, Less Return and Taxes	528,005
Return (from I.B. above)	153,574
Income Taxes (from I.C. above)	61,008
Net Revenue Requirement, with 0 Basis Point ROE increase	742,586
Gross Margin Tax with Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	742,586
Less: Depreciation (True-Up TCOS, In 82)	124,635
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	617,951

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

Net Revenue Requirement before Gross Margin Taxes, with 0 Basis Point ROE increase (I.B. above)	742,586
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)	8,311,107
Net Revenue Requirement, with 0 Basis Point ROE increase	742,586
FCR with 0 Basis Point increase in ROE	8.93%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	617,951
FCR with 0 Basis Point ROE increase, less Depreciation	7.44%
FCR less Depreciation (True-Up TCOS, In 12)	7.44%
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)	1,611,355	<=From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	15,010,858	<=From Input on Worksheet B
	16,622,213	
Transmission Plant Average Balance for 2011	8,311,107	
Annual Depreciation Expense (True-Up TCOS, In 82)	124,635	
Composite Depreciation Rate	1.50%	
Depreciable Life for Composite Depreciation Rate	66.68	
Round to nearest whole year	67	

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	2011	Rev Require	W Incentives	Incentive Amounts
Σ Prior Year Projected (WS-F)	\$	2,068,615	\$	2,068,615
Σ Prior Year True-Up (WS-G)	\$	708,386	\$	708,386
True-up Adjustment For 2011		(1,360,229)		(1,360,229)
				-

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 2011 FF1 Balances  
**Worksheet H** - Revenue Credits for Historic Period  
AEP OKLAHOMA TRANSMISSION COMPANY, INC

**Revenue Credits for**

	Total Company	Non- Transmission	Transmission
<b>I. Account 450, Forfeited Discounts</b>	-	-	-
<b>II. Account 451, Miscellaneous Service Revenues</b>	-	-	-
<b>III. Account 454, Rent from Electric Property</b>			
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 )

<b>IV. Account 4560015, Revenues from Associated Business Development</b>	-	-	-
1 Account 4560015, Revenues from Associated Business Development	-	-	-
<b>V. Total Other Operating Revenues To Reduce Revenue Requirement</b>	-	-	-

<b>VI. Account 456.1, Revenues from Transmission of Electricity of Others</b>	-	-	\$1,323,632
---	---	---	-------------

( 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	-	-	\$126,342
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)	-	-	\$1,197,290
10 Flow Through of ERCOT Ancillary Charges	-	-	-
11 Other	-	-	-

**Net Transmission Credits** \$0

**VII. Total Worksheet A Revenue Credits** \$0

**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 2011 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 2011 FF1 Balances  
**Worksheet J - Allocation of Specific O&M or A&G Expenses**  
AEP OKLAHOMA TRANSMISSION COMPANY, INC

Line Number	(A) FERC Acct No.	(B) Description	(C) 2011 Expense	(D) 100% Non-Transmission	(E) 100% Transmission Specific	(F) Explanation
<b>Account 928</b>						
1	9280000				-	
2	9280001				-	
3	9280002				-	
4	9280002				-	
5	9280002				-	
6	9280002				-	
7	9280002				-	
8			-	-	-	
9	<b>Total</b>		0	-	-	
<b>Account 930.1</b>						
10	9301001				-	
11	9301001				-	
12	9301006				-	
13	9301008				-	
14	9301009				-	
15	9301010				-	
16	9301011				-	
17	9301012				-	
18	9301013				-	
19	9301014				-	
20	9301015				-	
21			-	-	-	
22			-	-	-	
23			-	-	-	
24			-	-	-	
25			-	-	-	
26	<b>Total</b>		0	-	-	
<b>Account 930.2</b>						
27	9302000	MISC GENERAL EXPENSE	3,215	3,215		
28				0		
29				0		
30				0		
31				0		
32	<b>Total</b>		3,215	3,215	-	



AEP West SPP Member Companies  
Cost of Service Formula Rate Using 2011 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 2011**

State Income Tax Rate - Oklahoma	Note 1	5.66%	
Apportionment Factor		100.0000%	
Effective State Income Tax Rate			5.6600%
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%
Total Effective State Income Tax Rate			<u>5.6600%</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 Activites Tax. The taxable portion of income is 40% in 2007.

**II. CALCULATION OF TEXAS GROSS MARGIN TAX**

Line #	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX (In 117 of Template)	Projected		Historic		Actual	
		Total Company	Trans. Only	Total Company	Trans. Only	Total Company	Trans. Only
		5,427,848	5,429,748	763,997	765,897	734,839	742,586
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)		<u>0.00%</u>				

AEP West SPP Member Companies  
Cost of Service Formula Rate Using 2011 FF1 Balances  
Worksheet L - Taxes Other than Income  
AEP OKLAHOMA TRANSMISSION COMPANY, INC

HISTORIC PERIOD EXPENSE (2011) - TO BE USED ON TRUE-UP TEMPLATE

Line No.	(A) Account	(B) Total Company	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
1	<b>Revenue Taxes</b>					
2						-
3	<b>Real Estate and Personal Property Taxes</b>					
4	Ad Valorem	6,360	6,360			
5			-			
6			-			
7			-			
8	<b>Payroll Taxes</b>					
9				-		
10				-		
11				-		
12	<b>Line Deliberately Left Blank</b>					
13		-				-
14		-				-
15	<b>Miscellaneous Taxes</b>					
16						-
17					-	
18					-	
19					-	
20					-	
21					-	
22					-	
23					-	
24					-	
25					-	
26					-	
26					-	
27	Total Taxes by Allocable Basis	6,360	6,360	-	-	-
	(Total Company Amount Ties to FFI p.114, Ln 14,(c))	6,360				

AEP TRANSMISSION HOLDING COMPANY  
Cost of Service Formula Rate Using 2011 FF1 Balances  
**Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2011**  
**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>
<b>Long Term Debt (FF1.p. 256-257.h)</b>					
1	<u>Bonds - Acc 221</u>			-	0
2					
3	<u>Reacquired Bonds - Total Account 222</u>			-	0
4				-	0
5				-	0
6	<u>Advances from Assoc Companies</u>			-	0
7				-	0
8				-	0
9				-	0
10				-	0
11	<u>Other Long Term Debt - Acc 224</u>			-	0
12				-	0
13				-	
<u>Issuance Discount, Premium, &amp; Expenses:</u>					
14	Amort of Debt Discount and Expenses	FF1.p. 117.63.c		-	
15	Less: Amor of Debt Premiums	FF1.p. 117.65.c		-	
<u>Reacquired Debt:</u>					
16	Amortization of Loss	FF1.p. 117.64.c		-	
17	Less: Amortization of Gain	FF1.p. 117.66.c		-	
18	<b>Total Interest on Long Term Debt</b>		0.00%	-	
<b>Preferred Stock (FF1.p. 250-251)</b>					
19		<b>Preferred Balance Outstanding</b>		-	
20				-	
21				-	
22				-	
23				-	
24	<b>Dividends on Preferred Stock</b>		0.00%	-	

AEP TRANSMISSION HOLDING COMPANY  
Cost of Service Formula Rate Using 2011 FF1 Balances  
AEP OKLAHOMA TRANSMISSION COMPANY, INC

**Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2010 and 12/31/2011**

(A)	(B)	(C)	(D)	(E)
<u>Line</u>		<u>Balances @</u> <u>12/31/2011</u>	<u>Balances @</u> <u>12/31/2010</u>	<u>Average</u>
<b><u>Development of Average Balance of Common Equity</u></b>				
1	Total Proprietary Capital (p. 112.16.c&d)	35,757,898	(36,852)	17,860,523
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)	-	-	-
5	<b>Average Balance of Common Equity</b>	<b>35,757,898</b>	<b>(36,852)</b>	<b>17,860,523</b>

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

6	Bonds (221) (p. 112.18.c&d)	-	-	-
7	Less: Reacquired Bonds (222) (p. 112.19.c&d)	-	-	-
8	Advances from Assoc. Companies (223) (p112.20.c&d)	-	-	-
9	Senior Unsecured Notes (224) (p. 112.21.c&d)	-	-	-
10	<b>Total Average Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>11 Annual Interest Expense for 2012</b>				
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 30 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	<b>Total Interest Expense (Ln 12 - Ln 14 + Ln 15 - Ln 16 - Ln 17)</b>			<b>-</b>
19	<b>Average Cost of Debt for 2012 (Ln 18/Ln 10)</b>			<b>0.00%</b>

**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 2011	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**

<u>Preferred Stock</u>			<u>Average</u>
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 <b>Balance of Preferred Stock (Lns 34, 39, 44)</b>	<b>-</b>	<b>-</b>	<b>-</b>
47 <b>Dividends on Preferred Stock (Lns 35, 40, 45)</b>	<b>-</b>	<b>-</b>	<b>-</b>
48 <b>Average Cost of Preferred Stock (Ln 47/46)</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

AEPTCo subsidiaries in SPP  
 Cost of Service Formula Rate Using 2011 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	<b><u>Calculation of PBOP Expenses</u></b>	
2	<b><u>AEP TransCo - AEP Service Corp Employees</u></b>	
3	Total AEP System PBOP expenses	\$72,293,585
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	\$72,293,585
6	Total AEP System Direct Labor Expense	\$1,181,809,072
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	\$0.061
8	Currently Approved PBOP Rate	\$0.094
9	Base PBOP TransCo labor expensed in current year	\$153,468
10	Allowable TransCo PBOP Expense for current year (Line 8 * Line 9)	\$14,426
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)	\$3,245
15	Actual PBOP Expense (Sum Lines 11-14)	\$3,245
16	PBOP Adjustment      Line 10 less Line 15	\$11,181

AEP West SPP Member Companies  
2012 Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 119)			\$113,636
2	REVENUE CREDITS	(Note A)			
3	Transmission Credits	(Worksheet H)	-	DA 1.00000	\$ -
4	Assoc. Business Development	(Worksheet H)	-	DA 1.00000	\$ -
5	Total Revenue Credits		-		\$ -
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)			\$113,636
<b>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.</b>					
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)			-

*(using SWEPCO FCRs per Note 1 of Worksheet B)*

AEP West SPP Member Companies  
2012 Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

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>
	<b>GROSS PLANT IN SERVICE</b>				
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	-
20	Plus: Transmission Plant-in-Service Additions (Worksheet B)		-	DA	-
21	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		-	TP	-
22	<i>Line Deliberately Left Blank</i>				
23	<i>Line Deliberately Left Blank</i>				
24	General Plant	(Worksheet A In 7.C)	-	W/S	-
25	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S	-
26	Intangible Plant	(Worksheet A In 9.C)	-	W/S	-
27	<b>TOTAL GROSS PLANT</b>	(sum Ins 16 to 26)	<b>0</b>		<b>0</b>
	<b>ACCUMULATED DEPRECIATION AND AMORTIZATION</b>				
28	<i>Line Deliberately Left Blank</i>				
29	<i>Line Deliberately Left Blank</i>				
30	<i>Line Deliberately Left Blank</i>				
31	Transmission	(Worksheet A In 14.C & 28.C)	-	TP1=	-
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	-
33	Plus: Transmission Plant-in-Service Additions (Worksheet B)		-	DA	-
34	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		-	DA	-
35	Plus: Additional Transmission Depreciation for 2012 (-In 94)		-	TP1	-
36	Plus: Additional General & Intangible Depreciation for (In 96+In 97)		-	W/S	-
37	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		-	DA	-
38	<i>Line Deliberately Left Blank</i>				
39	<i>Line Deliberately Left Blank</i>				
40	General Plant	(Worksheet A In 18.C)	-	W/S	-
41	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	-
42	Intangible Plant	(Worksheet A In 20.C)	-	W/S	-
43	<b>TOTAL ACCUMULATED DEPRECIATION</b>	(sum Ins 29 to 42)	<b>-</b>		<b>-</b>
	<b>NET PLANT IN SERVICE</b>				
44	<i>Line Deliberately Left Blank</i>				
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 2012 (-In 35)		-		-
50	Plus: Additional General & Intangible Depreciation for 2012 (-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	<b>TOTAL NET PLANT IN SERVICE</b>	(sum Ins 45 to 54)	<b>0</b>		<b>0</b>
	<b>DEFERRED TAX ADJUSTMENTS TO RATE BASE</b>				
56	Account No. 281.1 (enter negative)	(Note E) 272-273.8.k	-	NA	-
57	Account No. 282.1 (enter negative)	(Worksheet C, In 1.C & In 3.J)	-	DA	-
58	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(25,819)	DA	-
59	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	9	DA	-
60	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
61	<b>TOTAL ADJUSTMENTS</b>	(sum Ins 57 to 61)	<b>(25,810)</b>		<b>-</b>
62	<i>Line Deliberately Left Blank</i>				
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	<i>Line Deliberately Left Blank</i>				
65	WORKING CAPITAL	(Note F)			
66	Cash Working Capital	(1/8 * In 80) (Note G)	23		23
67	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP	-
68	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S	-
69	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	-
70	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	-	W/S	-
71	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	-	GP(h)	-
72	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA	-
73	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	-	NA	-
74	<b>TOTAL WORKING CAPITAL</b>	(sum Ins 65 to 72)	<b>23</b>		<b>23</b>
75	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7 (B))	-	DA	1.00000
76	<b>RATE BASE (sum Ins 55, 62, 63, 73, 74)</b>		<b>(25,787)</b>		<b>23</b>

AEP West SPP Member Companies  
2012 Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(1)	(2)	(3)	(4)	(5)
Line No.	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
76	OPERATION & MAINTENANCE EXPENSE				
76	Transmission	321.112.b	182		
77	Less: Total Account 561	(Note I) 321.84-92.b	-		
78	Less: Account 565	(Note J) 321.96.b	-		
79	Less: expenses 100% assigned to TO billed customers	(Worksheet I, In 14)	\$0		
80	Total O&M Allocable to Transmission	(Ins 76 - 77 - 78 - 79)	182	TP 1.00000	182
81	Administrative and General	323.197.b (Note K)	80,163		
82	Less: Acct. 924, Property Insurance	323.185.b	-		
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	-		
86	Balance of A & G	(In 81 - sum In 82 to In 85)	80,163	W/S 1.00000	80,163
87	Plus: Acct. 924, Property Insurance	(In 82)	-	GP(h) 1.00000	-
88	Acct. 928 - Transmission Specific	Worksheet J In 5.(E) (Note L)	-	TP 1.00000	-
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 19.(E) (Note L)	-	TP 1.00000	-
90	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 25.(E) (Note L)	-	DA 1.00000	-
90a	PBOP Adjustment	(Worksheet O In 16.D)	3,429	DA 1.00000	3,429
91	A & G Subtotal	(sum Ins 86 to 90 less in 90a)	83,592		83,592
92	TOTAL O & M EXPENSE	(In 80 + In 91)	83,774		83,774
93	DEPRECIATION AND AMORTIZATION EXPENSE				
94	Transmission	336.7.f	-	TP 1.00000	-
95	Plus: Transmission Plant-in-Service Additions (Worksheet B)		-	DA 1.00000	-
95a	Plus: Formation Costs Amortization	(Worksheet A In 37.E)	29,507	DA 1.00000	29,507
96	General	336.10.f	-	W/S 1.00000	-
97	Intangible	336.1.f	-	W/S 1.00000	-
98	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 94 to 97)	29,507		29,507
99	TAXES OTHER THAN INCOME	(Note N)			
100	Labor Related				
101	Payroll	Worksheet L, Col. D	-	W/S 1.00000	-
102	Plant Related				
103	Property	Worksheet L, Col. C	-	GP(h) 1.00000	-
104	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA 0.00000	-
105	Other	Worksheet L, Col. E	57	GP(h) 1.00000	57
106	TOTAL OTHER TAXES	(sum Ins 101 to 105)	57		57
107	INCOME TAXES	(Note O)			
108	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		38.64%		
109	$EIT=(T/(1-T)) * (1-(WCLTD/WACC))$		41.94%		
110	where WCLTD=(In 161) and WACC = (In 164)				
111	and FIT, SIT & p are as given in Note O.				
112	$GRCF=1 / (1 - T)$ = (from In 108)		1.6297		
113	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
114	Income Tax Calculation	(In 109 * In 117)	(945)		1
115	ITC adjustment	(In 112 * In 113)	-	NP(h) 1.00000	-
116	TOTAL INCOME TAXES	(sum Ins 114 to 115)	(945)		1
117	RETURN ON RATE BASE (Rate Base*WACC)	(In 75 * In 164)	(2,254)		2
118	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA 1.00000	-
119	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		110,139		113,341
120	(sum Ins 92, 98, 106, 116, 117, 118)				
121	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		286	DA	295
122	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		110,425		113,636



AEP West SPP Member Companies  
2012 Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

**SUPPORTING CALCULATIONS**

In										
<u>No.</u>	<b>TRANSMISSION PLANT INCLUDED IN SPP TARIFF</b>									
123	Total transmission plant	(In 18, 19, 20, 21)								0
124	Less transmission plant excluded from SPP Tariff (Note Q)									-
125	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note R)									-
126	Transmission plant included in SPP Tariff	(In 123 - In 124 - In 125)								<u>0</u>
127	Percent of transmission plant in SPP Tariff	(In 126 / In 123)							<b>TP=</b>	<b>1.00000</b>
128	<b>WAGES &amp; SALARY ALLOCATOR (W/S)</b>									
129	<i>Line Deliberately Left Blank</i>	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
130	Transmission	354.21.b	0	18,871	18,871	TP	1.00000			18,871
131	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000			-
132	<i>Line Deliberately Left Blank</i>									-
133	Other (Excludes A&G)	354.24,25,26.b	0	0	-	NA	0.00000			-
134	Total	(sum Ins 129 to 133)	<u>0</u>	<u>18,871</u>	<u>18,871</u>					<u>18,871</u>
135	Transmission related amount								<b>W/S=</b>	<b>1.00000</b>
136	<b>STAND ALONE (Note T)</b>									
136	<b>WEIGHTED AVERAGE COST OF CAPITAL (WACC)</b>									
137										<u>\$</u>
138			Long Term Interest (Worksheet M, In. 20, col. (D))							-
139			Preferred Stock Dividends (Worksheet M, In. 26, col. (D))							-
140			Development of Common Stock:							
141			Proprietary Capital (112.16.c)							(199,080)
142			Less Preferred Stock (In 147)							-
143			Less Account 216.1 (112.12.c)							-
144			Less Account 219.1 (112.15.c)							-
144			Common Stock (In 140 - In 141 - In 142 - In 143)							<u>(199,080)</u>
145										
146										
147										
148										
149										
146	Long Term Debt (Worksheet M, In. 20, col. (B))		-	0.00%	0.00%		-			0.0000
147	Preferred Stock (Worksheet M, In. 26, col. (B))		-	0.00%	0.00%		-			0.0000
148	Common Stock (In 144) (Note U)		-	0.00%	0.00%		0.0%			0.0000
149	Total (sum Ins 146 to 148)		-							<u>0.0000</u>
150	Capital Structure Equity Limit (Note U)	50.0%								0.0%
150	<b>WEIGHTED AVERAGE COST OF CAPITAL (WACC)</b>									
151	<b>SOUTHWESTERN ELECTRIC POWER COMPANY (Note T)</b>									
152	<b>WEIGHTED AVERAGE COST OF CAPITAL (WACC)</b>									
153			Long Term Interest (Worksheet M, In. 20, col. (D))							<u>\$</u>
154			Preferred Stock Dividends (Worksheet M, In. 26, col. (D))							102,426,827
155			Development of Common Stock:							
156			Proprietary Capital (112.16.c)							1,813,365,524
157			Less Preferred Stock (In 162)							-
158			Less Account 216.1 (112.12.c)							16,684,595
159			Less Account 219.1 (112.15.c)							(26,817,142)
159			Common Stock (In 155 - In 156 - In 157 - In 158)							<u>1,823,498,071</u>
160										
161										
162										
163										
164										
161	Long Term Debt (Worksheet M, In. 20, col. (B))	1,685,200,000		48.03%	0.00%		0.0608			0.0292
162	Preferred Stock (Worksheet M, In. 26, col. (B))	-		0.00%	0.00%		-			0.0000
163	Common Stock (In 159) (Note U)	1,823,498,071		51.97%	0.00%		11.2%			0.0582
164	Total (sum Ins 161 to 163)	3,508,698,071								<u>0.0874</u>
165	Capital Structure Equity Limit (Note U)	52.5%								

AEP West SPP Member Companies  
2012 Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 and Projected Net Plant at Year-End 2012

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

**Letter**

**Notes**

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

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

- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the projected revenue requirement for each project, based on an FCR rate calculated from inputs on the Historic TCOS. Line 15 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- E The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet B.
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 80.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 74 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 118.
- I Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.
- L Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (ln 108) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
- |                  |       |   |
|------------------|-------|---|
| Inputs Required: | FIT = | 35.00%  |
|                  | SIT = | 5.60% (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 (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 2011 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)				\$113,636
167	REVENUE CREDITS	(Note A)				
168	Transmission Credits	(Worksheet H)	-	DA	1.00000	\$ -
169	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$ -
170	Total Revenue Credits		-			\$ -
171	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 170)				\$ 113,636
<b>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.</b>						
172	Revenue Requirement for SPP BPU Regional Facilities (w/o incentives)	(Worksheet F)	-	DA	1.00000	\$ -
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 2011 with Year-End Rate Base Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

	(1)	(2)	(3)	(4)	(5)
	<b>RATE BASE CALCULATION</b>	<b>Data Sources (See "General Notes")</b>	<b>TO Total NOTE D</b>	<b>Allocator</b>	<b>Total Transmission</b>
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)	0	DA	0
184	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	-
185	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	NA	N/A
186	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		N/A	NA	N/A
187	<i>Line Deliberately Left Blank</i>				
188	<i>Line Deliberately Left Blank</i>				
189	General Plant	(Worksheet A In 7.C)	-	W/S	-
190	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S	-
191	Intangible Plant	(Worksheet A In 9.C)	-	W/S	-
192	TOTAL GROSS PLANT	(sum Ins 181 to 191)	0	<b>GP(h)= 1.00000</b> <b>GTD= 1.00000</b>	0
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=	-
197	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	-
198	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	DA	N/A
199	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		N/A	DA	N/A
200	Plus: Additional Transmission Depreciation for 2012 (In 259)		N/A	TP1	N/A
201	Plus: Additional General & Intangible Depreciation for 2012 (In 261+In 262)		N/A	W/S	N/A
202	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		N/A	DA	N/A
203	<i>Line Deliberately Left Blank</i>				
204	<i>Line Deliberately Left Blank</i>				
205	General Plant	(Worksheet A In 18.C)	-	W/S	-
206	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	-
207	Intangible Plant	(Worksheet A In 20.C)	-	W/S	-
208	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 194 to 207)	-		-
209	NET PLANT IN SERVICE				
210	<i>Line Deliberately Left Blank</i>				
211	Transmission	(In 183 + In 184 - In 196 - In 197)	0		0.001
212	Plus: Transmission Plant-in-Service Additions (In 185 - In 198)		N/A		N/A
213	Plus: Additional Trans Plant on Transferred Assets (In 186 - In 199)		N/A		N/A
214	Plus: Additional Transmission Depreciation for 2012 (-In 200)		N/A		N/A
215	Plus: Additional General & Intangible Depreciation for 2012 (-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	<b>NP(h)= 1.00000</b>	0
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)	(25,819)	DA	-
225	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	9	DA	-
226	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	(25,810)		-
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)	23		23
231	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	-	TP	-
232	A&G Materials & Supplies	(Worksheet D, In 3.(D))	-	W/S	-
233	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	-
234	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	-	W/S	-
235	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	-	GP(h)	-
236	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA	-
237	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	-	NA	-
238	TOTAL WORKING CAPITAL	(sum Ins 230 to 237)	23		23
239	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	-	DA	-
240	RATE BASE (sum Ins 220, 227, 228, 238, 239)		(25,787)		23

AEP West SPP Member Companies  
Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 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
241	OPERATION & MAINTENANCE EXPENSE				
241	Transmission	321.112.b	182		
242	Less: Total Account 561	(Note I) 321.84-92.b	-		
243	Less: Account 565	(Note J) 321.96.b	-		
244	Less: expenses 100% assigned to TO billed customers	(Worksheet I, In 14)	\$0		
245	Total O&M Allocable to Transmission	(Ins 241 - 242 - 243 - 244)	182	TP 1.00000	182
246	Administrative and General	323.197.b (Note K)	80,163		
247	Less: Acct. 924, Property Insurance	323.185.b	-		
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	-		
251	Balance of A & G	(In 246 - sum In 247 to In 250)	80,163	W/S 1.00000	80,163
252	Plus: Acct. 924, Property Insurance	(In 247)	-	GP(h) 1.00000	-
253	Acct. 928 - Transmission Specific	Worksheet J In 5.(E) (Note L)	-	TP 1.00000	-
254	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 19.(E) (Note L)	-	TP 1.00000	-
255	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 25.(E) (Note L)	-	DA 1.00000	-
255a	PBOP Adjustment	(Worksheet O In 16.D)	3,429	DA 1.00000	3,429
256	A & G Subtotal	(sum Ins 251 to 255 less In 255a)	83,592		83,592
257	TOTAL O & M EXPENSE	(In 245 + In 256)	83,774		83,774
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	(Note N)			
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	57	GP(h) 1.00000	57
271	TOTAL OTHER TAXES	(sum Ins 266 to 270)	57		57
272	INCOME TAXES	(Note O)			
273	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\}$		38.64%		
274	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		41.94%		
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)		1.6297		
278	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
279	Income Tax Calculation	(In 274 * In 282)	(945)		1
280	ITC adjustment	(In 277 * In 278)	-	NP(h) 1.00000	-
281	TOTAL INCOME TAXES	(sum Ins 279 to 280)	(945)		1
282	RETURN ON RATE BASE (Rate Base*WACC)	(In 240 * In 329)	(2,254)		2
283	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA 1.00000	-
284	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		110,139		113,341
285	(sum Ins 257, 263, 271, 281, 282, 283)				
286	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		286	DA	295
287	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		110,425		113,636

AEP West SPP Member Companies  
Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 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)						<b>TP=</b>	<b>1.00000</b>
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		18,871	18,871	TP	1.00000		18,871
296	Regional Market Expenses	354.22.b			-	NA	0.00000		-
297	<i>Line Deliberately Left Blank</i>								
298	Other (Excludes A&G)	354.24,25,26.b			-	NA	0.00000		-
299	Total	(sum Ins 294 to 298)	0	18,871	18,871				18,871
300	Transmission related amount							<b>W/S=</b>	<b>1.00000</b>
301	<b>STAND ALONE (Note T)</b>								
301	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
302		Long Term Interest (Worksheet M, In. 20, col. (D))							-
303		Preferred Stock Dividends (Worksheet M, In. 26, col. (D))							-
304		Development of Common Stock:							
305		Proprietary Capital (112.16.c)							(199,080)
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)							(199,080)
310									
310			<b>Capital Structure Percentages</b>					<b>Cost</b>	<b>Weighted</b>
311	Long Term Debt (Worksheet M, In. 20, col. (B))	\$	Actual	Cap Limit			(Note T)		
312	Preferred Stock (Worksheet M, In. 26, col. (B))	-	0.00%	0.00%			-		0.0000
313	Common Stock (In 309) (Note U)	(199,080)	0.00%	0.00%			11.2%		0.0000
314	Total (sum Ins 311 to 313)	(199,080)	0.00%	0.00%				<b>WACC=</b>	<b>0.0000</b>
315	Capital Structure Equity Limit (Note U)	50.0%							
316	<b>SOUTHWESTERN ELECTRIC POWER COMPANY (Note T)</b>								
316	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
317		Long Term Interest (SWE FR Worksheet M, In. 21, col. (D))							102,426,827
318		Preferred Stock Dividends (SWE FR Worksheet M, In. 25, col. (D))							-
319		Development of Common Stock:							
320		Proprietary Capital (112.16.c)							1,813,365,524
321		Less Preferred Stock (In 327)							-
322		Less Account 216.1 (112.12.c)							16,684,595
323		Less Account 219.1 (112.15.c)							(26,817,142)
324		Common Stock (In 320 - In 321 - In 322 - In 323)							1,823,498,071
325									
325			<b>Capital Structure Percentages</b>				<b>Cost</b>	<b>Weighted</b>	
326	Long Term Debt (SWEPCO WS-M, In. 21, col. (B))	\$ 1,685,200,000	Actual	Cap Limit			(Note T)		
327	Preferred Stock (SWEPCO WS-M, In. 25, col. (B))	-	48.03%	0.00%			0.0608		0.0292
328	Common Stock (In 324) (Note U)	1,823,498,071	0.00%	0.00%			-		0.0000
329	Total (sum Ins 326 to 328)	3,508,698,071	51.97%	0.00%			11.2%		0.0582
330	Capital Structure Equity Limit (Note U for SWEPCO)	52.5%						<b>WACC=</b>	<b>0.0874</b>

AEP West SPP Member Companies  
Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2011 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) (ln 273) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
- |                  |       |        |   |
|------------------|-------|--------|---|
| Inputs Required: | FIT = | 35.00% |   |
|                  | SIT = | 5.60%  | (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 (ln 317) / long term debt (ln 326). Preferred Stock cost rate = preferred dividends (ln 318) / preferred outstanding (ln 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 2011 with Average Ratebase Balances

**AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.**

Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 106)				\$104,031
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	-	DA	1.00000	\$ -
4	Assoc. Business Development	(Worksheet H)	-	DA	1.00000	\$ -
5	Total Revenue Credits		-			\$ -
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)				\$104,031
<b>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.</b>						
7	Trued-Up Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet G)		-	DA	1.00000	\$ -
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
9	Annual Rate	(In 1 / In 39 x 100)				0%
10	Monthly Rate	(In 9 / 12)				0.00%
11	NET PLANT CARRYING CHARGE ON LINE 9, W/O DEPRECIATION (w/o incentives) (Note B)					
12	Annual Rate	((In 1 - In 82) / In 39 x 100)				0.00%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((In 1 - In 82 - In 103 - In 104) / In 39 x 100)				0.00%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet G)					-



AEP West SPP Member Companies  
Transmission Cost of Service Formula Rate  
Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

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.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)	1	W/S	1
25	TOTAL GROSS PLANT	(sum ins 16 to 24)	<u>1</u>	<b>GP(TU)=</b> <b>GTD=</b>	<u>1</u> <b>1.000000</b>
26	ACCUMULATED DEPRECIATION AND AMORTIZATION				
27	<i>Line Deliberately Left Blank</i>				
28	<i>Line Deliberately Left Blank</i>				
29	Transmission	(Worksheet A In 14.E & 28.E)	-	TP1=	-
30	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	-
31	<i>Line Deliberately Left Blank</i>				
32	<i>Line Deliberately Left Blank</i>				
33	General Plant	(Worksheet A In 18.E)	-	W/S	-
34	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	-	W/S	-
35	Intangible Plant	(Worksheet A In 20.E)	-	W/S	-
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	<u>-</u>		<u>-</u>
37	NET PLANT IN SERVICE				
38	<i>Line Deliberately Left Blank</i>				
39	Transmission	(ln 18 + ln 19 - ln 29 - ln 30)	0		0
40	<i>Line Deliberately Left Blank</i>				
41	General Plant	(ln 22 + ln 23 - ln 33 - ln 34)	-		-
42	Intangible Plant	(ln 24 - ln 35)	1		1
43	TOTAL NET PLANT IN SERVICE	(sum Ins 38 to 42)	<u>1</u>	<b>NP(TU)=</b>	<u>1</u> <b>1.00000</b>
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, ln 7.C & ln 9.J)	-	DA	-
47	Account No. 283.1 (enter negative)	(Worksheet C, ln 16.C & ln 18.J)	(30,982)	DA	(18,073)
48	Account No. 190.1	(Worksheet C, ln 25.C & ln 27.J)	5	DA	-
49	Account No. 255 (enter negative)	(Worksheet C, ln 34.C & ln 36.J)	-	DA	-
50	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	<u>(30,978)</u>		<u>(18,073)</u>
51	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & ln 30.E)	-	DA	-
51a	REGULATORY ASSETS	(Worksheet A In 38. (C))	88,522	DA	88,522
52	WORKING CAPITAL	(Note F)			
53	Cash Working Capital	(1/8 * ln 68) (Note G)	23		23
54	Transmission Materials & Supplies	(Worksheet D, ln 2.(F))	-	TP	-
55	A&G Materials & Supplies	(Worksheet D, ln 3.(F))	-	W/S	-
56	Stores Expense	(Worksheet D, ln 4.(F))	-	GP(TU)	-
57	Prepayments (Account 165) - Labor Allocated	(Worksheet D, ln 7.G)	-	W/S	-
58	Prepayments (Account 165) - Gross Plant	(Worksheet D, ln 7.F)	-	GP(TU)	-
59	Prepayments (Account 165) - Transmission Only	(Worksheet D, ln 7.E)	-	DA	-
60	Prepayments (Account 165) - Unallocable	(Worksheet D, ln 7.D)	-	NA	-
61	TOTAL WORKING CAPITAL	(sum Ins 53 to 60)	<u>23</u>		<u>23</u>
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, ln 8.(B))	-	DA	-
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		<u>(30,954)</u>		<u>(18,049)</u>

AEP West SPP Member Companies  
Transmission Cost of Service Formula Rate  
Utilizing Actual Cost Data for 2011 with Average Ratebase 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
64	OPERATION & MAINTENANCE EXPENSE				
64	Transmission	321,112.b	182		
65	Less: Total Account 561	(Note I) 322.84-92.b	-		
66	Less: Account 565	(Note J) 322.96.b	-		
67	Less: expenses 100% assigned to TO billed customers (Worksheet I, In 14)		\$0		
68	Total O&M Allocable to Transmission	(Ins 64 - 65 - 66 - 67)	182	TP	1.00000
69	Administrative and General	323,197.b (Note K)	80,163		
70	Less: Acct. 924, Property Insurance	323,185.b	-		
71	Acct. 928, Reg. Com. Exp.	322,189.b	-		
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)	80,163	W/S	1.00000
75	Plus: Acct. 924, Property Insurance	(In 70)	-	GP(TU)	1.00000
76	Acct. 928 - Transmission Specific	Worksheet J In 5.(E) (Note L)	-	TP	1.00000
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)	3,429	DA	1.00000
79	A & G Subtotal	(sum Ins 74 to 78 less In 78a)	83,592		
80	TOTAL O & M EXPENSE	(In 68 + In 79)	83,774		
81	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)	22,131		
84	Intangible	336.1.f	-	W/S	1.00000
85	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 82 to 84)	22,131		
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	-	GP(TU)	1.00000
91	Gross Receipts/Sales & Use	Worksheet L, Col. F	-	NA	0.00000
92	Other	Worksheet L, Col. E	57	GP(TU)	1.00000
93	TOTAL OTHER TAXES	(sum Ins 88 to 92)	57		
94	INCOME TAXES	(Note O)			
95	$T=1 - \frac{((1 - \text{SIT}) * (1 - \text{FIT}))}{(1 - \text{SIT} * \text{FIT} * p)}$		38.64%		
96	$\text{EIT}=\frac{T}{(1-T)} * (1 - (\text{WCLTD}/\text{WACC}))$		41.31%		
97	where WCLTD=(In 148) and WACC = (In 151)				
98	and FIT, SIT & p are as given in Note O.				
99	$\text{GRCF}=1 / (1 - T) =$ (from In 95)		1.6297		
100	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
101	Income Tax Calculation	(In 96 * In 104)	(1,103)		
102	ITC adjustment	(In 99 * In 100)	-	NP(TU)	1.00000
103	TOTAL INCOME TAXES	(sum Ins 101 to 102)	(1,103)		
104	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 151)	(2,670)		
105	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		-	DA	1.00000
106	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		102,188		
107	(sum Ins 80, 85, 93, 103, 104, 105)				
108	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		266	DA	
109	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		102,454		

AEP West SPP Member Companies  
Transmission Cost of Service Formula Rate  
Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF							
110	Total transmission plant	(In 18)						0
111	Less transmission plant excluded from SPP Tariff (Note Q)							-
112	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note R)							-
113	Transmission plant included in SPP Tariff	(In 110 - In 111 - In 112)						0
114	Percent of transmission plant in SPP Tariff	(In 113 / In 110)					TP=	1.00000
115	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
116	<i>Line Deliberately Left Blank</i>							
117	Transmission	354.21.b	0	18,871	18,871	TP	1.00000	18,871
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	18,871	18,871			18,871
122	Transmission related amount						W/S=	1.00000
123	<b>STAND ALONE (Note T)</b> 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))						(145,738)
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)						(145,738)
132		2012 Avg Balances				<b>Capital Structure Percentages</b>	Cost (Note S)	Weighted
133	Avg Long Term Debt (Worksheet N, In. 10, col. (E))	-		0.00%	0.00%		0.00%	0.0000
134	Avg Preferred Stock (Worksheet N, In. 46, col. (E))	-		0.00%	0.00%		0.00%	0.0000
135	Avg Common Stock (In 131) (Note U)	(145,738)		0.00%	0.00%		11.20%	0.0000
136	Total (sum Ins 133 to 135)	(145,738)					WACC=	0.0000
137	Capital Structure Equity Limit (Note U)	50.0%						
138	<b>SOUTHWESTERN ELECTRIC POWER COMPANY (Note T)</b> WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
139	Long Term Interest	Long Term Interest (SWE FR Worksheet M, In. 21, col. (D))						102,426,827
140	Preferred Dividends	Preferred Stock Dividends (SWE FR Worksheet M, In. 25, col. (D))						-
141	<u>Development of Common Stock:</u>							Average
142	Proprietary Capital	(SWE Worksheet N, In. 1, col. (E))						1,742,524,800
143	Less Preferred Stock (In 149)	(SWE Worksheet N, In. 2, col. (E))						2,347,900
144	Less Account 216.1	(SWE Worksheet N, In. 3, col. (E))						15,311,449
145	Less Account 219	(SWE Worksheet N, In. 4, col. (E))						(19,654,296)
146	Common Stock	(In 142 - In 143 - In 144 - In 145)						1,744,519,746
147		2012 Avg Balances				<b>Capital Structure Percentages</b>	Cost (Note S)	Weighted
148	Avg Long Term Debt (SWE WS-N, In. 10, col. (E))	1,705,767,500		49.40%	0.00%		6.00%	0.0297
149	Avg Preferred Stock (SWE WS-N, In. 46, col. (E))	2,347,900		0.07%	0.00%		0.00%	0.0000
150	Avg Common Stock (In 146) (Note U)	1,744,519,746		50.53%	0.00%		11.20%	0.0566
151	Total (sum Ins 148 to 150)	3,452,635,146					WACC=	0.0863
152	Capital Structure Equity Limit (Note U for SWEPCO)	52.5%						

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

AEP West SPP Member Companies  
Transmission Cost of Service Formula Rate  
Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

**Letter**

**Notes**

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

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

- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the true-up revenue requirement for each project, based on an FCR rate calculated from inputs on this TCOS. Line 15 shows the incremental ARR for projects receiving incentives as accepted by FERC. These individual additional revenue requirements are summed for the true-up year, and included here.
- D The gross plant, accumulated depreciation, and deferred tax balances included in rate base are reduced by the removal of balances related to Asset Retirement Obligations (AROs). This is to comply with the requirements of FERC Rulemaking RM02-7-000.
- E The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense as discussed in Note N. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. Transmission allocations are shown on Worksheet C.
- F Identified as being transmission related or functionally booked to transmission.
- G Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission on line 68.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 62 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 105.
- I Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- J Removes cost of transmission service provided by others to the extent such service is not incurred to provide the SPP service at issue.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.
- L Expense reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet D allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 95) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
- |                  |       |   |
|------------------|-------|---|
| Inputs Required: | FIT = | 35.00%  |
|                  | SIT = | 5.60% (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  
2012 Cost of Service Formula Rate  
**Worksheet A - Detail Plant Balances**  
**AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.**

<u>Line Number</u>	<u>(A) Rate Base Item &amp; Supporting Balance</u>	<u>(B) Source of Data</u>	<u>(C) Balances @ 12/31/2011</u>	<u>(D) Balances 12/31/2010</u>	<u>(E) Average Balance for 2011</u>
<b>NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.</b>					
<b>Plant Investment Balances</b>					
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	-	2	1
10	Total Property Investment Balance	(Sum of Lines: 3, 7, 9)	0	2	1
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 8)	-	-	-
<b>Accumulated Depreciation &amp; Amortization Balances</b>					
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)	-	-	-
<b>Generation Step-Up Units</b>					
23	GSU Investment Amount	Company Records	-	-	-
24	GSU Accumulated Depreciation	Company Records	-	-	-
25	GSU Net Balance	(Line 23 - Line 24)	-	-	-
<b>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</b>					
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)	-	-	-
<b>Plant Held For Future Use</b>					
29	Plant Held For Future Use	FF1, page 214, ln 47, Col. (d)	-	-	-
30	Transmission Plant Held For Future	Company Records	-	-	-
<b>Regulatory Assets and Liabilities Approved for Recovery in Ratebase</b>					
Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.					
31	Regulatory Asset (Note 1)		103,276	118,029	110,653
32	Amortization in Months		42	48	45
33	Monthly Amortization	(line 31 / line 32)	2,459	2,459	2,459
34	Months in 2011 to be amortized		12	6	9
35	Amortization Expense in 2011 Year	(line 33 X line 34)	29,507	14,754	22,131
36	Months in 2012 to be amortized		12	12	12
37	Amortization Expense in 2012 Year	(line 33 X line 36)	29,507	29,507	29,507
38	Balance of Regulatory Asset	(line 31 - line 35)	73,768	103,276	88,522
39	Average Balance of Regulatory Asset	(line 31 + line 38)/2	88,522	110,653	99,587
40	Unamortized Balance of Regulatory Asset at YE 2011 (Note 1)		73,768	103,276	88,522
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  
2012 Cost of Service Formula Rate Projected on 2011 FF1 Balances  
**Worksheet B - Projected Transmission Plant in Service Additions**  
**AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.**

**I. Calculation of Composite Depreciation Rate**

<b><u>STAND ALONE (Note 1)</u></b>		
1	Transmission Plant @ Beginning of Historic Period (2011) (P.206, In 58,(b)):	-
2	Transmission Plant @ End of Historic Period (2011) (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
<b><u>SOUTHWESTERN ELECTRIC POWER COMPANY (Note 1)</u></b>		
8	Transmission Plant @ Beginning of Historic Period (2011) (P.206, In 58,(b)):	943,219,585
9	Transmission Plant @ End of Historic Period (2011) (P.207, In 58,(g)):	988,029,328
10		1,931,248,913
11	Average Balance of Transmission Investment	965,624,457
12	Annual Depreciation Expense, SWEPCO Historic TCOS, In 246	23,038,927
13	Composite Depreciation Rate	2.39%
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		2.39%	\$ -	\$ -	11
17	February		2.39%	\$ -	\$ -	10
18	March		2.39%	\$ -	\$ -	9
19	April		2.39%	\$ -	\$ -	8
20	May		2.39%	\$ -	\$ -	7
21	June		2.39%	\$ -	\$ -	6
22	July		2.39%	\$ -	\$ -	5
23	August		2.39%	\$ -	\$ -	4
24	September		2.39%	\$ -	\$ -	3
25	October		2.39%	\$ -	\$ -	2
26	November		2.39%	\$ -	\$ -	1
27	December		2.39%	\$ -	\$ -	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  
2012 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)
<b>Account 282 - Form-1 page 274-275, Ln 2 Col. (k)</b>									
<b>282 Balance to Use in Projection</b>									
1	282.1	2011 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
<b>282 Balance to Use in True-Up</b>									
4	282.1	2011 Year End Tax Deferrals - Ws C-1	-	-	-	-	-	-	-
5	282.1	2010 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
<b>Account 283 - Form-1 page 276-277, Ln 9, Col (k)</b>									
<b>283 Balance to Use in Projection</b>									
10	283.1	2011 Year End Tax Deferrals - Ws C-1	(25,819)	(25,819)	-	-	-	-	-
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	0	0	0	0	0
<b>283 Balance to Use in True-Up</b>									
13	283.1	2011 Year End Tax Deferrals - Ws C-1	(25,819)	(25,819)	-	-	-	-	-
14	283.1	2010 Year End Tax Deferrals - Ws C-2	(36,146)	-	(36,146)	-	-	-	-
15		Subtotal	(61,965)	(25,819)	(36,146)	-	-	-	-
16		Average Balance	(30,982)	(12,909)	(18,073)	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	(18,073)	0	0	0	(18,073)
<b>Account 190 - Form-1 page 234, Ln 8, Col. (c)</b>									
<b>190 Balance to Use in Projection</b>									
19	190.1	2011 Year End Tax Deferrals - Ws C-1	9	9	-	-	-	-	-
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	0	0	0	0	0
<b>190 Balance to Use in True-Up</b>									
22	190.1	2011 Year End Tax Deferrals - Ws C-1	9	9	-	-	-	-	-
23	190.1	2010 Year End Tax Deferrals - Ws C-2	-	-	-	-	-	-	-
24		Subtotal	9	9	-	-	-	-	-
25		Average Balance	5	5	0	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	0	0	0	0	0
<b>Account 255 - Form-1 page 266-267</b>									
<b>255 Balance to Use in Projection</b>									
28	255	Acc Defrd ITC - Federal - 12/31/2011 (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
<b>255 Balance to Use in True-Up</b>									
31	255	Acc Defrd ITC - Federal - 12/31/2011 (FF1 p. 267, Ln 2.h)	-			-			
32	255	Acc Defrd ITC - Federal - 12/31/2010 (FF1 p. 266, Ln 2.b)	-			-			
33		Subtotal	-			-			
34		Average Balance	0			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, 2011**

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





AEP West SPP Member Companies  
2012 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)
<b>Materials &amp; Supplies</b>								
Line Number	Source	Balance @ December 31, 2011	Balance @ December 31, 2010	Average Balance for Rate Year 2011				
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c & b)	0	0	-			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c & b)	0	0	-			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c & b)	0	0	-			

**Prepayment Balance Summary**

	Average of YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)
5 Totals as of December 31, 2011	0	0	0	0	0	0
6 Totals as of December 31, 2010	0	0	0	0	0	0
7 <b>Average Balance</b>	0	0	0	0	0	0

**Prepayments Account 165 - Balance @ 12/31/2011**

8	Acc. No.	Description	2011 YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)
9			0	0		0	0	0 Plant & Labor Allocable Policies
10			0	0		0	0	0 Prepaid Facility Fee on 1.5B Securitization
11			0	0			0	0 Prepaid Royalty Payments to Coal Leaseholders
12			0	0			0	0 AR Factoring - Excluded because it is retail.
13			0	0			0	0 Prefunded Pension Expense
14			0	0			0	0 Non-Cash Offset Excludable from Rate Base
15			0	0			0	0 SFAS 158 Offset
16			0	0			0	0
17			0	0			0	0
18			0	0			0	0
Subtotal - Form 1, p 111.57.c			0	0	0	0	0	0

**Prepayments Account 165 - Balance @ 12/31/2010**

19	Acc. No.	Description	2010 YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)
20			0			0	0	- Plant & Labor Allocable Policies
21			0			0		- Prepaid Facility Fee on 1.5B Securitization
22			0	0				- Prepaid Royalty Payments to Coal Leaseholders
23			0	0				- AR Factoring - Excluded because it is retail.
24			0	0			0	0 Prefunded Pension Expense
25			0	0			0	0 Non-Cash Offset Excludable from Rate Base
26			0					0
27			0					0
28			0					0
29			0					0
Subtotal - Form 1, p 111.57.d			0			0		0

AEP West SPP Member Companies  
 2012 Cost of Service Formula Rate  
**Worksheet E - IPP Credits**  
**AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.**

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2011</u>
1	Net Funds from IPP Customers @ 12/31/2010 (2011 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 12/31/2011 (2011 FORM 1, P269, (F))	-
8	Average Balance for 2011 ((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 <b>SWEPCO</b> Projected TCOS, Ins 148 through 150)			
	%	Cost	Weighted cost
Long Term Debt	48.03%	0.0608	0.0292
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	51.97%	0.1120	0.0582
		R =	0.0874

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

Rate Base (Projected TCOS, In 75)	23
R (from A. above)	0.0874
Return (Rate Base x R)	<u>2</u>

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

Return (from B. above)	2
Tax Rate (Projected TCOS, In 108)	38.64%
EIT=(T(1-T)) * (1-(WCLTD/WACC)) =	41.94%
Income Tax Calculation (Return x EIT)	1
ITC Adjustment (Projected TCOS, In 115)	-
Income Taxes	<u>1</u>

**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)	113,636
Return (Projected TCOS, In 117)	2
Income Taxes (Projected TCOS, In 116)	1
Gross Margin Taxes (Projected TCOS, In 121)	295
Net Revenue Requirement, Less Return and Taxes	<u>113,338</u>

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

Net Revenue Requirement, Less Return and Taxes	113,338
Return (from I.B. above)	2
Income Taxes (from I.C. above)	1
Net Revenue Requirement, with 0 Basis Point ROE increase	113,341
Gross Margin Tax with 0 Basis Point ROE Increase (II C. below)	295
Revenue Requirement w/ Gross Margin Taxes	<u>113,636</u>
Less: Depreciation (Projected TCOS, In 94)	-
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	113,636

**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)	113,341
Apportionment Factor to Texas (Worksheet K, In 12)	37.02%
Apportioned Texas Revenues	41,960
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	29,372
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	294
Gross-up Required for Gross Margin Tax Expense	1
Total Additional Gross Margin Tax Revenue Requirement	<u>295</u>

**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	113,341
FCR with 0 Basis Point increase in ROE	<u>0.00%</u>
Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	113,636
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)	943,219,585	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	988,029,328	<==From Input on Worksheet B
	1,931,248,913	
Transmission Plant Average Balance for 2011	965,624,457	
Annual Depreciation Expense (Projected TCOS, In 94)	23,038,927	
Composite Depreciation Rate	2.39%	
Depreciable Life for Composite Depreciation Rate	41.91	
Nearest whole year	42	

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

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS			
PROJECTED YEAR	2012	Rev Require	Incentive Amounts
		-	\$ -

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  
2012 Cost of Service Formula Rate Projected on 2011 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 2011 Data  
**AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.**

**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 SWEPCO True-Up TCOS, Ins 147 through 149)	
	Cost      Weighted cost
Long Term Debt      49.40%	0.0600      0.0297
Preferred Stock      0.07%	0.0000      0.0000
Common Stock      50.53%	0.1120      0.0566
	R =      0.0863

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

Rate Base (True-Up TCOS, In 63)	(18,049)
R (from A. above)	0.0863
Return (Rate Base x R)	(1,557)

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

Return (from B. above)	(1,557)
Tax Rate (True-Up TCOS, In 95)	38.64%
EIT=(T(1-T)) * (1-(WCLTD/WACC)) =	41.31%
Income Tax Calculation (Return x EIT)	(643)
ITC Adjustment (True-Up TCOS, In 102)	-
Income Taxes	(643)

**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)	104,031
Return (True-Up TCOS, In 104)	(1,557)
Income Taxes (True-Up TCOS, In 103)	(643)
Gross Margin Taxes (True-Up TCOS, In 108)	270
Net Revenue Requirement, Less Return and Taxes	105,961

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

Net Revenue Requirement, Less Return and Taxes	105,961
Return (from I.B. above)	(1,557)
Income Taxes (from I.C. above)	(643)
Net Revenue Requirement, with 0 Basis Point ROE increase	103,761
Gross Margin Tax with Basis Point ROE Increase (II C. below)	270
Revenue Requirement w/ Gross Margin Taxes	104,031
Less: Depreciation (True-Up TCOS, In 82)	-
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	104,031

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

Net Revenue Requirement before Gross Margin Taxes, with 0 Basis Point ROE increase (I.B. above)	103,761
Apportionment Factor to Texas (Worksheet K, In 12)	37.02%
Apportioned Texas Revenues	38,413
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	26,889
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	269
Gross-up Required for Gross Margin Tax Expense	1
Total Additional Gross Margin Tax Revenue Requirement	270

**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	104,031
FCR with 0 Basis Point Increase in ROE	10403095603.60%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	104,031
FCR with 0 Basis Point ROE increase, less Depreciation	10403095603.60%
FCR less Depreciation (True-Up TCOS, In 12)	0.00%
Incremental FCR with 0 Basis Point ROE increase, less Depreciatio	10403095603.60%

**III. Calculation of Composite Depreciation Rate**

Transmission Plant @ Beginning of Period (P.206, In 58)	943,219,585	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	988,029,328	<==From Input on Worksheet B
	1,931,248,913	
Transmission Plant Average Balance for 2011	965,624,457	
Annual Depreciation Expense (True-Up TCOS, In 82)	23,036,927	
Composite Depreciation Rate	2.39%	
Depreciable Life for Composite Depreciation Rate	41.91	
Round to nearest whole year	42	

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

SUMMARY OF TRUED-UP ANNUAL REV. REQ. FOR SPP BPU & NON-BPU PROJECTS				
TRUE-UP YEAR	2011	Rev Require	W Incentives	Incentive Amounts
Σ Prior Year Projected (WS-F)	\$	-	\$	-
Σ Prior Year True-Up (WS-G)	\$	-	\$	-
True-up Adjustment For 2011		-	-	-

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 2011 FF1 Balances  
**Worksheet H** - Revenue Credits for Historic Period  
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

Revenue Credits for

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

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

<b>IV. Account 4560015, Revenues from Associated Business Development</b>			0
1 Account 4560015, Revenues from Associated Business Development			0
<b>V. Total Other Operating Revenues To Reduce Revenue Requirement</b>			0
<b>VI. Account 456.1, Revenues from Transmission of Electricity of Others</b>			141,472

( 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			141,472
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**

<b>VII. Total Worksheet A Revenue Credits</b>			\$0
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**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 2011 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 2011 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) 2011 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		<b>Total</b>	<u>0</u>	<u>-</u>	<u>-</u>	
		<u>Account 930.1</u>				
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19		<b>Total</b>	<u>0</u>	<u>-</u>	<u>-</u>	
		<u>Account 930.2</u>				
20						
21						
22						
23					0	
24				-	-	
25		<b>Total</b>	<u>0</u>	<u>-</u>	<u>-</u>	



AEP West SPP Member Companies  
Cost of Service Formula Rate Using 2011 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 2011**

State Income Tax Rate - Louisiana		8.00%	
Apportionment Factor		31.0000%	
Effective Louisiana State Income Tax Rate			2.4800%
State Income Tax Rate - Arkansas		6.50%	
Apportionment Factor		48.0000%	
Effective Arkansas State Income Tax Rate			3.1200%
State Income Tax Rate - Oklahoma	Note 1		
Apportionment Factor			
Effective State Income Tax Rate			0.0000%
State Income Tax Rate - Ohio			
Apportionment Factor		0.00%	
Tax Phase-out Factor	Note 2		
Effective State Income Tax Rate			0.0000%
State Income Tax Rate - Nebraska			
Apportionment Factor			
Effective Nebraska State Income Tax Rate			0.0000%
Total Effective State Income Tax Rate		<u>5.6000%</u>	

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

Note 2 --- The Ohio State Income Tax is being phased-out over a 5 year period and is being replaced with a Commercial Activities Tax. The taxable portion of income is 40% in 2007.

**II. CALCULATION OF TEXAS GROSS MARGIN TAX**

Line #	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX (In 117 of Template)	Projected		Historic		Actual	
		Total Company	Trans. Only	Total Company	Trans. Only	Total Company	Trans. Only
		110,139	113,341	110,139	113,341	102,188	103,761
1	Apportionment Factor to Texas (In12)	37.02%	37.02%	37.02%	37.02%	37.02%	37.02%
2	Apportioned Texas Revenues	\$40,774	\$41,960	\$40,774	\$41,960	\$37,831	\$38,413
3	Taxable Percentage of Revenue (70%)	70%	70%	70%	70%	70%	70%
4	Taxable, Apportioned Margin	28,542	29,372	28,542	29,372	26,482	26,889
5	Texas Gross Margin Tax Rate (1%)	1%	1%	1%	1%	1%	1%
6	Texas Gross Margin Tax Expense	285	294	285	294	265	269
7	Gross-up Required for Texas Gross Margin Expense (In 6 * In 3 * In 1)/(1- In 5) * In 5)	1	1	1	1	1	1
8	Total Additional Gross Margin Tax Revenue Requirement	<u>286</u>	<u>295</u>	<u>286</u>	<u>295</u>	<u>266</u>	<u>270</u>
9	WHOLESALE LOAD ALLOCATOR (For Use in Gross Margin Tax Allocator)						
10	Texas Jurisdictional Load	1,449,000	KW				
11	Total Load	3,914,000	KW				
12	Allocation Percentage (In 10 / In 11)	<u>37.02%</u>					

AEP West SPP Member Companies  
Cost of Service Formula Rate Using 2011 FF1 Balances  
**Worksheet L - Taxes Other than Income**  
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

**HISTORIC PERIOD EXPENSE (2011) - TO BE USED ON TRUE-UP TEMPLATE**

Line No.	(A) Account	(B) Total Company	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
1	<b>Revenue Taxes</b>					
2						-
3	<b>Real Estate and Personal Property Taxes</b>					
4			-			
5			-			
6			-			
7			-			
8	<b>Payroll Taxes</b>					
9				-		
10				-		
11				-		
12	<b>Line Deliberately Left Blank</b>					
13		-				-
14		-				-
15	<b>Miscellaneous Taxes</b>					
16	Federal Excise Tax					-
17	Franchise Tax	57			57	
18	Sales/Use				-	
19					-	
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))	57 57	-	-	57	-

AEP West SPP Member Companies  
Cost of Service Formula Rate Using 2011 FF1 Balances  
**Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2011**  
**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>
<b><u>Long Term Debt (FF1.p. 256-257.h)</u></b>					
1	<u>Bonds - Acc 221</u>			-	0
2					
3				-	0
4	<u>Reacquired Bonds - Total Account 222</u>				
5				-	0
6				-	0
7				-	0
8	<u>Advances from Assoc Companies</u>				
9				-	0
10				-	0
11				-	0
12	<u>Other Long Term Debt - Acc 224</u>				
13				-	0
14				-	0
15				-	0
<b><u>Issuance Discount, Premium, &amp; Expenses:</u></b>					
16	Amort of Debt Discount and Expenses	FF1.p. 117.63.c		-	0
17	Less: Amor of Debt Premiums	FF1.p. 117.65.c		-	
<b><u>Reacquired Debt:</u></b>					
18	Amortization of Loss	FF1.p. 117.64.c		-	
19	Less: Amortization of Gain	FF1.p. 117.66.c		-	
20	<b>Total Interest on Long Term Debt</b>	-	0.00%	-	
<b><u>Preferred Stock (FF1.p. 250-251)</u></b>					
		<b><u>Preferred Balance Outstanding</u></b>			
21				-	
22				-	
23				-	
24				-	
25				-	
26	<b>Dividends on Preferred Stock</b>	-	0.00%	-	

AEP West SPP Member Companies  
Cost of Service Formula Rate Using 2011 FF1 Balances  
AEP SOUTHWESTERN TRANSMISSION COMPANY, INC.

**Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2010 and 12/31/2011**

(A) Line	(B)	(C) Balances @ 12/31/2011	(D) Balances @ 12/31/2010	(E) Average
<b><u>Development of Average Balance of Common Equity</u></b>				
1 Total Proprietary Capital (p. 112.16.c&d)		(199,080)	(92,396)	(145,738)
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	-
<b>5 Average Balance of Common Equity</b>		<b>(199,080)</b>	<b>(92,396)</b>	<b>(145,738)</b>

**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)	-	-	-
<b>10 Total Average Debt</b>	-	-	-
<b>11 Annual Interest Expense for 2011</b>			
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)			-
<b>18 Total Interest Expense (Ln 12 - Ln 13 + Ln 14 + Ln 15 - Ln 16 - Ln 17)</b>			-
<b>19 Average Cost of Debt for 2012 (Ln 18/Ln 10)</b>			<b>0.00%</b>

**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 2012	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)	-	-
<b>46 Balance of Preferred Stock (Lns 34, 39, 44)</b>	-	-
<b>47 Dividends on Preferred Stock (Lns 35, 40, 45)</b>	-	-
<b>48 Average Cost of Preferred Stock (Ln 47/46)</b>	<b>0.00%</b>	<b>0.00%</b>

AEPTCo subsidiaries in SPP  
 Cost of Service Formula Rate Using 2011 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	<b><u>Calculation of PBOP Expenses</u></b>	
2	<b><u>AEP TransCo - AEP Service Corp Employees</u></b>	
3	Total AEP System PBOP expenses	\$72,293,585
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	\$72,293,585
6	Total AEP System Direct Labor Expense	\$1,181,809,072
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	\$0.061
8	Currently Approved PBOP Rate	\$0.094
9	Base PBOP TransCo labor expensed in current year	\$59,434
10	Allowable TransCo PBOP Expense for current year (Line 8 * Line 9)	\$5,587
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)	\$2,158
15	Actual PBOP Expense (Sum Lines 11-14)	\$2,158
16	PBOP Adjustment Line 10 less Line 15	\$3,429