



American Electric Power
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March 4, 2014

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

Re: American Electric Power Service Corporation
Docket No. ER14-____-000

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. Section 824(d), and Section 35.13 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations, American Electric Power Service Corporation ("AEPSC"), on behalf of its affiliates, Public Service Company of Oklahoma ("PSO") and Southwestern Electric Power Company ("SWEPCO") (collectively referred to herein as "AEP West Operating Companies"), and on behalf of its subsidiaries AEP Oklahoma Transmission Company, Inc. ("AEP Oklahoma Transco") and AEP Southwestern Transmission Company, Inc. ("SWPTCo," together with AEP Oklahoma Transco, "AEP Transcos") submits for filing updated depreciation rates for SWEPCO and SWPTCo approved by the Public Utility Commission of Texas, which will be reflected in the formula rate approved in Docket Nos. ER07-1069-000 and ER10-355 for service in Southwest Power Pool, Inc. ("SPP") Zone 1.

I. Background

In Docket No. ER07-1069, AEP submitted for filing a formula rate and implementation protocols contained in tariff sheets for the AEP pricing zone under Schedule 1, Addendum 1 to Schedule 1, Attachment H and Addendum 1 to Attachment H and Attachment T of the Southwest Power Pool, Inc. ("SPP") Open Access Transmission Tariff ("OATT")¹. The Commission accepted AEP's rate filing subject to hearing and settlement judge procedures and a compliance filing. AEP and the intervening parties in

¹ See *American Electric Power Service Corp.*, 124 FERC ¶ 61,306 (2008).

Docket No. ER07-1069 ultimately settled all issues raised with respect to the formula rate, and AEP submitted an offer of settlement (“AEP Operating Company Settlement”) on February 23, 2009. The Commission approved the AEP Operating Company Settlement on June 24, 2009.²

The formula rate approved as part of the AEP Operating Company Settlement permits AEP to include depreciation costs as recorded by PSO and SWEPCO in their FERC Form 1 (“FF1”) reports based on the weighted composite of state approved depreciation rates. SWEPCO operates in three separate retail jurisdictions (Arkansas, Louisiana and Texas). The depreciation rates utilized by SWEPCO on its books are composite depreciation rates by account that utilize the individual state approved depreciation rates. At the time the AEP Operating Company Settlement was filed, the underlying depreciation rates used to determine SWEPCO’s rates were approved in the following state utility commission proceedings: Arkansas-Docket No. 98-339-U and Louisiana Docket No. U-23029, both in existence since 1999, and Texas Docket No. 5301, in existence since 1984.

Under the terms of the AEP Operating Company Settlement, a change to the formula rate inputs related to revised depreciation rates may not be made absent an appropriate filing with the Commission pursuant to section 205 or 206 of the Federal Power Act.

In Docket No. ER10-355, AEP submitted for filing a formula rate and implementation protocols under Attachment H of the SPP Tariff related to the AEP Transcos. AEP and the intervening parties in Docket No. ER10-355 ultimately settled all issues raised with respect to the formula rate and filed an offer of settlement in that docket (“AEP Transco Settlement”) on September 24, 2010. The Commission approved the settlement on April 21, 2011.³

As explained in the Explanatory Statement accompanying the filing of the AEP Transco Settlement, “The Settling Parties have agreed that the formula rate would use AEP’s composite depreciation rates which are based on state commission-approved and FERC-approved depreciation rates.”⁴ Further, the AEP Transco Settlement Agreement states, “AEP will make a section 205 filing at FERC to seek to change its composite depreciation rate methodology or to reflect in the formula rate calculation any change in state approved or FERC approved depreciation rates.”⁵ The then-current depreciation rates were set forth in Appendix B.1.2 to the AEP Transco Settlement.

² See *American Electric Power Service Corp.*, 127 FERC ¶ 61,292 (2009).

³ See *AEP Appalachian Transmission Company, Inc.*, 135 FERC ¶ 61,066 (2011).

⁴ Explanatory Statement § II.A.3.

⁵ AEP Transco Settlement § 3.4.

II. Description of Proposed Change

As noted above, at the time the AEP Operating Company Settlement was filed with the Commission, the depreciation rates for SWEPCO that generate the book expense included in the formula rate calculation had been in existence since 1984 and 1999 for SWEPCO. As a result of a recent retail rate case, PUCT Docket No. 40443, these underlying depreciation rates have been updated.⁶ The Order approving the underlying depreciation rate can be viewed at the following link:

Texas Order:

http://interchange.puc.texas.gov/WebApp/Interchange/application/dbapps/filings/pgSearch_Results.asp?TXT_CNTR_NO=40443&TXT_ITEM_NO=1116

Through this filing, AEP now seeks Commission authorization under section 205 of the FPA to update the depreciation rate inputs in its existing formula rate to reflect the new state approved depreciation rates for SWEPCO and SWPTCo. The updated depreciation rates for SWEPCO are set forth in Attachment A to this transmittal letter. A revised Appendix B.1.2 to the AEP Transco Settlement, which reflects the updated depreciation rates for SWEPCO and SWPTCo, is set forth in Attachment B. Further, a redlined version of Appendix B.1.2 is provided as Attachment C. The changes in depreciation rates will result in reduced annual transmission depreciation expenses for SWEPCO and SWPTCo.

The updated depreciation rates are specific to SWEPCO and SWPTCo and do not change the rates for PSO or AEP Oklahoma Transco.

III. Effective Date and Waiver Request

AEP is seeking approval to update the data inputs regarding depreciation rates in its formula rate to reflect the new state approved depreciation rates effective as of July 1, 2014. AEP respectfully requests that the Commission waive provisions of section 35.13 or any other applicable regulation to permit this request. Good cause exists for granting this waiver because AEP is making this filing pursuant to the requirements of Commission-approved settlements.

Moreover, AEP wishes to make clear that it is not requesting a change to the formula rates on file with the Commission as approved in Docket Nos. ER07-1069 and ER10-355. Nor is AEP seeking a change in the manner in which the composite depreciation rate is calculated. Finally, implementation of AEP's request will result in an overall depreciation rate and expense decrease effective on July 1, 2014.

⁶ See *Public Utilities Commission of Texas Docket No. 40443, Final Order In the Matter of the Application of Southwestern Electric Power Company for Authority to Change Rates and Reconcile Fuel Costs (October 10, 2013)*.

IV. Contents of this Filing

This filing consists of the following documents:

- This transmittal letter
- A spreadsheet setting forth prior and revised state approved depreciation rates (Attachment A)
- An updated, clean version of Appendix B.1.2 (Attachment B)
- A redlined version of Appendix B.1.2 (Attachment C)

V. Service

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

<http://www.aep.com/about/codeofconduct/OASIS/TariffFilings/>

VI. Correspondence

Correspondence regarding this filing should be addressed to:

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VII. Conclusion

Wherefore, AEP respectfully requests that the Commission accept this filing.

Respectfully submitted,

/s/ Amanda Riggs Conner

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Attachment A

Spreadsheet setting forth prior
and revised state approved depreciation rates

SOUTHWESTERN ELECTRIC POWER COMPANY
CALCULATION OF TOTAL COMPANY
TOTAL WEIGHTED AVERAGE DEPRECIATION RATES
EFFECTIVE 05/01/2010 THROUGH 1/31/2013

PLANT ACCT.	LOUISIANA			ARKANSAS			TEXAS			FERC - Wholesale			TOTAL COMPANY
	LA RATES (2) (3)	ALLOCATION FACTOR	WTD AVG. DEPREC. RATE	ARKANSAS RATES (4)	ALLOCATION FACTOR	WTD AVG. DEPREC. RATE	TEXAS RATES (5)	ALLOCATION FACTOR	WTD AVG. DEPREC. RATE	FERC RATES	ALLOCATION FACTOR	WTD AVG. DEPREC. RATE	WTD AVG. DEPREC. RATE
TRANSMISSION PLANT													
350.1	1.6600%	0.329583	0.5471%	1.3600%	0.232390	0.3161%	1.2800%	0.398379	0.5099%	1.8200%	0.039648	0.0722%	1.45%
352.0	1.9100%	0.329583	0.6295%	1.3900%	0.232390	0.3230%	1.3500%	0.398379	0.5378%	1.8200%	0.039648	0.0722%	1.56%
353.0	2.1000%	0.329583	0.6921%	1.5400%	0.232390	0.3579%	1.7200%	0.398379	0.6852%	1.8900%	0.039648	0.0749%	1.81%
354.0	2.7200%	0.329583	0.8965%	2.2900%	0.232390	0.5322%	1.8000%	0.398379	0.7171%	2.0000%	0.039648	0.0793%	2.23%
355.0	3.7200%	0.329583	1.2260%	3.4600%	0.232390	0.8041%	3.0600%	0.398379	1.2190%	2.7500%	0.039648	0.1090%	3.36%
356.0	2.6300%	0.329583	0.8668%	1.9400%	0.232390	0.4508%	2.2000%	0.398379	0.8764%	2.7500%	0.039648	0.1090%	2.30%
357.0	1.0100%	0.329583	0.3329%	1.0100%	0.232390	0.2347%	1.8600%	0.398379	0.7410%	1.0100%	0.039648	0.0400%	1.35%
358.0	3.7500%	0.329583	1.2359%	1.8800%	0.232390	0.4369%	1.9100%	0.398379	0.7609%	1.8800%	0.039648	0.0745%	2.51%
359.0	1.6700%	0.329583	0.5504%	0.7700%	0.232390	0.1789%	1.4400%	0.398379	0.5737%	0.7700%	0.039648	0.0305%	1.33%

SOUTHWESTERN ELECTRIC POWER COMPANY
CALCULATION WEIGHTED AVERAGE TOTAL COMPANY RATES
DUE TO A PUCT COMMISSION ORDER ON OCTOBER 3, 2013 IN PUC DOCKET NO. 40443
EFFECTIVE 07/01/2014

PLANT ACCT.	LOUISIANA			ARKANSAS			TEXAS			FERC - Wholesale			TOTAL COMPANY
	LA RATES (2) (3)	ALLOCATION FACTOR	WTD AVG. DEPREC. RATE	ARKANSAS RATES (4)	ALLOCATION FACTOR	WTD AVG. DEPREC. RATE	TEXAS RATES (5)	ALLOCATION FACTOR	WTD AVG. DEPREC. RATE	FERC RATES	ALLOCATION FACTOR	WTD AVG. DEPREC. RATE	WTD AVG. DEPREC. RATE
TRANSMISSION PLANT													
350.1	1.6600%	0.343851	0.5708%	1.3600%	0.215348	0.2929%	1.2300%	0.403407	0.4962%	1.8200%	0.037394	0.0681%	1.43%
352.0	1.9100%	0.343851	0.6568%	1.3900%	0.215348	0.2993%	1.2700%	0.403407	0.5123%	1.8200%	0.037394	0.0681%	1.54%
353.0	2.1000%	0.343851	0.7221%	1.5400%	0.215348	0.3316%	1.6300%	0.403407	0.6576%	1.8900%	0.037394	0.0707%	1.78%
354.0	2.7200%	0.343851	0.9353%	2.2900%	0.215348	0.4931%	1.2500%	0.403407	0.5043%	2.0000%	0.037394	0.0748%	2.01%
355.0	3.7200%	0.343851	1.2791%	3.4600%	0.215348	0.7451%	3.0500%	0.403407	1.2304%	2.7500%	0.037394	0.1028%	3.36%
356.0	2.6300%	0.343851	0.9043%	1.9400%	0.215348	0.4178%	1.9800%	0.403407	0.7987%	2.7500%	0.037394	0.1028%	2.22%
357.0	1.0100%	0.343851	0.3473%	1.0100%	0.215348	0.2175%	1.7800%	0.403407	0.7181%	1.0100%	0.037394	0.0378%	1.32%
358.0	3.7500%	0.343851	1.2894%	1.8800%	0.215348	0.4049%	1.8400%	0.403407	0.7423%	1.8800%	0.037394	0.0703%	2.51%
359.0	1.6700%	0.343851	0.5742%	0.7700%	0.215348	0.1658%	1.3500%	0.403407	0.5446%	0.7700%	0.037394	0.0288%	1.31%

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

		CURRENT RATES (A)	PRIOR RATES (B)
TRANSMISSION PLANT			
350.1	Land Rights	1.23%	1.28%
352.0	Structures & Improvements	1.27%	1.35%
353.0	Station Equipment	1.63%	1.72%
354.0	Towers & Fixtures	1.25%	1.80%
355.0	Poles & Fixtures	3.05%	3.06%
356.0	OH Conductor & Devices	1.98%	2.20%
357.0	Underground Conduit	1.78%	1.86%
358.0	Underground Conductor	1.84%	1.91%
359.0	Roads and Trails	1.35%	1.44%

Notes:

(A) Current depreciation rates will be effective on July 1, 2014 in accordance with the order from Docket No. 40443. The final order was approved on October 3, 2013.

(B) Prior depreciation rates were booked and made effective on May 1, 2010 in accordance with the order from Docket No. 37364. The final order was approved on April 15, 2010.

Attachment B

Revised Appendix B.1.2 setting forth depreciation rates
for AEP Southwestern Transmission Company, Inc.

(Clean Version)

APPENDIX B.1.2**Depreciation Rates for AEP Transmission Company Subsidiaries in SPP**

		AEP Oklahoma Transmission Co.	AEP Southwestern Transmission Co.
350	Land Rights		1.43%
352	Structures & Improvements	1.88%	1.54%
353	Station Equipment	1.53%	1.78%
354	Towers & Fixtures	1.12%	2.01%
355	Poles & Fixtures	2.78%	3.36%
356	OH Conductor & Devices	1.92%	2.22%
357	Underground Conduit		1.32%
358	Underground Conductor	3.01%	2.51%
359	Roads and Trails		1.31%

(A) The depreciation rates shown above for AEP Southwestern Transmission Company are the current effective rates for Southwestern Electric Power Company (SWEPCO), reflecting the weighted average of depreciation rates approved by Arkansas, Louisiana, Texas, and FERC. The rates will become effective on July 1, 2014 in accordance with the order approved on October 3, 2013, by the Texas Public Utility Commission in Docket No. 40443.

(B) The depreciation rates shown above for AEP Oklahoma Transmission Company are the current Public Service Company of Oklahoma (PSO) rates. The rates were approved effective February 1, 2009, by the Oklahoma Corporation Commission order in Cause No. PUD 200800144, Order No. 564437 issued January 14, 2009.

(C) The AEP Transmission Company depreciation rates shown above may only be changed in a Section 205/206 proceeding. This filing may be a single-issue proceeding.

Attachment C

Redlined Appendix B.1.2 setting forth depreciation rates
for AEP Southwestern Transmission Company, Inc.

(Redlined Version)

APPENDIX B.1.2

Depreciation Rates for AEP Transmission Company Subsidiaries in SPP

		AEP Oklahoma Transmission Co.	AEP Southwestern Transmission Co.	
350	Land Rights		1.45%	1.43%
352	Structures & Improvements	1.88%	1.56%	1.54%
353	Station Equipment	1.53%	1.81%	1.78%
354	Towers & Fixtures	1.12%	2.23%	2.01%
355	Poles & Fixtures	2.78%	3.36%	3.36%
356	OH Conductor & Devices	1.92%	2.30%	2.22%
357	Underground Conduit		1.35%	1.32%
358	Underground Conductor	3.01%	2.51%	2.51%
359	Roads and Trails		1.33%	1.31%

(A) On May 3, 2010 AEP submitted a filing in FERC Docket No. 3410-1179 requesting a change in depreciation rates for PSO and SWEPCO to those shown above after the AR, TX and OK State Commissions had approved changes in retail rates. The above depreciation rates were accepted for filing by Letter Order issued on June 24.

(B) The depreciation rates shown above for AEP Oklahoma Transmission Company are also the current Public Service Company of Oklahoma (PSO) rates, approved effective February 1, 2009 by the Oklahoma Public Utility Division order in Cause No. PUD 200800144, Order No. 564437 issued January 14, 2009.

(C) The depreciation rates shown above for AEP Southwestern Transmission Company are the currently effective rates for Southwestern Electric Power company (SWEPCO), reflecting the load weighted average of depreciation rates approved by Arkansas, Louisiana, Texas, and FERC.

(D) The AEP Transmission Company depreciation rates shown above may only be changed in a Section 205/206 proceeding. This filing may be a single-issue proceeding.