

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.			AEP Annual Revenue Requirement	PSO Annual Revenue Requirement	SWEPCO Revenue Requirement
A. AEP Network Integration Transmission Service (NITS)					
1	REVENUE REQUIREMENT (w/o incentives)	(TCOS Line 1)	191,460,868	\$75,483,450	\$115,977,418
2	LESS: REVENUE CREDITS	(TCOS Line 5)	12,177,776	\$5,259,975	\$6,917,801
3	CURRENT YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(TCOS Line 6)	<u>\$179,283,092</u>	<u>\$70,223,475</u>	<u>\$109,059,617</u>
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			39.169%	60.831%
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(TCOS Line 7)	34,816,735	5,533,328	29,283,407
6	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet F)	-	-	-
7	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet F)	-	-	-
8	SUBTOTAL		<u>34,816,735</u>	<u>5,533,328</u>	<u>29,283,407</u>
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	<u>144,466,358</u>	<u>64,690,147</u>	<u>79,776,211</u>
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(TCOS Line 15)	-	-	-
11	EXISTING ZONAL ATRR FOR SPP OATT ATTACHMENT H, SEC. 1, COL. 3	(Ln 9 + Ln 10)	<u>\$144,466,358</u>	<u>\$64,690,147</u>	<u>\$79,776,211</u>
12	2011 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, ln 17)	8,322.67	MW	
13	AEP Monthly NITS Rate in \$/MW - Month	(Line 11 / Line 12) / 12	\$1,446.51		
B. Point-to-Point Service					
14	Annual Point-to-Point Rate in \$/MW - Year	(Line 11 / Line 12)	\$17,358.17		
15	Monthly Point-to-Point Rate in \$/MW - Month	(Line 14 / 12)	\$1,446.51		
16	Weekly Point-to-Point Rate in \$/MW - Weekly	(Line 14 / 52)	\$333.81		
17	Daily On-Peak Point-to-Point Rate in \$/MW - Day	(Line 14 / 260)	\$66.76		
18	Daily Off-Peak Point-to-Point Rate in \$/MW - Day	(Line 14 / 365)	\$47.56		
19	Hourly On-Peak Point-to-Point Rate in \$/MW - Hour	(Line 14 / 4160)	\$4.17		
20	Hourly Off-Peak Point-to-Point Rate in \$/MW - Hour	(Line 14 / 8760)	\$1.98		

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 For rates effective July 1, 2012

SPP SCHEDULE 1 AEP Revenue Requirements

<u>Line No.</u>		AEP Annual Revenue Requirement	PSO Annual Revenue Requirement	SWEPCO Annual Revenue Requirement
A. Schedule 1 ARR For 2012 Projected Year				
1	Total Load Dispatch & Scheduling (Account 561) (TCOS Line 77)	\$18,246,466	\$9,329,294	\$8,917,172
2	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)	\$11,483,834	\$5,666,204	\$5,817,630
3	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)	\$933,166	\$933,166	\$0
4	Total 561 Internally Developed Costs (Line 1 - Line 2 - Line 3)	\$5,829,466	\$2,729,924	\$3,099,542
5	Less: PTP Service Credit (prior year Sched 1 revenue from PTP transactions)	444,340	\$213,600	\$230,740
6	PROJECTED ZONAL ARR FOR 2012 (Line 4 - Line 5)	\$5,385,126	\$2,516,324	\$2,868,802
			46.727%	53.273%
B. Schedule 1 Projected 7/1/2012 Rate Calculations				
7	2011 Historic AEP West Zone SPP Average 12-Mo. Peak Demand (Load WS, ln 17)		8,322.67 MW	
8	Annual Point-to-Point Rate in \$/MW - Year (Line 6 / Line 7)		\$647.04	
9	Monthly Point-to-Point Rate (ln 8 / 12) \$/MW - Month (Line 8 / 12)		\$53.92	
10	Weekly Point-to-Point Rate (ln 8 / 52) \$/MW - Weekly (Line 8 / 52)		\$12.44	
11	Daily Off-Peak Point-to-Point Rate (ln 8 / 365) \$/MW - Day (Line 8 / 365)		\$1.77	
12	Hourly Off-Peak Point-to-Point Rate (ln 8 / 8760) \$/MW - Hour (Line 8 / 8760)		\$0.07	

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)

Line No.			AEP Annual Revenue Requirement	PSO Annual Revenue Requirement	SWEPCO Annual Revenue Requirement
A. Network Service					
1	TRUE-UP YEAR 2011 REVENUE REQUIREMENT (w/o incentives)	(True-Up TCOS Line 1)	176,329,417	\$72,802,000	\$103,527,417
2	LESS: REVENUE CREDITS	(True-Up TCOS Line 5)	12,177,776	\$5,259,975	\$6,917,801
3	TRUE-UP YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(True-Up TCOS Line 6)	\$164,151,641	\$67,542,025	\$96,609,616
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			41.146%	58.854%
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(True-Up TCOS Line 7)	24,027,959	5,406,872	18,621,087
6	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-	-
7	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-	-
8	SUBTOTAL		24,027,959	5,406,872	18,621,087
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	140,123,682	62,135,153	77,988,529
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(True-Up TCOS Line 15)	-	-	-
11	TRUED-UP ZONAL ATRR (W/ INCENTIVES) FOR 2011	(Line 9 + Line 10)	140,123,682	62,135,153	77,988,529
12	2011 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 17)	8,322.67 MW		
13	Monthly NITS Rate in \$/MW - Month	(Line 11 / Line 12) /12	1,403.03		

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

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

PUBLIC SERVICE COMPANY OF OKLAHOMA

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

(A)	(B)	(C)	(D)	(E)	(F)	(G) = (E) + (F)	(H)	(I)	(J)	(K) = (I) - (J)	(L)	(M)	(N) = (L)-(M)	(O)	(P) = (H)+(K)+(N)+(O)	(Q) = (G) + (P)
<u>Projected ARR For 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>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>Projected 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</u>	<u>Total Adjustments (True-Up, Billing, & Interest)</u>	<u>Total ADJUSTED Revenue Requirement Effective 7/1/2012</u>
P.001	PSO	Riverside-Glenpool (81-523) Reconductor	2009	133,806	-	133,806	(13,962)	161,782	150,111	11,672	-	-	-	(402)	(2,692)	131,114
P.002	PSO	Craig Jct. to Broken Bow Dam 138 Rebuild (7.7mi)	2009	695,528	-	695,528	(67,100)	863,785	801,468	62,317	-	-	-	(840)	(5,623)	689,905
P.003	PSO	WFEC New 138 kV Ties: Sayre to Erick (WFEC) Line & Atoka and Tupelo station work	2009	1,837,288	-	1,837,288	(186,442)	2,221,605	2,061,329	160,276	-	-	-	(4,597)	(30,763)	1,806,525
P.004	PSO	Cache-Snyder to Altus Jct. 138 kV line (w/2 ring bus stations)	2008	2,158,903	-	2,158,903	(230,107)	2,585,710	2,399,165	186,544	-	-	-	(7,654)	(51,217)	2,107,686
P.005	PSO	Catoosa 138 kV Device (Cap. Bank)	2006	54,697	-	54,697	(5,395)	65,833	61,084	4,749	-	-	-	(113)	(759)	53,938
P.006	PSO	Pryor Junction 138/69 Upgrade Transf	2008	222,248	-	222,248	(22,292)	269,368	249,935	19,433	-	-	-	(502)	(3,361)	218,888
P.007	PSO	Elk City - Elk City 69 kV line (CT Upgrades)*	2007	12,290	-	12,290	(1,255)	14,063	13,048	1,015	-	-	-	(42)	(282)	12,008
P.008	PSO	Weleetka & Okmulgee Wavetrap replacement 81-805*	2006	7,927	-	7,927	(709)	9,197	8,533	663	-	-	-	(8)	(53)	7,874
P.009	PSO	Tulsa Southeast Upgrade (repl switches)*	2007	10,441	-	10,441	(944)	12,102	11,229	873	-	-	-	(12)	(84)	10,358
P.010	PSO	Wavetrap Clinton City-Foss Tap 69kV Ckt 1	2010	14,609	-	14,609	(1,428)	1,667	1,547	120	-	-	-	(230)	(1,538)	13,071
P.011	PSO	Bartlesville SE to Coffeyville T Rebuild	2011	221,571	-	221,571	(154,369)	267,656	248,346	19,310	-	-	-	(23,730)	(158,789)	62,782
P.012	PSO	Canadian River - McAlester City 138 kV Line Conversion	2012	160,762	-	160,762	-	-	-	-	-	-	-	-	-	160,762
P.013	PSO	CoffeyvilleT to Dearing 138 kv Rebuild - 1.1 mi	2012	3,259	-	3,259	-	-	-	-	-	-	-	-	-	3,259
PSO Total				5,533,328	-	5,533,328	(684,001)	6,472,767	6,005,794	466,973	-	-	-	\$ (38,132)	(255,160)	\$ 5,278,169
*<\$100K investment																
Informational ONLY																
SWEPCO Total				29,283,407	-	29,283,407	(1,550,764)	20,902,945	19,394,918	1,508,027	-	-	-	(131,325)	(174,062)	29,109,345
AEP TOTALS				34,816,735	-	34,816,735	(2,234,765)	27,375,713	25,400,712	1,975,001	-	-	-	(169,457)	(429,221)	34,387,514

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

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

SOUTHWESTERN ELECTRIC POWER COMPANY

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

(A)	(B)	(C)	(D)	(E)	(F)	(G) = (E) + (F)	(H)	(I)	(J)	(K) = (I) - (J)	(L)	(M)	(N) = (L)-(M)	(O)	(P) = (H)+(K)+(N)+(O)	(R) = (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>Sheet</u>	<u>Owner</u>	<u>Project Description</u>	<u>Year in Service</u>	<u>Base ARR</u>	<u>Incentive</u>	<u>Total</u>	<u>TRUE-UP Adjustment (WS-G)</u>	<u>Projected 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</u>	<u>Total Adjustments (Forecast, Billing, & Interest)</u>	<u>Total ADJUSTED Revenue Effective 7/1/2012</u>
S.001	SWE	Arsenal Hill Auto xfmr & AH to Water Works line	2009	2,852,748	-	2,852,748	(69,184)	3,283,804	3,046,897	236,908	-	-	-	515,393	683,117	3,535,865
S.002	SWE	SW Shreveport (sub work & tap)	2009	1,312,456	-	1,312,456	(17,158)	1,625,795	1,508,504	117,292	-	-	-	307,699	407,833	1,720,289
S.003	SWE	[NW Ark Area Improve - 2009] E. Centeron-Flint Crk, E Rogers-N Rogers, Centeron	2009	2,214,474	-	2,214,474	(74,046)	2,272,618	2,108,662	163,956	-	-	-	276,282	366,192	2,580,667
S.004	SWE	Rebuild N. Magazine - Danville 161 kV Line	2009	1,859,542	-	1,859,542	(57,858)	2,130,376	1,976,682	153,694	-	-	-	294,491	390,328	2,249,869
S.005	SWE	[Greenwood, AR Area Improve] N Huntington, Greenwood, Reeves, Bonanza	2009	481,313	-	481,313	(11,720)	552,488	512,629	39,859	-	-	-	86,468	114,607	595,920
S.006	SWE	Port Robson-Caplis Line (SW 138 kV Loop -- 2009)	2009	5,326,730	-	5,326,730	(1,207,044)	4,861,070	4,510,371	350,698	-	-	-	(2,631,437)	(3,487,783)	1,838,947
S.007	SWE	Linwood 138 Station Switch Replacement*	2009	12,381	-	12,381	(275)	13,052	12,111	942	-	-	-	2,048	2,714	15,096
S.008	SWE	Dyess to S. Fayetteville 69 kV Convert to 161 kV (multi-projects)	2008	1,512,294	-	1,512,294	(25,170)	2,505,417	2,324,665	180,751	-	-	-	478,082	633,664	2,145,958
S.009	SWE	Northwest Texarkana-Bann-Alumax Tap 138kV -- reconductor	2008	447,147	-	447,147	(14,905)	728,367	675,819	52,547	-	-	-	115,670	153,312	600,460
S.010	SWE	Tontitown - Elm Springs REC 161 kV line***	2008	-	-	-	-	-	-	-	-	-	-	-	-	-
S.011	SWE	Siloam Springs - Chamber Springs 161 kV line***	2007	-	-	-	-	-	-	-	-	-	-	-	-	-
S.012	SWE	Knox Lee - Oak Hill #2 138 kV line, S. Shreveport (SWE Minor Proj II)	2007	29,221	-	29,221	(1,132)	46,901	43,518	3,384	-	-	-	6,918	9,170	38,390
S.013	SWE	Carthage REC - Carthage T 138 kV	2006	562,476	-	562,476	(680)	666,917	618,803	48,114	-	-	-	145,759	193,193	755,669
S.014	SWE	NW Henderson - Oak Hill 138 kV line*	2007	12,766	-	12,766	(312)	20,350	18,882	1,468	-	-	-	3,554	4,711	17,477
S.015	SWE	Arsenal Hill 138kV Device (Cap. Bank)	2007	56,580	-	56,580	(1,778)	91,874	85,246	6,628	-	-	-	14,905	19,755	76,335
S.016	SWE	Daingerfield - Jenkins REC 69 kV CB Repl**	2008	61,948	-	61,948	(690)	92,238	85,584	6,654	-	-	-	18,329	24,294	86,242
S.017	SWE	Linwood-McWillie 138 kV Rebuild	2008	306,956	-	306,956	(9,790)	348,610	323,460	25,150	-	-	-	47,201	62,561	369,518
S.018	SWE	Port Robson (SW 138 kV Loop -- 2008)	2009	-	-	-	-	-	-	-	-	-	-	-	-	-
S.019	SWE	Wallace Lake-Prt Robson-Red Point 138 kV Loop	2008	705,417	-	705,417	(23,214)	795,378	737,996	57,382	-	-	-	104,994	139,163	844,579
S.020	SWE	[NW Ark Area Improve - 2008] Elm Springs, East Rogers, Shipe Road Stations	2008	-	-	-	-	(12,898)	(11,968)	(931)	-	-	-	(2,859)	(3,790)	(3,790)
S.021	SWE	Reconductor 4 mi. of McNabb-Turk	2010	266,454	-	266,454	(54)	(13,789)	(12,794)	(995)	-	-	-	(3,224)	(4,274)	262,180
S.022	SWE	Longwood: r& switches, upgrade bus	2010	33,644	-	33,644	(2,520)	24,832	23,040	1,791	-	-	-	(2,240)	(2,969)	30,675
S.023	SWE	Reconductor: Greggton-Lake Lamond & Quilman-Westwood 69 kV lines	2010	783,462	-	783,462	(19,821)	421,995	391,551	30,445	-	-	-	32,644	43,267	826,729
S.024	SWE	Rebuild/reconductor Dyess-Elm Springs REC [Dyess Station-Flint Creek]	2010	857,560	-	857,560	(21,346)	426,659	395,878	30,781	-	-	-	28,991	38,426	895,985
S.025	SWE	Replace switch at Diana*	2010	14,691	-	14,691	(389)	7,735	7,177	558	-	-	-	521	690	15,381
S.026	SWE	Whitney repl CB and Switches	2011	42,102	-	42,102	8,321	13,154	12,205	949	-	-	-	28,487	37,757	79,859
S.027	SWE	Linwood - Powell Street 138 kV	2012	71,516	-	71,516	-	-	-	-	-	-	-	-	-	71,516
S.028	SWE	Bloomburg-Texarkana Plant	2012	924,422	-	924,422	-	-	-	-	-	-	-	-	-	924,422
S.029	SWE	Knox Lee - Pirkey 138 kV / Pirkey - Whitney 138 kV - Replace Breaker, Wavetraps, and reset relays and CT's	2012	226,337	-	226,337	-	-	-	-	-	-	-	-	-	226,337
S.030	SWE	NW Texarkana - Turk 345	2012	7,374,864	-	7,374,864	-	-	-	-	-	-	-	-	-	7,374,864
S.031	SWE	Lone Star South - Pittsburg 138 kV - Replace Wavetraps, reset CT's and Relays	2012	45,131	-	45,131	-	-	-	-	-	-	-	-	-	45,131
S.032	SWE	Howell-Kilgore 69 kV rebuild	2012	633,178	-	633,178	-	-	-	-	-	-	-	-	-	633,178
S.033	SWE	Flint Creek-Shipe Road 345 kV Line	2012	255,597	-	255,597	-	-	-	-	-	-	-	-	-	255,597
SWEPCO Total				29,283,407	-	29,283,407	(1,550,764)	20,902,945	19,394,918	1,508,027	-	-	-	(131,325)	(174,062)	\$ 29,109,345
*<\$100K investment, **AI xfer, ***Non-BPU (to be removed from list in future).																
Informational ONLY																
PSO Total				5,533,328	-	5,533,328	(684,001)	6,472,767	6,005,794	466,973	-	-	-	(38,132)	(255,160)	5,278,169
AEP TOTALS				34,816,735	-	34,816,735	(2,234,765)	27,375,713	25,400,712	1,975,001	-	-	-	(169,457)	(429,221)	34,387,514

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	2/1/2011	3/10/2011	4/19/2011	5/31/2011	6/27/2011	7/27/2011	8/3/2011	9/1/2011	10/7/2011	11/28/2011	12/7/2011	12 Month Average MW	LRS
SPP Load Responsibility															
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 (3)	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	Zone 1 - System Firm Peak Demands	8,229.00	8,262.00	6,107.00	6,669.00	8,457.50	9,862.50	10,490.50	11,161.50	10,003.50	6,882.50	6,452.50	7,294.50	8,322.67	
Supporting Data															
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	PSO Load Responsibility	2810.00	2797.00	2233.00	2391.00	3327.00	4087.00	4323.00	4469.00	4038.00	2685.00	2299.00	2621.00		
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	Dolet 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	SWEPCO Load Responsibility	3189.00	3207.00	2352.00	2820.00	3282.50	3619.50	3817.50	4149.50	3722.50	2716.50	2526.50	2805.50		

Notes:

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

AEP West SPP Member Companies
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PUBLIC SERVICE COMPANY OF OKLAHOMA

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 120)			\$75,483,450
2	REVENUE CREDITS	(Note A)			
3	Transmission Credits	(Worksheet H)	4,768,230	DA 1.00000	\$ 4,768,230
4	Assoc. Business Development	(Worksheet H)	491,745	DA 1.00000	\$ 491,745
5	Total Revenue Credits		5,259,975		\$ 5,259,975
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)			\$70,223,475

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

7	Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet F)		5,533,328	DA 1.00000	\$ 5,533,328
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%			16.59%
10	Monthly Rate	(In 9 / 12)			1.38%
11	NET PLANT CARRYING CHARGE ON LINE 9, W/O DEPRECIATION (w/o incentives) (Note B)				
12	Annual Rate	((In 1 - In 95) / (Sum of Ins 46, 47, 48, 49, 51)) x 100%			13.92%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)				
14	Annual Rate	((In 1 - In 95 - In 117 - In 118) / (Sum of Ins 46, 47, 48, 49, 51)) x 100%			4.84%
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

PUBLIC SERVICE COMPANY OF OKLAHOMA

Line No.	(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>
16	GROSS PLANT IN SERVICE				
17	Production	(Worksheet A In 1.C)	1,314,330,678	NA	0.00000
17	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(11,967,880)	NA	0.00000
18	Transmission	(Worksheet A In 3.C & Hist. Template Ln 169)	692,643,975	DA	638,411,272
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	0.92430
20	Plus: Transmission Plant-in-Service Additions (Worksheet B)		23,746,696	DA	1.00000
21	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		-	TP	0.92430
22	Distribution	(Worksheet A In 5.C)	1,762,031,440	NA	0.00000
23	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	-	NA	0.00000
24	General Plant	(Worksheet A In 7.C)	142,466,387	W/S	0.06629
25	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(489,630)	W/S	0.06629
26	Intangible Plant	(Worksheet A In 9.C)	47,068,682	W/S	0.06629
27	TOTAL GROSS PLANT	(sum Ins 16 to 26)	3,969,830,348		674,689,919
28	ACCUMULATED DEPRECIATION AND AMORTIZATION				
29	Production	(Worksheet A In 12.C)	718,052,893	NA	0.00000
30	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(2,260,914)	NA	0.00000
31	Transmission	(Worksheet A In 14.C & 28.C)	211,335,183	TP1=	0.92241
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.92241
33	Plus: Transmission Plant-in-Service Additions (Worksheet B)		151,387	DA	1.00000
34	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		-	DA	1.00000
35	Plus: Additional Transmission Depreciation for 2012 (-In 95)		13,147,941	TP1	0.92241
36	Plus: Additional General & Intangible Depreciation for (-In 97+In 98)		13,985,414	W/S	0.06629
37	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		-	DA	1.00000
38	Distribution	(Worksheet A In 16.C)	491,149,210	NA	0.00000
39	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	-	NA	0.00000
40	General Plant	(Worksheet A In 18.C)	80,630,427	W/S	0.06629
41	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(302,521)	W/S	0.06629
42	Intangible Plant	(Worksheet A In 20.C)	37,455,396	W/S	0.06629
43	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 29 to 42)	1,563,344,416		215,952,055
44	NET PLANT IN SERVICE				
45	Production	(In 16 + In 17 - In 29 - In 30)	586,570,819		-
46	Transmission	(In 18 + In 19 - In 31 - In 32)	481,308,792		443,473,443
47	Plus: Transmission Plant-in-Service Additions (In 20 - In 33)		23,595,309		23,595,309
48	Plus: Additional Trans Plant on Transferred Assets (In 21 - In 34)		-		-
49	Plus: Additional Transmission Depreciation for 2012 (-In 35)		(13,147,941)		(12,127,801)
50	Plus: Additional General & Intangible Depreciation for 2012 (-In 36)		(13,985,414)		(927,103)
51	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 37)		-		-
52	Distribution	(In 22 + In 23 - In 38 - In 39)	1,270,882,230		-
53	General Plant	(In 24 + In 25 - In 40 - In 41)	61,648,850		4,086,744
54	Intangible Plant	(In 26 - In 42)	9,613,286		637,271
55	TOTAL NET PLANT IN SERVICE	(sum Ins 45 to 54)	2,406,485,932		458,737,864
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)	(642,709,368)	DA	(108,756,216)
59	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & In 12.J)	(180,656,249)	DA	(4,453,615)
60	Account No. 190.1	(Worksheet C, In 19.C & In 21.J)	107,898,936	DA	6,797,425
61	Account No. 255 (enter negative)	(Worksheet C, In 28.C & In 30.J)	(193,479)	DA	(31,914)
62	TOTAL ADJUSTMENTS	(sum Ins 57 to 61)	(715,660,160)		(106,444,320)
63	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	78,478	DA	-
64	WORKING CAPITAL	(Note F)			
65	Cash Working Capital	(1/8 * In 80) (Note G)	1,293,278		1,195,374
66	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	754,222	TP	0.92430
67	A&G Materials & Supplies	(Worksheet D, In 3.(D))	489,375	W/S	0.06629
68	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	0.16495
69	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	106,443,862	W/S	0.06629
70	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	3,490,363	GP(h)	0.16495
71	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA	1.00000
72	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	(101,121,588)	NA	0.00000
73	TOTAL WORKING CAPITAL	(sum Ins 65 to 72)	11,349,513		9,556,913
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	(6,747,342)	DA	1.00000
75	RATE BASE (sum Ins 55, 62, 63, 73, 74)		1,695,506,420		355,103,114

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

PUBLIC SERVICE COMPANY OF OKLAHOMA

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	40,774,072		
77	Less: Total Account 561	(Note I) 321.84-92.b	9,329,294		
78	Less: Account 565	(Note J) 321.96.b	21,098,552		
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)	10,346,226	TP 0.92430	9,562,989
81	Administrative and General	323.197.b (Note K)	60,720,509		
82	Less: Acct. 924, Property Insurance	323.185.b	3,803,316		
83	Acct. 928, Reg. Com. Exp.	323.189.b	1,385,428		
84	Acct. 930.1, Gen. Advert. Exp.	323.191.b	613,642		
85	Acct. 930.2, Misc. Gen. Exp.	323.192.b	3,202,575		
86	Balance of A & G	(In 81 - sum In 82 to In 85)	51,715,548	W/S 0.06629	3,428,259
87	Plus: Acct. 924, Property Insurance	(In 82)	3,803,316	GP(h) 0.16495	627,358
88	Acct. 928 - Transmission Specific	Worksheet J In 21.(E) (Note L)	24,455	TP 0.92430	22,604
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 33.(E) (Note L)	738	TP 0.92430	682
90	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 41.(E) (Note L)	323,472	DA 1.00000	323,472
91	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet J In 10.C (Note M)	(1,908,484)	W/S 0.06629	(126,515)
92	A & G Subtotal	(sum Ins 86 to 90 less In 91)	57,776,013		4,528,889
93	TOTAL O & M EXPENSE	(In 80 + In 92)	68,122,239		14,091,878
94	DEPRECIATION AND AMORTIZATION EXPENSE				
95	Transmission	336.7.f	13,147,941	TP 0.92430	12,152,606
96	Plus: Transmission Plant-in-Service Additions (Worksheet B)		151,387	DA 1.00000	151,387
97	General	336.10.f	4,761,292	W/S 0.06629	315,629
98	Intangible	336.1.f	9,224,122	W/S 0.06629	611,473
99	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 95 to 98)	27,284,742		13,231,096
100	TAXES OTHER THAN INCOME	(Note N)			
101	Labor Related				
102	Payroll	Worksheet L, Col. D	4,166,145	W/S 0.06629	276,177
103	Plant Related				
104	Property	Worksheet L, Col. C	36,931,749	GP(h) 0.16495	6,091,906
105	Gross Receipts/Sales & Use	Worksheet L, Col. F	10,177	NA 0.00000	-
106	Other	Worksheet L, Col. E	186,458	GP(h) 0.16495	30,756
107	TOTAL OTHER TAXES	(sum Ins 102 to 106)	41,294,529		6,398,839
108	INCOME TAXES	(Note O)			
109	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		38.56%		
110	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		40.73%		
111	where WCLTD=(In 147) and WACC = (In 150)				
112	and FIT, SIT & p are as given in Note O.				
113	GRCF=1 / (1 - T) = (from In 109)		1.6276		
114	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(856,414)		
115	Income Tax Calculation	(In 110 * In 118)	57,457,010		12,033,669
116	ITC adjustment	(In 113 * In 114)	(1,393,882)	NP(h) 0.18597	(259,216)
117	TOTAL INCOME TAXES	(sum Ins 115 to 116)	56,063,128		11,774,453
118	RETURN ON RATE BASE (Rate Base*WACC)	(In 75 * In 150)	141,072,066		29,545,822
119	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		441,362	DA 1.00000	441,362
120	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		334,278,066		75,483,450
121	(sum Ins 93, 99, 107, 117, 118, 119)				
122	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	-
123	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		334,278,066		75,483,450

AEP West SPP Member Companies
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PUBLIC SERVICE COMPANY OF OKLAHOMA

SUPPORTING CALCULATIONS

In											
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN SPP TARIFF										
124	Total transmission plant	(In 18, 19, 20, 21)								716,390,671	
125	Less transmission plant excluded from SPP Tariff (Note Q)									35,920,833	
126	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note R)									18,311,870	
127	Transmission plant included in SPP Tariff	(In 124 - In 125 - In 126)								<u>662,157,968</u>	
128	Percent of transmission plant in SPP Tariff	(In 127 / In 124)								TP=	0.92430
129	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total						
130	Production	354.20.b	23,116,632	10,084,579	33,201,211	NA	0.00000		-		
131	Transmission	354.21.b	2,506,399	2,483,657	4,990,056	TP	0.92430		4,612,295		
132	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000		-		
133	Distribution	354.23.b	16,893,781	1,481,066	18,374,847	NA	0.00000		-		
134	Other (Excludes A&G)	354.24.25.26.b	7,446,202	5,564,511	13,010,713	NA	0.00000		-		
135	Total	(sum Ins 130 to 134)	<u>49,963,014</u>	<u>19,613,814</u>	<u>69,576,828</u>				<u>4,612,295</u>		
136	Transmission related amount									W/S=	0.06629
137	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$	
138		Long Term Interest (Worksheet M, In. 19, col. (D))								53,651,112	
139		Preferred Stock Dividends (Worksheet M, In. 23, col. (D))								-	
140	Development of Common Stock:	Proprietary Capital (112.16.c)								892,805,058	
141		Less Preferred Stock (In 148)								-	
142		Less Account 216.1 (112.12.c)								-	
143		Less Account 219.1 (112.15.c)								<u>7,148,518</u>	
144		Common Stock (In 141 - In 142 - In 143 - In 144)								<u>885,656,540</u>	
145			Capital Structure Percentages				Cost				
146		\$	Actual	Cap Limit			(Note T)	Weighted			
147	Long Term Debt (Worksheet M, In. 19, col. (B))	951,341,259	51.79%	0.00%			0.0564	0.0292			
148	Preferred Stock (Worksheet M, In. 23, col. (B))	-	0.00%	0.00%			-	0.0000			
149	Common Stock (In 145) (Note U)	<u>885,656,540</u>	48.21%	0.00%			11.2%	<u>0.0540</u>			
150	Total (sum Ins 147 to 149)	<u>1,836,997,799</u>						WACC=	0.0832		
151	Capital Structure Equity Limit (Note U)	<u>52.5%</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

PUBLIC SERVICE COMPANY OF OKLAHOMA

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 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 119.
- 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 This line complies with FERC requirement that Other Post Employment Benefits remain constant from an initial test year. Changes in this base amount can only occur via approval of a 205 filing.
- 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 109) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
 Inputs Required:

FIT =	35.00%
SIT =	5.48% (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 Long Term Debt cost rate = long-term interest (In 138) / long term debt (In 147). Preferred Stock cost rate = preferred dividends (In 139) / preferred outstanding (In 148). Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket No. ER07-XXX. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 52.5% of PSO'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 cannot change prior to 2/1/11. After this date it can only be changed 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

PUBLIC SERVICE COMPANY OF OKLAHOMA

Line No.			Total	Allocator		Transmission Amount
152	REVENUE REQUIREMENT (w/o incentives)	(In 271)				\$74,018,965
153	REVENUE CREDITS	(Note A)				
154	Transmission Credits	(Worksheet H)	4,768,230	DA	1.00000	\$ 4,768,230
155	Assoc. Business Development	(Worksheet H)	491,745	DA	1.00000	\$ 491,745
156	Total Revenue Credits		<u>5,259,975</u>			<u>\$ 5,259,975</u>
157	REVENUE REQUIREMENT For All Company Facilities	(In 152 less In 156)				<u>\$ 68,758,989</u>

MEMO: The Carrying Charge Calculations on lines 160 to 165 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 158 is included in the total on line 157.

158	Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet F)		5,533,328	DA	1.00000	\$ 5,533,328
159	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
160	Annual Rate	(In 152/ In 197 x 100%)				16.69%
161	Monthly Rate	(In 160 / 12)				1.39%
162	NET PLANT CARRYING CHARGE ON LINE 160 , W/O DEPRECIATION (w/o incentives) (Note B)					
163	Annual Rate	((In 152 - In 246) / In 197 x 100%)				13.96%
164	NET PLANT CARRYING CHARGE ON LINE 162, W/O INCOME TAXES, RETURN (Note B)					
165	Annual Rate	((In 152 - In 246 - In 268 - In 269) / In 197 x 100%)				4.92%
166	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)					-

AEP West SPP Member Companies
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	(1)	(2)	(3)	(4)	(5)
Line No.	<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>
167	GROSS PLANT IN SERVICE				
167	Production	(Worksheet A In 1.C)	1,314,330,678	NA 0.00000	-
168	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(11,967,880)	NA 0.00000	-
169	Transmission	(Worksheet A In 3.C & Ln 278)	692,643,975	DA	638,411,272
170	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 0.92170	-
171	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	NA 0.00000	N/A
172	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		N/A	NA 0.00000	N/A
173	Distribution	(Worksheet A In 5.C)	1,762,031,440	NA 0.00000	-
174	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	-	NA 0.00000	-
175	General Plant	(Worksheet A In 7.C)	142,466,387	W/S 0.06610	9,417,675
176	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(489,630)	W/S 0.06610	(32,367)
177	Intangible Plant	(Worksheet A In 9.C)	47,068,682	W/S 0.06610	3,111,453
178	TOTAL GROSS PLANT	(sum Ins 167 to 177)	3,946,083,652	GP(h)= 0.164950 GTD= 0.28217	650,908,033
179	ACCUMULATED DEPRECIATION AND AMORTIZATION				
180	Production	(Worksheet A In 12.C)	718,052,893	NA 0.00000	-
181	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(2,260,914)	NA 0.00000	-
182	Transmission	(Worksheet A In 14.C & 28.C)	211,335,183.000	TP1= 0.92241	194,937,828.794
183	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 0.92241	-
184	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	DA 1.00000	N/A
185	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		N/A	DA 1.00000	N/A
186	Plus: Additional Transmission Depreciation for 2012 (In 246)		N/A	TP1 0.92241	N/A
187	Plus: Additional General & Intangible Depreciation for 2012 (In 248+In 249)		N/A	W/S 0.06610	N/A
188	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		N/A	DA 1.00000	N/A
189	Distribution	(Worksheet A In 16.C)	491,149,210	NA 0.00000	-
190	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	-	NA 0.00000	-
191	General Plant	(Worksheet A In 18.C)	80,630,427	W/S 0.06610	5,330,037
192	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(302,521)	W/S 0.06610	(19,998)
193	Intangible Plant	(Worksheet A In 20.C)	37,455,396	W/S 0.06610	2,475,972
194	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 180 to 193)	1,536,059,674		202,723,840
195	NET PLANT IN SERVICE				
196	Production	(In 167 + In 168 - In 180 - In 181)	586,570,819		-
197	Transmission	(In 169 + In 170 - In 182 - In 183)	481,308,792		443,473,442.996
198	Plus: Transmission Plant-in-Service Additions (In 171 - In 184)		N/A		N/A
199	Plus: Additional Trans Plant on Transferred Assets (In 172 - In 185)		N/A		N/A
200	Plus: Additional Transmission Depreciation for 2012 (-In 186)		N/A		N/A
201	Plus: Additional General & Intangible Depreciation for 2012 (-In 187)		N/A		N/A
202	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 188)		N/A		N/A
203	Distribution	(In 173 + In 174 - In 189 - In 190)	1,270,882,230		-
204	General Plant	(In 175 + In 176 - In 191 - In 192)	61,648,850		4,075,269
205	Intangible Plant	(In 177 - In 193)	9,613,286		635,482
206	TOTAL NET PLANT IN SERVICE	(sum Ins 196 to 205)	2,410,023,977	NP(h)= 0.185967	448,184,194
207	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)			
208	Account No. 281.1 (enter negative)	272-273.8.k	-	NA	-
209	Account No. 282.1 (enter negative)	(Worksheet C, In 1.C & In 3.J)	(642,709,368)	DA	(108,756,216)
210	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(180,656,249)	DA	(4,453,615)
211	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	107,898,936	DA	6,797,425
212	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	(193,479)	DA	(31,914)
213	TOTAL ADJUSTMENTS	(sum Ins 208 to 212)	(715,660,160)		(106,444,320)
214	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	78,478	DA	-
215	WORKING CAPITAL	(Note F)			
216	Cash Working Capital	(1/8 * In 231) (Note G)	1,293,278		1,192,017
217	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	754,222	TP 0.92170	695,168
218	A&G Materials & Supplies	(Worksheet D, In 3.(D))	489,375	W/S 0.06610	32,350
219	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h) 0.16495	-
220	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	106,443,862	W/S 0.06610	7,036,422
221	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	3,490,363	GP(h) 0.16495	575,737
222	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA 1.00000	-
223	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	(101,121,588)	NA 0.00000	-
224	TOTAL WORKING CAPITAL	(sum Ins 216 to 223)	11,349,513		9,531,694
225	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	(6,747,342)	DA 1.00000	(6,747,342)
226	RATE BASE (sum Ins 206, 213, 214, 224, 225)		1,699,044,465		344,524,225

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Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
227	OPERATION & MAINTENANCE EXPENSE				
227	Transmission	321.112.b	40,774,072		
228	Less: Total Account 561	(Note I) 321.84-92.b	9,329,294		
229	Less: Account 565	(Note J) 321.96.b	21,098,552		
230	Less: expenses 100% assigned to TO billed customers (Worksheet I, In 14)		-		
231	Total O&M Allocable to Transmission	(Ins 227 - 228 - 229 - 230)	10,346,226	TP 0.92170	9,536,136
232	Administrative and General	323.197.b (Note K)	60,720,509		
233	Less: Acct. 924, Property Insurance	323.185.b	3,803,316		
234	Acct. 928, Reg. Com. Exp.	323.189.b	1,385,428		
235	Acct. 930.1, Gen. Advert. Exp.	323.191.b	613,642		
236	Acct. 930.2, Misc. Gen. Exp.	323.192.b	3,202,575		
237	Balance of A & G	(In 232 - sum In 233 to In 236)	51,715,548	W/S 0.06610	3,418,632
238	Plus: Acct. 924, Property Insurance	(In 233)	3,803,316	GP(h) 0.16495	627,358
239	Acct. 928 - Transmission Specific	Worksheet J In 21.(E) (Note L)	24,455	TP 0.92170	22,540
240	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 33.(E) (Note L)	738	TP 0.92170	680
241	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 41.(E) (Note L)	323,472	DA 1.00000	323,472
242	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet J In 10.C (Note M)	(1,908,484)	W/S 0.06610	(126,159)
243	A & G Subtotal	(sum Ins 237 to 241 less In 242)	57,776,013		4,518,842
244	TOTAL O & M EXPENSE	(In 231 + In 243)	68,122,239		14,054,979
245	DEPRECIATION AND AMORTIZATION EXPENSE				
246	Transmission	336.7.f	13,147,941	TP 0.92170	12,118,482
247	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A		N/A
248	General	336.10.f	4,761,292	W/S 0.06610	314,743
249	Intangible	336.1.f	9,224,122	W/S 0.06610	609,756
250	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 246 to 249)	27,133,355		13,042,982
251	TAXES OTHER THAN INCOME	(Note N)			
252	Labor Related				
253	Payroll	Worksheet L, Col. D	4,166,145	W/S 0.06610	275,401
254	Plant Related				
255	Property	Worksheet L, Col. C	36,931,749	GP(h) 0.16495	6,091,906
256	Gross Receipts/Sales & Use	Worksheet L, Col. F	10,177	NA 0.00000	-
257	Other	Worksheet L, Col. E	186,458	GP(h) 0.16495	30,756
258	TOTAL OTHER TAXES	(sum Ins 253 to 257)	41,294,529		6,398,064
259	INCOME TAXES	(Note O)			
260	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.56%		
261	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		40.73%		
262	where WCLTD=(In 298) and WACC = (In 301)				
263	and FIT, SIT & p are as given in Note O.				
264	$GRCF=1 / (1 - T) =$ (from In 260)		1.6276		
265	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(856,414)		
266	Income Tax Calculation	(In 261 * In 269)	57,576,906		11,675,174
267	ITC adjustment	(In 264 * In 265)	(1,393,882)	NP(h) 0.18597	(259,216)
268	TOTAL INCOME TAXES	(sum Ins 266 to 267)	56,183,024		11,415,958
269	RETURN ON RATE BASE (Rate Base*WACC)	(In 226 * In 301)	141,366,444		28,665,621
270	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		441,362	DA 1.00000	441,362
271	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		334,540,953		74,018,965
272	(sum Ins 244, 250, 258, 268, 269, 270)				
273	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	-
274	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		334,540,953		74,018,965

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF							
275	Total transmission plant	(In 169)						692,643,975
276	Less transmission plant excluded from SPP Tariff (Worksheet A, In 23a Col. (C)) (Note Q)							35,920,833
277	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note R)							18,311,870
278	Transmission plant included in SPP Tariff	(In 275 - In 276 - In 277)						<u>638,411,272</u>
279	Percent of transmission plant in SPP Tariff	(In 278 / In 275)						TP= 0.92170
280	WAGES & SALARY ALLOCATOR (W/S)	(Note S)						
281	Production	354.20.b	Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
282	Transmission	354.21.b	23,116,632	10,084,579	33,201,211	NA	0.00000	-
283	Regional Market Expenses	354.22.b	2,506,399	2,483,657	4,990,056	TP	0.92170	4,599,344
284	Distribution	354.23.b	0		-	NA	0.00000	-
285	Other (Excludes A&G)	354.24,25,26.b	16,893,781	1,481,066	18,374,847	NA	0.00000	-
286	Total	(sum Ins 281 to 285)	<u>49,963,014</u>	<u>19,613,814</u>	<u>69,576,828</u>	NA	0.00000	<u>4,599,344</u>
287	Transmission related amount							W/S= 0.06610
288	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
289			Long Term Interest (Worksheet M, In. 19, col. (D))					<u>53,651,112</u>
290			Preferred Stock Dividends (Worksheet M, In. 23, col. (D))					-
291	Development of Common Stock:							
292			Proprietary Capital (112.16.c)					892,805,058
293			Less Preferred Stock (In 299)					-
294			Less Account 216.1 (112.12.c)					-
295			Less Account 219.1 (112.15.c)					<u>7,148,518</u>
296			Common Stock (In 292 - In 293 - In 294 - In 295)					<u>885,656,540</u>
297				Capital Structure Percentages			Cost	
298	Long Term Debt (Worksheet M, In. 19, col. (B))		\$ 951,341,259	Actual 51.79%	Cap Limit 0.00%		(Note T) 0.0564	Weighted 0.0292
299	Preferred Stock (Worksheet M, In. 23, col. (B))		-	0.00%	0.00%		-	0.0000
300	Common Stock (In 296) (Note U)		<u>885,656,540</u>	48.21%	0.00%		<u>11.2%</u>	<u>0.0540</u>
301	Total (sum Ins 298 to 300)		<u>1,836,997,799</u>				WACC=	0.0832
302	Capital Structure Equity Limit (Note U)		<u>52.5%</u>					

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PUBLIC SERVICE COMPANY OF OKLAHOMA

Letter

Notes

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

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

- A The revenue credits shall include a) amounts received directly from the SPP for PTP transmission services, b) direct assignment charges for transmission facilities, the cost of which has been included in the TCOS, and c) amounts from customers taking service under grandfathered agreements, where the demand is not included in the rate divisor. Revenues associated with FERC annual charges, gross receipts taxes, ancillary services or facilities excluded from the TCOS are not included as revenue credits. Revenue from Transmission Customers whose coincident peak loads are included in the DIVISOR of the load-ratio share calculation are not included as revenue credits. See Worksheet A for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for facilities and any upgrades.
- C This additional revenue requirement is determined using a net plant carrying charge (fixed carrying charge or FCR) approach. Worksheet G shows the calculation of the projected revenue requirement for each project, based on an FCR rate calculated from inputs on this TCOS. Line 166 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 231.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 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 270.
- 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 This line complies with FERC requirement that Other Post Employment Benefits remain constant from an initial test year. Changes in this base amount can only occur via approval of a 205 filing.
- 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 260) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
 Inputs Required:

FIT =	35.00%	
SIT =	5.48%	(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 Long Term Debt cost rate = long-term interest (In 289) / long term debt (In 298). Preferred Stock cost rate = preferred dividends (In 290) / preferred outstanding (In 299). Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket No. ER07-XXX. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 52.5% of PSO'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 cannot change prior to 2/1/11. After this date it can only be changed via an approved 205 or 206 filing.

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Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 107)				\$72,802,000
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	4,768,230	DA	1.00000	\$ 4,768,230
4	Assoc. Business Development	(Worksheet H)	491,745	DA	1.00000	\$ 491,745
5	Total Revenue Credits		5,259,975			\$ 5,259,975
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 5)				\$67,542,025
MEMO: The Carrying Charge Calculations on lines 9 to 14 below is used in calculating project revenue requirements billed on SPP Schedule 11. The total non-incentive revenue requirements for these projects shown on line 7 is included in the total on line 6.						
7	Trued-Up Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet G)		5,406,872	DA	1.00000	\$ 5,406,872
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
9	Annual Rate	(ln 1/ ln 39 x 100%)				16.77%
10	Monthly Rate	(ln 9 / 12)				1.40%
11	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DEPRECIATION (w/o incentives) (Note B)					
12	Annual Rate	((ln 1 - ln 83) / ln 39 x 100%)				13.98%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((ln 1 - ln 83 - ln 104 - ln 105) / ln 39 x 100%)				5.00%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet G)					-

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	(1)	(2)	(3)	(4)	(5)
	Data Sources		TO Total	Allocator	Total
	(See "General Notes")		NOTE D		Transmission
Line No.	RATE BASE CALCULATION				
16	GROSS PLANT IN SERVICE				
16	Production	(Worksheet A In 1.E)	1,320,613,702	NA	0.00000
17	Less: Production ARO (Enter Negative)	(Worksheet A In 2.E)	(13,565,407)	NA	0.00000
18	Transmission	(Worksheet A In 3.E & Ln 114)	678,318,746	DA	0.92010
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E)	-	TP	0.92010
20	Distribution	(Worksheet A In 5.E)	1,724,211,282	NA	0.00000
21	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.E)	-	NA	0.00000
22	General Plant	(Worksheet A In 7.E)	144,449,559	W/S	0.06599
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	(494,041)	W/S	0.06599
24	Intangible Plant	(Worksheet A In 9.E)	54,087,513	W/S	0.06599
25	TOTAL GROSS PLANT	(sum Ins 16 to 24)	3,907,621,352	GP(TU)=	0.16306
				GTD=	0.28234
26	ACCUMULATED DEPRECIATION AND AMORTIZATION				
27	Production	(Worksheet A In 12.E)	721,955,389	NA	0.00000
28	Less: Production ARO (Enter Negative)	(Worksheet A In 13.E)	(1,970,915)	NA	0.00000
29	Transmission	(Worksheet A In 14.E & 28.E)	205,849,393	TP1=	0.92269
30	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	0.92269
31	Distribution	(Worksheet A In 16.E)	482,463,562	NA	0.00000
32	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.E)	-	NA	0.00000
33	General Plant	(Worksheet A In 18.E)	81,787,488	W/S	0.06599
34	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	(296,168)	W/S	0.06599
35	Intangible Plant	(Worksheet A In 20.E)	42,988,185	W/S	0.06599
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	1,532,776,933		
37	NET PLANT IN SERVICE				
38	Production	(In 16 + In 17 - In 27 - In 28)	587,063,820		
39	Transmission	(In 18 + In 19 - In 29 - In 30)	472,469,353		
40	Distribution	(In 20 + In 21 - In 31 - In 32)	1,241,747,720		
41	General Plant	(In 22 + In 23 - In 33 - In 34)	62,464,198		
42	Intangible Plant	(In 24 - In 35)	11,099,328		
43	TOTAL NET PLANT IN SERVICE	(sum Ins 38 to 42)	2,374,844,419	NP(TU)=	0.18487
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)	(609,293,789)	DA	(101,913,927)
47	Account No. 283.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	(170,155,569)	DA	(12,324,052)
48	Account No. 190.1	(Worksheet C, In 25.C & Ln 27.J)	92,065,791	DA	6,298,700
49	Account No. 255 (enter negative)	(Worksheet C, In 34.C & Ln 36.J)	(198,782)	DA	(32,414)
50	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	(687,582,348)		(107,971,693)
51	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	78,478	DA	-
52	WORKING CAPITAL	(Note F)			
53	Cash Working Capital	(1/8 * In 68) (Note G)	1,293,278		1,189,941
54	Transmission Materials & Supplies	(Worksheet D, In 2.(F))	492,354	TP	0.92010
55	A&G Materials & Supplies	(Worksheet D, In 3.(F))	382,714	W/S	0.06599
56	Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	0.16306
57	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 7.G)	93,457,396	W/S	0.06599
58	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 7.F)	3,442,954	GP(TU)	0.16306
59	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 7.E)	-	DA	1.00000
60	Prepayments (Account 165) - Unallocable	(Worksheet D, In 7.D)	(90,264,957)	NA	0.00000
61	TOTAL WORKING CAPITAL	(sum Ins 53 to 60)	8,803,739		8,396,826
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	(4,127,222)	DA	1.00000
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		1,692,017,067		335,335,356

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

PUBLIC SERVICE COMPANY OF OKLAHOMA

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	40,774,072		
65	Less: Total Account 561	(Note I) 321.84-92.b	9,329,294		
66	Less: Account 565	(Note J) 321.96.b	21,098,552		
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)	10,346,226	TP	9,519,529
69	Administrative and General	323.197.b (Note K)	60,720,509		
70	Less: Acct. 924, Property Insurance	323.185.b	3,803,316		
71	Acct. 928, Reg. Com. Exp.	323.189.b	1,385,428		
72	Acct. 930.1, Gen. Advert. Exp.	323.191.b	613,642		
73	Acct. 930.2, Misc. Gen. Exp.	323.192.b	3,202,575		
74	Balance of A & G	(In 69 - sum In 70 to In 73)	51,715,548	WS	3,412,679
75	Plus: Acct. 924, Property Insurance	(In 70)	3,803,316	GP(TU)	620,179
76	Acct. 928 - Transmission Specific	(Note I) 321.84-92.b	24,455	TP	22,501
77	Acct 930.1 - Only safety related ads -Direct	(Note J) 321.96.b	738	GP(TU)	120
78	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 41.(E) (Note L)	323,472	DA	323,472
79	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet J In 10.C (Note M)	(1,908,484)	WS	(125,940)
80	A & G Subtotal	(sum Ins 74 to 78 less In 79)	57,776,013		4,504,891
81	TOTAL O & M EXPENSE	(In 68 + In 80)	68,122,239		14,024,420
82	DEPRECIATION AND AMORTIZATION EXPENSE				
83	Transmission	336.7.f	13,147,941	TP	12,097,378
84	General	336.10.f	4,761,292	WS	314,195
85	Intangible	336.1.f	9,224,122	WS	608,694
86	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 83 to 85)	27,133,355		13,020,267
87	TAXES OTHER THAN INCOME	(Note N)			
88	Labor Related				
89	Payroll	Worksheet L, Col. D	4,166,145	WS	274,921
90	Plant Related				
91	Property	Worksheet L, Col. C	36,931,749	GP(TU)	6,022,194
92	Gross Receipts/Sales & Use	Worksheet L, Col. F	10,177	NA	-
93	Other	Worksheet L, Col. E	186,458	GP(TU)	30,404
94	TOTAL OTHER TAXES	(sum Ins 89 to 93)	41,294,529		6,327,520
95	INCOME TAXES	(Note O)			
96	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.56%		
97	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		39.52%		
98	where WCLTD=(In 134) and WACC = (In 137)				
99	and FIT, SIT & p are as given in Note O.				
100	$GRCF=1 / (1 - T) =$ (from In 96)		1,6276		
101	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(856,414)		
102	Income Tax Calculation	(In 97 * In 105)	56,097,138		11,117,709
103	ITC adjustment	(In 100 * In 101)	(1,393,882)	NP(TU)	(257,687)
104	TOTAL INCOME TAXES	(sum Ins 102 to 103)	54,703,256		10,860,022
105	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 137)	141,928,813		28,128,410
106	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		441,362	DA	441,362
107	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		333,623,554		72,802,000
108	(sum Ins 81, 86, 94, 104, 105, 106)				
109	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		-	DA	-
110	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		333,623,554		72,802,000

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

PUBLIC SERVICE COMPANY OF OKLAHOMA

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF								
111	Total transmission plant	(In 18)							678,318,746
112	Less transmission plant excluded from SPP Tariff (Worksheet A, In 23a Col. (E)) (Note Q)								35,920,833
113	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (E)) (Note R)								18,279,051
114	Transmission plant included in SPP Tariff	(In 111 - In 112 - In 113)							<u>624,118,861</u>
115	Percent of transmission plant in SPP Tariff	(In 114 / In 111)						TP=	0.92010
116	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total				
117	Production	354.20.b	23,116,632	10,084,579	33,201,211	NA	0.00000		-
118	Transmission	354.21.b	2,506,399	2,483,657	4,990,056	TP	0.92010		4,591,334
119	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000		-
120	Distribution	354.23.b	16,893,781	1,481,066	18,374,847	NA	0.00000		-
121	Other (Excludes A&G)		0	7,446,202	5,564,511	NA	0.00000		-
122	Total	(sum Ins 117 to 121)	<u>49,963,014</u>	<u>19,613,814</u>	<u>69,576,828</u>				<u>4,591,334</u>
123	Transmission related amount							W/S=	0.06599
124	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
125	Long Term Interest	Long Term Interest (Worksheet N, In. 19, col. (E))							56,663,595
126	Preferred Dividends	Preferred Stock Dividends (Worksheet N, In. 47, col. (E))							98,153
127	<u>Development of Common Stock:</u>								<u>Average</u>
128	Proprietary Capital	(Worksheet N, In. 1, col. (E))							870,079,531
129	Less Preferred Stock (In 135)	(Worksheet N, In. 2, col. (E))							2,440,900
130	Less Account 216.1	(Worksheet N, In. 3, col. (E))							-
131	Less Account 219	(Worksheet N, In. 4, col. (E))							<u>7,821,345</u>
132	Common Stock	(In 128 - In 129 - In 130 - In 131)							<u>859,817,286</u>
133			Capital Structure Percentages				Cost		Weighted
134	Avg Long Term Debt (Worksheet N, In. 10, col. (E))	<u>2011 Avg Balances</u>	<u>962,475,630</u>	<u>Actual</u>	<u>Cap Limit</u>		<u>(Note S)</u>		
135	Avg Preferred Stock (Worksheet N, In. 46, col. (E))		2,440,900	52.75%	0.00%		5.89%		0.0311
136	Avg Common Stock (In 132) (Note U)		<u>859,817,286</u>	0.13%	0.00%		4.02%		0.0001
137	Total (sum Ins 134 to 136)		<u>1,824,733,815</u>	47.12%	0.00%		11.20%		<u>0.0528</u>
							WACC=		0.0839
138	Capital Structure Equity Limit (Note U)		<u>52.5%</u>						

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

PUBLIC SERVICE COMPANY OF OKLAHOMA

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 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 106.
- 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 This line complies with FERC requirement that Other Post Employment Benefits remain constant from an initial test year. Changes in this base amount can only occur via approval of a 205 filing.
- 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 96) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
 Inputs Required:

FIT =	35.00%
SIT =	5.48% (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 Long Term Debt cost rate = long-term interest (In 125) / long term debt (In 134). Preferred Stock cost rate = preferred dividends (In 126) / preferred outstanding (In 135). Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket No. ER07-XXX. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 52.5% of PSO'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 cannot change prior to 2/1/11. After this date it can only be changed via an approved 205 or 206 filing.

AEP West SPP Member Companies
2012 Cost of Service Formula Rate
Worksheet A - Detail Plant Balances
PUBLIC SERVICE COMPANY OF OKLAHOMA

<u>Line Number</u>	<u>(A) Rate Base Item & 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>
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
Plant Investment Balances					
1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 46	1,314,330,678	1,326,896,725	1,320,613,702
2	Production Asset Retirement Obligation (ARO)	FF1, page 205&204, Col.(g)&(b), Ins 15,24,34,44	11,967,880	15,162,934	13,565,407
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	692,643,975	663,993,516	678,318,746
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	-	-	-
5	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 75	1,762,031,440	1,686,391,124	1,724,211,282
6	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 74	-	-	-
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	142,466,387	146,432,730	144,449,559
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	489,630	498,452	494,041
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	47,068,682	61,106,344	54,087,513
10	Total Property Investment Balance	(Sum of Lines: 1, 3, 5, 7, 9)	3,958,541,162	3,884,820,439	3,921,680,801
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 2, 4, 6, 8)	12,457,510	15,661,386	14,059,448
Accumulated Depreciation & Amortization Balances					
12	Production Accumulated Depreciation	FF1, page 219, Ins 20-24, Col. (b)	718,052,893	725,857,884	721,955,389
13	Production ARO Accumulated Depreciation	Company Records	2,260,914	1,680,915	1,970,915
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	211,335,183	200,363,602	205,849,393
15	Transmission ARO Accumulated Depreciation	Company Records	-	-	-
16	Distribution Accumulated Depreciation	FF1, page 219, In 26, Col. (b)	491,149,210	473,777,914	482,463,562
17	Distribution ARO Accumulated Depreciation	Company Records	-	-	-
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	80,630,427	82,944,549	81,787,488
19	General ARO Accumulated Depreciation	Company Records	302,521	289,816	296,168
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	37,455,396	48,520,974	42,988,185
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 12, 14, 16, 18, 20)	1,538,623,109	1,531,464,923	1,535,044,016
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 13, 15, 17, 19)	2,563,435	1,970,731	2,267,083
Generation Step-Up Units					
23	GSU Investment Amount	Company Records	18,311,870	18,246,232	18,279,051
24	GSU Accumulated Depreciation	Company Records	3,492,381	3,221,054	3,356,718
25	GSU Net Balance	(Line 23 - Line 24)	14,819,489	15,025,178	14,922,334
Transmission Plant Excluded from SPP Tariff (see TCOS Note Q)					
23a	Excluded Facilities Investment Amount	Company Records	35,920,833	35,920,833	35,920,833
24a	Excluded Facilities Accumulated Depreciation	Company Records	12,904,973	12,208,715	12,556,844
25a	Excluded Facilities Net Balance	(Line 23a - Line 24a)	23,015,860	23,712,118	23,363,989
Transmission Accumulated Depreciation Net of GSU/Excluded Facilities Accumulated Depreciation					
26	Transmission Accumulated Depreciation	(Line 14 Above)	211,335,183	200,363,602	205,849,393
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	16,397,354	15,429,769	15,913,562
28	Subtotal of Transmission Accumulated Depreciation Net of GSU/Excluded Facilities	(Line 26 - Line 27)	194,937,829	184,933,833	189,935,831
Plant Held For Future Use					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	78,478	78,478	78,478
30	Transmission Plant Held For Future	Company Records	-	-	-

AEP West SPP Member Companies
 2012 Cost of Service Formula Rate Projected on 2011 FF1 Balances
Worksheet B - Projected Transmission Plant in Service Additions
PUBLIC SERVICE COMPANY OF OKLAHOMA

I. Calculation of Composite Depreciation Rate

1	Transmission Plant @ Beginning of Historic Period (2011) (P.206, ln 58,(b)):	663,993,516
2	Transmission Plant @ End of Historic Period (2011) (P.207, ln 58,(g)):	692,643,975
3		<u>1,356,637,491</u>
4	Average Balance of Transmission Investment	678,318,746
5	Annual Depreciation Expense, Historic TCOS, ln 246	13,147,941
6	Composite Depreciation Rate	1.94%
7	Round to 2% to Reflect a Composite Life of 50 Years	2.00%

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

8	Month in Service	Capitalized Balance	Composite Annual Depreciation Rate	Annual Depreciation	Monthly Depreciation	No. Months Depreciation	First Year Depreciation Expense
9	January	\$ 1,392,543	2.00%	\$ 27,851	\$ 2,321	11	\$ 25,531
10	February	\$ 1,298,352	2.00%	\$ 25,967	\$ 2,164	10	\$ 21,640
11	March	\$ 1,644,377	2.00%	\$ 32,888	\$ 2,741	9	\$ 24,669
12	April	\$ 1,345,263	2.00%	\$ 26,905	\$ 2,242	8	\$ 17,936
13	May	\$ 1,424,893	2.00%	\$ 28,498	\$ 2,375	7	\$ 16,625
14	June	\$ 1,406,032	2.00%	\$ 28,121	\$ 2,343	6	\$ 14,058
15	July	\$ 1,366,687	2.00%	\$ 27,334	\$ 2,278	5	\$ 11,390
16	August	\$ 1,056,990	2.00%	\$ 21,140	\$ 1,762	4	\$ 7,048
17	September	\$ 1,361,867	2.00%	\$ 27,237	\$ 2,270	3	\$ 6,810
18	October	\$ 1,120,205	2.00%	\$ 22,404	\$ 1,867	2	\$ 3,734
19	November	\$ 1,167,388	2.00%	\$ 23,348	\$ 1,946	1	\$ 1,946
20	December	\$ 9,162,099	2.00%	\$ 183,242	\$ 15,270	0	\$ -
21	Investment	<u>\$ 23,746,696</u>				Depreciation Expense	<u>\$ 151,387</u>

III. Plant Transferred

22	\$ -	<== This input area is for original cost plant
23	\$ -	<== 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.
24 (Ln 7 * Ln 22)	\$ -	<== This input area is for additional Depreciation Expense

AEP West SPP Member Companies
 2012 Cost of Service Formula Rate
Worksheet C - ADIT Balances used in Projection & True-Up
PUBLIC SERVICE COMPANY OF OKLAHOMA

Line No.	(A) Acc. No.	(B) Description	(C) YE Balance	(E) Exclusions *	(F) 100% Transmission Related	(G) PTD Plant Related	(H) Transmission & Distribution Plant Related	(I) Labor Related	(J) Total Included in Rate base (E)+(F)+(G)+(H)
Account 282 - Form-1 page 274-275, Ln 2 Col. (k)									
282 Balance to Use in Projection									
1	282.1	2011 Year End Tax Deferrals - WS C-1	(642,709,368)	17,860,225	-	(658,495,706)	-	(2,073,886)	
2	282.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	16.4950%	28.2173%	6.6105%	
3	282.1	Allocated Total		0	0	(108,619,123)	0	(137,093)	(108,756,216)
282 Balance to Use in True-Up									
4	282.1	2011 Year End Tax Deferrals - WS C-1	(642,709,368)	17,860,225	-	(658,495,706)	-	(2,073,886)	
5	282.1	2010 Year End Tax Deferrals - WS C-2	(575,878,210)	16,931,849	-	(589,200,427)	-	(3,609,632)	
6		Subtotal	(1,218,587,578)	34,792,074	-	(1,247,696,134)	-	(5,683,518)	
7		Average Balance	(609,293,789)	17,396,037	0	(623,848,067)	0	(2,841,759)	
8		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	16.3063%	28.2335%	6.5989%	
9		Allocated Total		0	0	(101,726,401)	0	(187,526)	(101,913,927)
Account 283 - Form-1 page 276-277, Ln 9, Col (k)									
283 Balance to Use in Projection									
10	283.1	2011 Year End Tax Deferrals - WS C-1	(180,656,249)	(140,425,853)	-	(9,585,736)	(3,918,628)	(26,726,033)	
11	283.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	16.4950%	28.2173%	6.6105%	
12	283.1	Allocated Total		0	0	(1,581,171)	(1,105,732)	(1,766,712)	(4,453,615)
283 Balance to Use in True-Up									
13	283.1	2011 Year End Tax Deferrals - WS C-1	(180,656,249)	(140,425,853)	-	(9,585,736)	(3,918,628)	(26,726,033)	
14	283.1	2010 Year End Tax Deferrals - WS C-2	(159,654,888)	(25,995,786)	-	(107,007,782)	(4,656,125)	(21,995,194)	
15		Subtotal	(340,311,137)	(166,421,639)	-	(116,593,519)	(8,574,753)	(48,721,227)	
16		Average Balance	(170,155,569)	(83,210,819)	0	(58,296,759)	(4,287,376)	(24,360,613)	
17		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	16.3063%	28.2335%	6.5989%	
18		Allocated Total		0	0	(9,506,032)	(1,210,477)	(1,607,543)	(12,324,052)
Account 190 - Form-1 page 234, Ln 8, Col. (c)									
190 Balance to Use in Projection									
19	190.1	2011 Year End Tax Deferrals - Ws C-1	107,898,936	61,435,227	-	37,694,687	-	8,769,021	
20	190.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	16.4950%	28.2173%	6.6105%	
21	190.1	Allocated Total		0	0	6,217,753	0	579,672	6,797,425
190 Balance to Use in True-Up									
22	190.1	2011 Year End Tax Deferrals - Ws C-1	107,898,936	61,435,227	-	37,694,687	-	8,769,021	
23	190.1	2010 Year End Tax Deferrals - Ws C-2	76,232,647	35,518,678	-	32,814,820	-	7,899,149	
24		Subtotal	184,131,583	96,953,905	-	70,509,507	-	16,668,170	
25		Average Balance	92,065,791	48,476,953	0	35,254,753	0	8,334,085	
26		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	16.3063%	28.2335%	6.5989%	
27		Allocated Total		0	0	5,748,738	0	549,961	6,298,700
Account 255 - Form-1 page 266-267									
255 Balance to Use in Projection									
28	255.0	Acc Defrd ITC - Federal - 12/31/2011 (FF1 p. 267, Ln 2.h)	(193,479)			(193,479)			
29	255.0	Transmission Allocator from Historic TCOS [GP or W/S]				16.4950%			
30	255.0	Allocated Total		N/A	N/A	(31,914)	N/A	N/A	(31,914)
255 Balance to Use in True-Up									
31	255.0	Acc Defrd ITC - Federal - 12/31/2011 (FF1 p. 267, Ln 2.h)	(193,479)			(193,479)			
32	255.0	Acc Defrd ITC - Federal - 12/31/2010 (FF1 p. 266, Ln 2.b)	(204,084)			(204,084)			
33		Subtotal	(397,563)			(397,563)			
34		Average Balance	(198,782)			(198,782)			
35		Transmission Allocator from True-Up TCOS [GP or W/S]				16.3063%			
36		Allocated Total		N/A	N/A	(32,414)	N/A	N/A	(32,414)

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

AEP West SPP Member Companies
 2012 Cost of Service Formula Rate
Worksheet D - Working Capital Rate Base Adjustments
PUBLIC SERVICE COMPANY OF OKLAHOMA

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
Line Number	Source	Balance @ December 31, 2011 FF1, p. 227, Col. (c)	Balance @ December 31, 2010 FF1, p. 227, Col. (b)	Average Balance for Rate Year 2011				
1								
2	Transmission Materials & Supplies	FF1, p. 227, In 8, Col. (c & b)	754,222	230,486	492,354			
3	General Materials & Supplies	FF1, p. 227, In 11, Col. (c & b)	489,375	276,053	382,714			
4	Stores Expense (Undistributed)	FF1, p. 227, In 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	8,812,637	(101,121,588)	0	3,490,363	106,443,862	109,934,225
6 Totals as of December 31, 2010	4,458,148	(79,408,325)		3,395,544	80,470,929	83,866,473
7 Average Balance	6,635,393	(90,264,957)	0	3,442,954	93,457,396	96,900,349

Prepayments Account 165 - Balance @ 12/31/2011

Acc. No.	Description	2011 YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)	
8 1650001	Prepaid Insurance	959,827	0		521,562	438,265	959,827	Plant: Property Ins, Labor Related: Gen Liability Ins, D&O Ins, Workers Comp Ins. Prepaid Ok State Taxes Prepaid Facility Fee on 1.5B Securitization Executive Life Insurance OCC Assessment Fees - Retail Only & NERC Fees AR Factoring - Retail Only Prefunded Pension Expense Excess General Liability & Property Ins.
9 165001206	Prepaid Taxes	2,150,000	0		2,150,000		2,150,000	
10 1650028	Trinity Railcar Lease	2,742,653	2,742,653				-	
11 1650005	Prepaid Employee Benefits	2,940	0			2,940	2,940	
12 1650006	Other Prepayments	539,276	539,276				-	
13 1650009	Prepaid Carry Cost-Factored AR	98,184	98,184				-	
14 1650010	Prepaid Pension Benefits	105,659,689	0			105,659,689	105,659,689	
15 1650014	FAS 158 Qual Contra Asset	(105,659,689)	(105,659,689)				-	
16 1650023	Prepaid Leases	1,157,988	1,157,988				-	
17 1650021	Prepaid Insurance - EIS	1,161,769			818,801	342,968	1,161,769	
18	Subtotal - Form 1, p 111.57.c	8,812,637	(101,121,588)	0	3,490,363	106,443,862	109,934,225	

Prepayments Account 165 - Balance @ 12/31/2010

Acc. No.	Description	2010 YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)	
20 1650001	Prepaid Insurance	917,820	0		511,895	405,925	917,820	T-Plant: Excess Gen Lia. & Property Ins. Prepaid Ok State Taxes Prepaid Facility Fee on 1.5B Securitization Executive Life Insurance OCC Assessment Fees - Retail Only AR Factoring - Retail Only Prefunded Pension Expense Excess General Liability & Property Ins.
21 165000206	Prepaid Taxes	2,150,000	0		2,150,000		2,150,000	
22 1650004	Prepaid Interest	0	0		0		-	
23 1650005	Prepaid Employee Benefits	2,929	0			2,929	2,929	
24 1650006	Other Prepayments	237,732	237,732				-	
25 1650009	Prepaid Carry Cost-Factored AR	87,774	87,774				-	
26 1650010	Prepaid Pension Benefits	79,747,689	0			79,747,689	79,747,689	
27 1650014	FAS 158 Qual Contra Asset	(79,747,689)	(79,747,689)				-	
28 1650023	Prepaid Leases	13,858	13,858				-	
29 1650021	Prepaid Insurance - EIS	1,048,035	0		733,649	314,386	1,048,035	
30	Subtotal - Form 1, p 111.57.c	4,458,148	(79,408,325)		3,395,544	80,470,929	83,866,473	

AEP West SPP Member Companies
2012 Cost of Service Formula Rate
Worksheet E - IPP Credits
PUBLIC SERVICE COMPANY OF OKLAHOMA

<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))	1,507,101
2	Interest Accrual (company records)	441,362
3	Revenue Credits to Generators (company records)	4,798,879
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))	<u>6,747,342</u>
8	Average Balance for 2011 ((ln 1 + ln 7)/2)	<u>4,127,222</u>

AEP West SPP Member Companies
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
PUBLIC SERVICE COMPANY OF OKLAHOMA

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 149)	11.20%
Project ROE Incentive Adder (Enter as whole number)	0 basis points
ROE with additional 0 basis point incentive	11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from Projected TCOS, Ins 147 through 149)	
	<u>Cost</u> <u>Weighted cost</u>
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	5,533,328	5,533,328	\$ -

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)	355,103,114
R (from A. above)	<u>0.0832</u>
Return (Rate Base x R)	29,545,822

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

Return (from B. above)	29,545,822
Tax Rate (Projected TCOS, In 109)	38.56%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	40.73%
Income Tax Calculation (Return x EIT)	12,033,669
ITC Adjustment (Projected TCOS, In 116)	<u>(259,216)</u>
Income Taxes	11,774,453

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 123)	75,483,450
Return (Projected TCOS, In 118)	29,545,822
Income Taxes (Projected TCOS, In 117)	11,774,453
Gross Margin Taxes (Projected TCOS, In 122)	-
Net Revenue Requirement, Less Return and Taxes	<u>34,163,175</u>

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

Net Revenue Requirement, Less Return and Taxes	34,163,175
Return (from I.B. above)	29,545,822
Income Taxes (from I.C. above)	<u>11,774,453</u>
Net Revenue Requirement, with 0 Basis Point ROE increase	75,483,450
Gross Margin Tax with Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	<u>75,483,450</u>
Less: Depreciation (Projected TCOS, In 95)	<u>12,152,606</u>
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	63,330,844

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

Net Revenue Requirement before Gross Margin Taxes, with 0	75,483,450
Basis Point ROE increase (II B. above)	-
Apportionment Factor to Texas (Worksheet K, In 12)	<u>0.00%</u>
Apportioned Texas Revenues	-
Taxable Percentage of Revenue (70%)	<u>70%</u>
Taxable, Apportioned Margin	-
Texas Gross Margin Tax Rate	<u>1%</u>
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)	454,940,951
Net Revenue Requirement, with 0 Basis Point ROE increase	<u>75,483,450</u>
FCR with 0 Basis Point increase in ROE	16.59%
Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	63,330,844
FCR with 0 Basis Point ROE increase, less Depreciation	13.92%
FCR less Depreciation (Projected TCOS, In 12)	<u>13.92%</u>
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)	663,993,516	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	<u>692,643,975</u>	<==From Input on Worksheet B
	1,356,637,491	
Transmission Plant Average Balance for 2011	678,318,746	
Annual Depreciation Expense (Historic TCOS, In 246)	<u>13,147,941</u>	
Composite Depreciation Rate	1.94%	
Depreciable Life for Composite Depreciation Rate	51.59	
Round to nearest whole year	52	

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 136)	11.20%
Project ROE Incentive Adder (Enter as whole number)	0 basis points
ROE with additional 0 basis point incentive	11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from True-Up TCOS, Ins 134 through 136)	
	<u>Weighted cost</u>
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)	335,335,356
R (from A. above)	0.0839
Return (Rate Base x R)	<u>28,128,410</u>

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

Return (from B. above)	28,128,410
Tax Rate (True-Up TCOS, In 106)	38.56%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	39.52%
Income Tax Calculation (Return x EIT)	11,117,709
ITC Adjustment (True-Up TCOS, In 103)	<u>(257,687)</u>
Income Taxes	10,860,022

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 110)	72,802,000
Return (True-Up TCOS, In 105)	28,128,410
Income Taxes (True-Up TCOS, In 104)	10,860,022
Gross Margin Taxes (True-Up TCOS, In 109)	
Net Revenue Requirement, Less Return and Taxes	<u>33,813,568</u>

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

Net Revenue Requirement, Less Return and Taxes	33,813,568
Return (from I.B. above)	28,128,410
Income Taxes (from I.C. above)	<u>10,860,022</u>
Net Revenue Requirement, with 0 Basis Point ROE increase	72,802,000
Gross Margin Tax with Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	<u>72,802,000</u>
Less: Depreciation (True-Up TCOS, In 83)	<u>12,097,378</u>
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	60,704,622

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)	72,802,000
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)	434,183,030
Net Revenue Requirement, with 0 Basis Point ROE increase	<u>72,802,000</u>
FCR with 0 Basis Point increase in ROE	16.77%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	60,704,622
FCR with 0 Basis Point ROE increase, less Depreciation	13.98%
FCR less Depreciation (True-Up TCOS, In 12)	<u>13.98%</u>
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)	663,993,516	<=From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	692,643,975	<=From Input on Worksheet B
	<u>1,356,637,491</u>	
Transmission Plant Average Balance for 2011	678,318,746	
Annual Depreciation Expense (True-Up TCOS, In 83)	13,147,841	
Composite Depreciation Rate	1.94%	
Depreciable Life for Composite Depreciation Rate	51.59	
Round to nearest whole year	52	

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)	\$	6,090,874	\$	6,090,874
Σ Prior Year True-Up (WS-G)	\$	5,406,872	\$	5,406,872
True-up Adjustment For 2011		(684,001)		(684,001)
				-

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
PUBLIC SERVICE COMPANY OF OKLAHOMA

Revenue Credits for

	Total Company	Non- Transmission	Transmission
I. Account 450, Forfeited Discounts	2,799,995	2,799,995	-
II. Account 451, Miscellaneous Service Revenues	4,743,190	4,743,190	-
III. Account 454, Rent from Electric Property			
1 Account 4540001 - Rent from Elect Property-Aff	2,090,610	2,032,192	58,418
2 Account 4540002 - Rent from Elect Property - Non-Aff	3,805,764	3,776,937	28,827
3 Account 4540003 - Rent from Elect Property - ABD - Aff	-	-	-
4 Account 4540004 - Rent from Elect Property - ABD - Non-Aff	76,057	30,367	45,689
5 Total Rents from Electric Property	5,972,431		132,934
(Revenue related to transmission facilities for pole attachments, rentals, etc. Provide data sources and explanations in Section VIII, Notes below)			
IV. Account 4560015, Revenues from Associated Business Development			
1 Account 4560015, Revenues from Associated Business Development	2,597,226		358,810
V. Total Other Operating Revenues To Reduce Revenue Requirement			491,745
VI. Account 456.1, Revenues from Transmission of Electricity of Others			32,014,199
(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			1,845,504
4 Revenue for GFA's (Relative to SPP OATT) Associated with Load Included in the Divisor			1,304,664
5 Network Service Revenue (SPP Schedule 9) Associated with Load included in the Divisor			11,076,776
6 Revenue Associated with Transmission Plant Excluded From SPP Tariff			-
7 Distribution and Other Non-Transmission Revenue			225,918
8 Revenue from SPP Ancillary Services Provided			2,943,399
9 Base Plan Revenue (from SPP)			9,849,708
10 Flow Through of ERCOT Ancillary Charges			-
11 Other			-
			\$4,768,230
Net Transmission Credits			\$4,768,230
VII. Total Worksheet A Revenue Credits			\$5,259,975

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
PUBLIC SERVICE COMPANY OF OKLAHOMA

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)	\$0

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
PUBLIC SERVICE COMPANY OF OKLAHOMA

<u>Line Number</u>	<u>FERC Acct No.</u>	<u>Description</u>	<u>2011 Expense</u>	<u>100% Non-Transmission</u>	<u>100% Transmission Specific</u>	<u>Explanation</u>
Account 926						
2007 Base Year OPEB Expense (Note 1)						
1	9260021	Postretirement Benefits - OPEB	7,738,548			
2	9260057	Postret Ben Medicare Subsidy	(2,016,228)			
3		OPEB Billed From Service Corporation	452,416			
4		Net 2007 Base Year Expense	6,174,736			
2011 Current Year Expense						
6	9260021	Postretirement Benefits - OPEB	5,795,990			
7	9260057	Postret Ben Medicare Subsidy	(1,915,310)			
8		OPEB Billed From Service Corporation	385,572			
9		Net 2011 Expense	4,266,252			
10		Net Increase (Decrease) in OPEB Expense	(1,908,484)	This Amount Is Allocated on Wages & Salaries		
Note 1: Absent a 205 Filing with FERC, the base amounts (Lns 1-4) will not change in subsequent years.						
Account 928						
11	9280000	Reg Commission Expense - OCC Annual Fees	1,026,258	1,026,256	2	Oklahoma Corporation Commission Assessment
12	9280001	Reg Commission Expense Admin	11,258	(45)	11,302	FERC Assessment Fees
13	9280002	Reg Commission Exp - Case	0	0	0	Oklahoma Rate Case Filing - 2006
	9280002	Reg Commission Exp - Case	1	1	0	Oklahoma Rate Case Filing - 2007
	9280002	Reg Commission Exp - Case	0	0	0	PSO - to accumulate Costs to support the PSO Rate Case with the PUC of Oklahoma To accumulate AEPSC costs associated with the filing of the 2010 PSO rate case.
	9280002	Reg Commission Exp - Case	14,709	11,862	2,847	
14	9280002	Reg Commission Exp - Legal	0	0	0	PSO/SWEPCO Non-Tx All Bus
15	9280002	Reg Commission Exp - Transmission	3,639	0	3,639	PSO/SWEPCO - Updates required as a result of FERC Docket ER07-1369-000.
16	9280002	Reg Commission Exp - Labor Accruals	1,155	903	252	Labor accruals - for various depts
17	9280002	Reg Commission Exp - Misc Non-Trans Filings	(115,083)	(115,307)	224	Determination of Use and Usefulness of Additional Baseload Generation before the OCC
18	9280002	Reg Commission Exp - Misc Filings	9,738	8,093	1,645	Misc Filing Before the OCC
19	9280002	Reg Commission Exp - Misc Filings	26,797	22,252	4,545	Reg/Leg Act-Oklahoma
20	9280003	Rate Case Amort	406,958	406,958	0	Rate Case Amortization
21		Total (FF1, pg. 323)	1,385,428	1,360,973	24,455	
Account 930.1						
22	9301000	General Advertising Expenses	214,286	214,286	0	
23	9301001	Newspaper Advertising Space	306,844	306,844	0	
24	9301006	Spec Corporate Comm Info Proj	0	0	0	
25	9301008	Direct Mail and Handouts	0	0	0	
26	9301009	Fairs, Shows, and Exhibits	0	0	0	
27	9301010	Publicity	1,767	1,504	264	
28	9301011	Dedications, Tours, & Openings	0	0	0	
29	9301012	Public Opinion Surveys	64,246	63,832	414	
30	9301013	Movies Slide Films & Speeches	0	0	0	
31	9301014	Video Communications	71	59	12	
32	9301015	Other Corporate Comm Exp	26,428	26,380	48	
33		Total (FF1, pg. 323)	613,642	612,904	738	
Account 930.2						
34	9302000	Misc General Expenses	922,386	827,714	94,672	
35	9302003	Corporate & Fiscal Expenses	101,842	92,157	9,686	
36	9302004	Research, Develop&Demonstr Exp	48,679	48,679	0	
37	9302006	Assoc Bus Development - Materials Sold-Trans	0	0	0	
38	9300206	Assoc Bus Development - Materials Sold-Non Trans	45,140	45,140	0	
39	9302007	Assoc Business Development Exp - Transmission	219,114	0	219,114	
40	9302007	Assoc Business Development Exp - Non-Transmission	1,865,412	1,865,412	0	
41		Total (FF1, pg. 323)	3,202,574	2,879,103	323,472	

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2011 FF1 Balances
Worksheet K - Development of Composite State Income Tax Rate
PUBLIC SERVICE COMPANY OF OKLAHOMA

I. DEVELOPMENT OF COMPOSITE STATE INCOME TAX RATES FOR 2011

State Income Tax Rate - Oklahoma	Note 1	5.66%	
Apportionment Factor		96.74%	
Effective State Income Tax Rate			5.4755%
State Income Tax Rate - Ohio		8.50%	
Apportionment Factor		0.00%	
Tax Phase-out Factor	Note 2	0.00%	
Effective State Income Tax Rate			0.0000%
Total Effective State Income Tax Rate		5.4755%	

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 118 of Template)	<u>Projected</u>		<u>Historic</u>		<u>Actual</u>	
		Total Company	Trans. Only	Total Company	Trans. Only	Total Company	Trans. Only
		334,278,066	75,483,450	334,540,953	74,018,965	333,623,554	72,802,000
1	Apportionment Factor to Texas (In12)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2	Apportioned Texas Revenues	\$0	\$0	\$0	\$0	\$0	\$0
3	Taxable Percentage of Revenue (70%)	70%	70%	70%	70%	70%	70%
4	Taxable, Apportioned Margin	-	-	-	-	-	-
5	Texas Gross Margin Tax Rate (1%)	1%	1%	1%	1%	1%	1%
6	Texas Gross Margin Tax Expense	-	-	-	-	-	-
7	Gross-up Required for Texas Gross Margin Expense (In 6 * In 3 * In 1)/(1- In 5) * In 5)	-	-	-	-	-	-
8	Total Additional Gross Margin Tax Revenue Requirement	-	-	-	-	-	-
9	WHOLESALE LOAD ALLOCATOR (For Use in Gross Margin Tax Allocator)						
10	Texas Jurisdictional Load	-	KW				
11	Total Load	-	KW				
12	Allocation Percentage (In 10 / In 11)	0.00%					

AEP West SPP Member Companies
Cost of Service Formula Rate Using 2011 FF1 Balances
Worksheet L - Taxes Other than Income
PUBLIC SERVICE COMPANY OF OKLAHOMA

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	Revenue Taxes					
2	OH CAT Tax	48				48
3	Real Estate and Personal Property Taxes					
4	Oklahoma Ad Valorum	35,735,584	35,735,584			
5	Texas Ad Valorum	1,195,436	1,195,436			
6	Louisiana Ad Valorum	729	729			
7	Nevada Ad Valorum	-	-			
8	Payroll Taxes					
9	Federal Insurance Contribution (FICA)	3,992,932		3,992,932		
10	Federal Unemployment Tax	39,260		39,260		
11	State Unemployment Insurance	133,953		133,953		
12	Production Taxes					
13		-				-
14		-				-
15	Miscellaneous Taxes					
16	Federal Excise Tax	1,736				1,736
17	Ok State Franchise Tax	-			-	
18	Ok Sales & Use Taxes	5,012				5,012
19	Ok Local Franchise Tax - 2010	-			-	
20	Ok Local Franchise Tax - 2011	185,911			185,911	
21	Ohio State Franchise	-			-	
22	Tx Sales & Use Taxes	3,381				3,381
23	Tx State Franchise	-			-	
24	Tx Misc Tax	-			-	
25	Ok Misc Tax	480			480	
26	MT Misc Tax	15			15	
26	Wy Misc Tax	52			52	
27	Total Taxes by Allocable Basis	41,294,529	36,931,749	4,166,145	186,458	10,177
	(Total Company Amount Ties to FFI p.114, Ln 14,(c))	41,294,529				

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
PUBLIC SERVICE COMPANY OF OKLAHOMA

(A)	(B)	(C)	(D)	(E)
<u>Issuance</u>	<u>Principle Amount</u> FF1.p. 257.x (h)	<u>Interest Rate</u>	<u>Annual Expense</u>	<u>Notes</u>
<u>Long Term Debt (FF1.p. 256-257.h)</u>				
1 <i>Affiliated Notes Payable</i>				
2 <i>None</i>			0	
<u>Pollution Control Bonds</u>				
4 <i>Pollution Control Bonds - Series 2009</i>	33,700,000	5.25%	1,769,250	p256 L12(h)
5 <i>Pollution Control Bonds - Series 2007</i>	12,660,000	4.45%	563,370	p257.1 L3(h)
<u>Senior Unsecured Notes</u>				
7 <i>Senior Unsecured Notes - Series B</i>		6.00%		- p256 L14(h)
8 <i>Senior Unsecured Notes - Series E</i>		4.70%		- p256 L16(h)
9 <i>Senior Unsecured Notes - Series F</i>	150,000,000	6.15%	9,225,000	p256 L21(h)
10 <i>Senior Unsecured Notes - Series G</i>	250,000,000	6.625%	16,562,500	p256 L26(h)
11 <i>Senior Unsecured Notes - Series H</i>	250,000,000	5.15%	12,875,000	p256 L29(h)
12 <i>Senior Unsecured Notes - Series I</i>	250,000,000	4.40%	11,000,000	p257.1 L9(h)
13 <i>GridSMART Promissory Note</i>	4,981,259	3.00%	149,438	p257.1 L5(h)
<u>Issuance Discount, Premium, & Expenses:</u>				
14 <i>Financial Hedges & Auction Fees</i>	FF1.p. 256 & 257.Lines Described as Hedges or Fees		(1,312,205)	257.1 Ln12(i) 257 Ln24.(i)
15 <i>Amort of Debt Discount and Expenses</i>	FF1.p. 117.63.c (also WS-N Ln 15)		1,167,932	
16 <i>Less: Amor of Debt Premimums</i>	FF1.p. 117.65.c (also WS-N Ln 17)		-	
<u>Reacquired Debt:</u>				
17 <i>Amortization of Loss</i>	FF1.p. 117.64.c (also WS-N Ln 16)		1,650,827	
18 <i>Less: Amortization of Gain</i>	FF1.p. 117.66.c (also WS-N Ln 18)		-	
19 Total Interest on Long Term Debt	951,341,259	5.64%	53,651,112	
<u>Preferred Stock (FF1.p. 250-251)</u>				
<u>Preferred Balance Outstanding</u>				
20 <i>4.00% Series - \$100 - 44,508 Shares O/S</i>	-	4.00%		-
21 <i>4.24% Series - \$100 - 4,310 Shares O/S</i>	-	4.24%		-
22				-
23 Dividends on Preferred Stock	-	0.00%	-	

AEP West SPP Member Companies
Cost of Service Formula Rate Using 2011 FF1 Balances
PUBLIC SERVICE COMPANY OF OKLAHOMA

**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>Balances @</u>	<u>Average</u>
<u>Development of Average Balance of Common Equity</u>		<u>12/31/2011</u>	<u>12/31/2010</u>	
1 Total Proprietary Capital (p. 112.16.c&d)		892,805,058	847,354,003	870,079,531
2 Less Preferred Stock from Ln 46 below		0	4,881,800	2,440,900
3 Less Account 216.1 (p. 112.12.c&d)		0	0	-
4 Less Account 219.1 (p. 112.15.c&d)		7,148,518	8,494,172	7,821,345
5 Average Balance of Common Equity		885,656,540	833,978,031	859,817,286
<u>Development of Cost of Long Term Debt Based on Average Outstanding Balance</u>				
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)		951,341,259	973,610,000	962,475,630
10 Total Average Debt		951,341,259	973,610,000	962,475,630
11 Annual Interest Expense for 2012				
12 Coupon Interest on Long Term Debt (256-257.33.i)				53,444,998
13 Less: Financial Hedge Gain/Expense from Ln 26 Included in Ln 12				(1,312,205)
14 Plus: Allowed Hedge Recovery from Ln 30 below				(912,367)
15 Amort of Debt Discount & Expense (428) (p. 117.63.c)				1,167,932
16 Amort of Loss on Reacquired Debt (428.1) (p. 117.64.c)				1,650,827
17 Less: Amort of Premium on Debt (429) (p. 117.65.c)				-
18 Less: Amort of Gain on Reacquired Debt (429.1) (p. 117.66.c)				-
19 Total Interest Expense (Ln 12 + Ln 13 + Ln 14 + Ln 15 + Ln 16 - Ln 17 - Ln 18)				56,663,595
20 Average Cost of Debt for 2012 (Ln 19/Ln 10)				5.89%
21 Financial Hedge Amortization Reported in Column (i) on Page 256-257 (Enter Gains as a Negative Number)				
22 SUN Series I 4.4% Financial Hedge (p. 257.1 Ln 12.i)				(1,424,240)
23 SUN Series F 6.15% Financial Hedge (p. 257 Ln 24.i)				112,035
24				
25				
26 Total Hedge Amortization				(1,312,205)
27 Total Average Capital Balance for 2011 (Actual TCOS, Ln 137)				1,824,733,815
28 Financial Hedge Recovery Limit - Five Basis Points of Total Capital				0.0005
29 Limit of Recoverable Amount				(912,367)
30 Recoverable Hedge Amortization				(912,367)
<i>(lesser of 5 basis point Cap or Actual (Gain)/Expense based on magnitude as indicated on Ln 26 or Ln 29)</i>				
<u>Development of Cost of Preferred Stock</u>				
Preferred Stock				Average
31 4% Series - - Dividend Rate (p. 250-251. 9.a)			4.00%	
32 4% Series - - Par Value (p. 250-251. 9.c)		\$	100.00	
33 4% Series - - Shares O/S (p.250-251. 9.e)			44,508	
34 4% Series - - Monetary Value (Ln 32 * Ln 33)		-	4,450,800	2,225,400
35 4% Series - - Dividend Amount (Ln 31 * Ln 34)		-	178,032	89,016
36 4.24% Series - - Dividend Rate (p. 250-251. 10.a)			4.24%	
37 4.240% Series - - Par Value (p. 250-251. 10.c)		\$	100.00	
38 4.240% Series - - Shares O/S (p.250-251. 10.e)			4,310	
39 4.240% Series - - Monetary Value (Ln 37 * Ln 38)		-	431,000	215,500
40 4.240% Series - - Dividend Amount (Ln 36 * Ln 39)		-	18,274	9,137
41 0% Series - - Dividend Rate (p. 250-251.)				
42 0% Series - - Par Value (p. 250-251.)				
43 0% Series - - Shares O/S (p.250-251.)				
44 0% Series - - Monetary Value (Ln 42 * Ln 43)		-	-	-
45 0% Series - - Dividend Amount (Ln 41 * Ln 44)		-	-	-
46 Balance of Preferred Stock (Lns 34, 39, 44)		-	4,881,800	2,440,900
47 Dividends on Preferred Stock (Lns 35, 40, 45)		-	196,306	98,153
48 Average Cost of Preferred Stock (Ln 47/46)		0.00%	4.02%	4.02%

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

SOUTHWESTERN ELECTRIC POWER COMPANY

Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 120)				\$115,977,418
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	6,814,667	DA	1.00000	\$ 6,814,667
4	Assoc. Business Development	(Worksheet H)	103,133	DA	1.00000	\$ 103,133
5	Total Revenue Credits		6,917,801			\$ 6,917,801
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)				\$109,059,617
MEMO: The Carrying Charge Calculations on lines 9 to 14 below is used in calculating project revenue requirements billed on SPP Schedule 11. The total non-incentive revenue requirements for these projects shown on line 7 is included in the total on line 6.						
7	Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet F)		29,283,407	DA	1.00000	\$ 29,283,407
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%				18.31%
10	Monthly Rate	(In 9 / 12)				1.53%
11	NET PLANT CARRYING CHARGE ON LINE 9 , W/O DEPRECIATION (w/o incentives) (Note B)					
12	Annual Rate	((In 1 - In 95) / (Sum of Ins 46, 47, 48, 49, 51)) x 100%				14.87%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((In 1 - In 95 - In 117 - In 118) / (Sum of Ins 46, 47, 48, 49, 51)) x 100%				4.61%
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

SOUTHWESTERN ELECTRIC POWER COMPANY

	(1)	(2)	(3)	(4)	(5)
	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total NOTE D	Allocator	Total Transmission
Line No.	GROSS PLANT IN SERVICE				
16	Production	(Worksheet A In 1.C)	2,312,167,355	NA	0.00000
17	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(22,508,276)	NA	0.00000
18	Transmission	(Worksheet A In 3.C & Hist. Template Ln 169)	988,029,328	DA	
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	0.94591
20	Plus: Transmission Plant-in-Service Additions (Worksheet B)		97,834,154	DA	1.00000
21	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		-	TP	0.94591
22	Distribution	(Worksheet A In 5.C)	1,674,918,482	NA	0.00000
23	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	-	NA	0.00000
24	General Plant	(Worksheet A In 7.C)	308,449,476	W/S	0.05798
25	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(682,710)	W/S	0.05798
26	Intangible Plant	(Worksheet A In 9.C)	59,272,045	W/S	0.05798
27	TOTAL GROSS PLANT	(sum Ins 16 to 26)	5,417,479,854		
28	ACCUMULATED DEPRECIATION AND AMORTIZATION				
29	Production	(Worksheet A In 12.C)	1,228,216,129	NA	0.00000
30	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(2,378,217)	NA	0.00000
31	Transmission	(Worksheet A In 14.C & 28.C)	370,861,968	TP1=	0.99744
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.99744
33	Plus: Transmission Plant-in-Service Additions (Worksheet B)		931,157	DA	1.00000
34	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		-	DA	1.00000
35	Plus: Additional Transmission Depreciation for 2012 (In 95)		23,038,927	TP1	0.99744
36	Plus: Additional General & Intangible Depreciation for (In 97+In 98)		17,617,706	W/S	0.05798
37	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		-	DA	1.00000
38	Distribution	(Worksheet A In 16.C)	637,961,404	NA	0.00000
39	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	-	NA	0.00000
40	General Plant	(Worksheet A In 18.C)	153,582,765	W/S	0.05798
41	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(286,526)	W/S	0.05798
42	Intangible Plant	(Worksheet A In 20.C)	47,433,439	W/S	0.05798
43	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 29 to 42)	2,476,978,752		
44	NET PLANT IN SERVICE				
45	Production	(In 16 + In 17 - In 29 - In 30)	1,063,821,167		
46	Transmission	(In 18 + In 19 - In 31 - In 32)	617,167,360		
47	Plus: Transmission Plant-in-Service Additions (In 20 - In 33)		96,902,997		
48	Plus: Additional Trans Plant on Transferred Assets (In 21 - In 34)		-		
49	Plus: Additional Transmission Depreciation for 2012 (-In 35)		(23,038,927)		
50	Plus: Additional General & Intangible Depreciation for 2012 (-In 36)		(17,617,706)		
51	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 37)		-		
52	Distribution	(In 22 + In 23 - In 38 - In 39)	1,036,957,078		
53	General Plant	(In 24 + In 25 - In 40 - In 41)	154,470,527		
54	Intangible Plant	(In 26 - In 42)	11,838,606		
55	TOTAL NET PLANT IN SERVICE	(sum Ins 45 to 54)	2,940,501,102		
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)	(536,560,912)	DA	(97,462,815)
59	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(42,603,672)	DA	(3,350,060)
60	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	71,386,128	DA	1,080,308
61	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
62	TOTAL ADJUSTMENTS	(sum Ins 57 to 61)	(507,778,456)		(99,732,567)
63	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	1,350,884	DA	504,994
64	WORKING CAPITAL	(Note F)			
65	Cash Working Capital	(1/8 * In 80) (Note G)	1,495,275		1,414,393
66	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	151,172	TP	0.94591
67	A&G Materials & Supplies	(Worksheet D, In 3.(D))	121,528	W/S	0.05798
68	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	0.17867
69	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.(G))	114,065,080	W/S	0.05798
70	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.(F))	1,178,400	GP(h)	0.17867
71	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.(E))	-	DA	1.00000
72	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.(D))	(105,277,143)	NA	0.00000
73	TOTAL WORKING CAPITAL	(sum Ins 65 to 72)	11,734,312		8,388,340
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7 (B))	(19,431,329)	DA	1.00000
75	RATE BASE (sum Ins 55, 62, 63, 73, 74)		2,426,376,512		531,652,081

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

SOUTHWESTERN ELECTRIC POWER COMPANY

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	33,846,469		
77	Less: Total Account 561	(Note I) 321.84-92.b	8,917,172		
78	Less: Account 565	(Note J) 321.96.b	12,967,095		
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)	11,962,202	TP 0.94591	11,315,141
81	Administrative and General	323.197.b (Note K)	75,607,602		
82	Less: Acct. 924, Property Insurance	323.185.b	3,025,798		
83	Acct. 928, Reg. Com. Exp.	323.189.b	1,851,735		
84	Acct. 930.1, Gen. Advert. Exp.	323.191.b	453,548		
85	Acct. 930.2, Misc. Gen. Exp.	323.192.b	<u>3,484,858</u>		
86	Balance of A & G	(In 81 - sum In 82 to In 85)	66,791,663	W/S 0.05798	3,872,505
87	Plus: Acct. 924, Property Insurance	(In 82)	3,025,798	GP(h) 0.17867	540,615
88	Acct. 928 - Transmission Specific	Worksheet J In 24.(E) (Note L)	99,069	TP 0.94591	93,711
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 38.(E) (Note L)	47,107	TP 0.94591	44,559
90	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 46.(E) (Note L)	293,056	DA 1.00000	293,056
91	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet J In 10.C (Note M)	<u>(805,888)</u>	W/S 0.05798	<u>(46,724)</u>
92	A & G Subtotal	(sum Ins 86 to 90 less In 91)	71,062,581		4,891,169
93	TOTAL O & M EXPENSE	(In 80 + In 92)	83,024,783		16,206,310
94	DEPRECIATION AND AMORTIZATION EXPENSE				
95	Transmission	336.7.f	23,038,927	TP 0.94591	21,792,703
96	Plus: Transmission Plant-in-Service Additions (Worksheet B)		931,157	DA 1.00000	931,157
97	General	336.10.f	7,873,185	W/S 0.05798	456,478
98	Intangible	336.1.f	<u>9,744,521</u>	W/S 0.05798	<u>564,976</u>
99	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 95 to 98)	41,587,790		23,745,314
100	TAXES OTHER THAN INCOME	(Note N)			
101	Labor Related				
102	Payroll	Worksheet L, Col. D	5,301,344	W/S 0.05798	307,366
103	Plant Related				
104	Property	Worksheet L, Col. C	34,824,273	GP(h) 0.17867	6,221,998
105	Gross Receipts/Sales & Use	Worksheet L, Col. F	5,255,125	NA 0.00000	-
106	Other	Worksheet L, Col. E	<u>19,866,985</u>	GP(h) 0.17867	<u>3,549,603</u>
107	TOTAL OTHER TAXES	(sum Ins 102 to 106)	65,247,727		10,078,966
108	INCOME TAXES	(Note O)			
109	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\}$		37.69%		
110	$EIT=(T/(1-T)) * (1-(WCLTD/WACC))$		40.28%		
111	where WCLTD=(In 147) and WACC = (In 150)				
112	and FIT, SIT & p are as given in Note O.				
113	$GRCF=1 / (1 - T)$ = (from In 109)		1.6048		
114	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	<u>(549,547)</u>		
115	Income Tax Calculation	(In 110 * In 118)	85,412,500		18,715,040
116	ITC adjustment	(In 113 * In 114)	<u>(881,893)</u>	NP(h) 0.19727	<u>(173,968)</u>
117	TOTAL INCOME TAXES	(sum Ins 115 to 116)	84,530,607		18,541,072
118	RETURN ON RATE BASE (Rate Base*WACC)	(In 75 * In 150)	212,064,200		46,466,149
119	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		639,048	DA 1.00000	639,048
120	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		<u>487,094,155</u>		<u>115,676,860</u>
121	(sum Ins 93, 99, 107, 117, 118, 119)				
122	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		1,265,592	DA	300,558
123	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		<u>488,359,747</u>		<u>115,977,418</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

SOUTHWESTERN ELECTRIC POWER COMPANY

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 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 119.
- 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 This line complies with FERC requirement that Other Post Employment Benefits remain constant from an initial test year. Changes in this base amount can only occur via approval of a 205 filing.
- 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 109) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.

Inputs Required:	FIT =	35.00%	
	SIT=	4.13%	(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 Long Term Debt cost rate = long-term interest (In 138) / long term debt (In 147). Preferred Stock cost rate = preferred dividends (In 139) / preferred outstanding (In 148). Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket No. ER07-XXX. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 52.5% of PSO'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 cannot change prior to 2/1/11. After this date it can only be changed 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

SOUTHWESTERN ELECTRIC POWER COMPANY

Line No.			Total	Allocator		Transmission Amount
152	REVENUE REQUIREMENT (w/o incentives)	(In 271)				\$105,851,863
153	REVENUE CREDITS	(Note A)				
154	Transmission Credits	(Worksheet H)	6,814,667	DA	1.00000	\$ 6,814,667
155	Assoc. Business Development	(Worksheet H)	103,133	DA	1.00000	\$ 103,133
156	Total Revenue Credits		6,917,801			\$ 6,917,801
157	REVENUE REQUIREMENT For All Company Facilities	(In 152 less In 156)				\$ 98,934,063

MEMO: The Carrying Charge Calculations on lines 160 to 165 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 166 is included in the total on line 157.

158	Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet F)		29,283,407	DA	1.00000	\$ 29,283,407
159	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
160	Annual Rate	(In 152/ In 197 x 100%)				18.92%
161	Monthly Rate	(In 160 / 12)				1.58%
162	NET PLANT CARRYING CHARGE ON LINE 160 , W/O DEPRECIATION (w/o incentives) (Note B)					
163	Annual Rate	((In 152 - In 246) / In 197 x 100%)				15.05%
164	NET PLANT CARRYING CHARGE ON LINE 162, W/O INCOME TAXES, RETURN (Note B)					
165	Annual Rate	((In 152 - In 246 - In 268 - In 269) / In 197 x 100%)				5.03%
166	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

SOUTHWESTERN ELECTRIC POWER COMPANY

Line No.	(1)	(2)	(3)	(4)	(5)
	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> (See "General Notes")	<u>TO Total</u> <u>NOTE D</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>
167	GROSS PLANT IN SERVICE				
167	Production	(Worksheet A In 1.C)	2,312,167,355	NA 0.00000	-
168	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(22,508,276)	NA 0.00000	-
169	Transmission	(Worksheet A In 3.C & Ln 278)	988,029,328	DA	929,292,675
170	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 0.94055	-
171	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	NA 0.00000	N/A
172	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		N/A	NA 0.00000	N/A
173	Distribution	(Worksheet A In 5.C)	1,674,918,482	NA 0.00000	-
174	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	-	NA 0.00000	-
175	General Plant	(Worksheet A In 7.C)	308,449,476	W/S 0.05765	17,782,285
176	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(682,710)	W/S 0.05765	(39,359)
177	Intangible Plant	(Worksheet A In 9.C)	59,272,045	W/S 0.05765	3,417,067
178	TOTAL GROSS PLANT	(sum Ins 167 to 177)	5,319,645,700	GP(h)= 0.178668 GTD= 0.37103	950,452,668
179	ACCUMULATED DEPRECIATION AND AMORTIZATION				
180	Production	(Worksheet A In 12.C)	1,228,216,129	NA 0.00000	-
181	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(2,378,217)	NA 0.00000	-
182	Transmission	(Worksheet A In 14.C & 28.C)	370,861,968,000	TP1= 0.99744	369,913,956
183	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 0.99744	-
184	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A	DA 1.00000	N/A
185	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		N/A	DA 1.00000	N/A
186	Plus: Additional Transmission Depreciation for 2012 (In 246)		N/A	TP1 0.99744	N/A
187	Plus: Additional General & Intangible Depreciation for 2012 (In 248+In 249)		N/A	W/S 0.05765	N/A
188	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		N/A	DA 1.00000	N/A
189	Distribution	(Worksheet A In 16.C)	637,961,404	NA 0.00000	-
190	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	-	NA 0.00000	-
191	General Plant	(Worksheet A In 18.C)	153,582,765	W/S 0.05765	8,854,132
192	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(286,526)	W/S 0.05765	(16,518)
193	Intangible Plant	(Worksheet A In 20.C)	47,433,439	W/S 0.05765	2,734,564
194	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 180 to 193)	2,435,390,962		381,486,134
195	NET PLANT IN SERVICE				
196	Production	(In 167 + In 168 - In 180 - In 181)	1,063,821,167		-
197	Transmission	(In 169 + In 170 - In 182 - In 183)	617,167,360		559,378,719,815
198	Plus: Transmission Plant-in-Service Additions (In 171 - In 184)		N/A		N/A
199	Plus: Additional Trans Plant on Transferred Assets (In 172 - In 185)		N/A		N/A
200	Plus: Additional Transmission Depreciation for 2012 (-In 186)		N/A		N/A
201	Plus: Additional General & Intangible Depreciation for 2012 (-In 187)		N/A		N/A
202	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 188)		N/A		N/A
203	Distribution	(In 173 + In 174 - In 189 - In 190)	1,036,957,078		-
204	General Plant	(In 175 + In 176 - In 191 - In 192)	154,470,527		8,905,312
205	Intangible Plant	(In 177 - In 193)	11,838,606		682,502
206	TOTAL NET PLANT IN SERVICE	(sum Ins 196 to 205)	2,884,254,738	NP(h)= 0.197266	568,966,534
207	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)			
208	Account No. 281.1 (enter negative)	272-273.8.k	-	NA	-
209	Account No. 282.1 (enter negative)	(Worksheet C, In 1.C & In 3.J)	(536,560,912)	DA	(97,462,815)
210	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(42,603,672)	DA	(3,350,060)
211	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	71,386,128	DA	1,080,308
212	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
213	TOTAL ADJUSTMENTS	(sum Ins 208 to 212)	(607,778,456)		(99,732,567)
214	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	1,350,884	DA	504,994
215	WORKING CAPITAL	(Note F)			
216	Cash Working Capital	(1/8 * In 231) (Note G)	1,495,275		1,406,384
217	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	151,172	TP 0.94055	142,185
218	A&G Materials & Supplies	(Worksheet D, In 3.(D))	121,528	W/S 0.05765	7,006
219	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h) 0.17867	-
220	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.(D))	114,065,080	W/S 0.05765	6,575,916
221	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.(F))	1,178,400	GP(h) 0.17867	210,543
222	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.(E))	-	DA 1.00000	-
223	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.(D))	(105,277,143)	NA 0.00000	-
224	TOTAL WORKING CAPITAL	(sum Ins 216 to 223)	11,734,312		8,342,033
225	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	(19,431,329)	DA 1.00000	(19,431,329)
226	RATE BASE (sum Ins 206, 213, 214, 224, 225)		2,370,130,148		458,649,666

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

SOUTHWESTERN ELECTRIC POWER COMPANY

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
227	OPERATION & MAINTENANCE EXPENSE				
227	Transmission	321.112.b	33,846,469		
228	Less: Total Account 561	(Note I) 321.84-92.b	8,917,172		
229	Less: Account 565	(Note J) 321.96.b	12,967,095		
230	Less: expenses 100% assigned to TO billed customers (Worksheet I, In 14)		\$0		
231	Total O&M Allocable to Transmission	(Ins 227 - 228 - 229 - 230)	11,962,202	TP 0.94055	11,251,070
232	Administrative and General	323.197.b (Note K)	75,607,602		
233	Less: Acct. 924, Property Insurance	323.185.b	3,025,798		
234	Acct. 928, Reg. Com. Exp.	323.189.b	1,851,735		
235	Acct. 930.1, Gen. Advert. Exp.	323.191.b	453,548		
236	Acct. 930.2, Misc. Gen. Exp.	323.192.b	3,484,858		
237	Balance of A & G	(In 232 - sum In 233 to In 236)	66,791,663	W/S 0.05765	3,850,577
238	Plus: Acct. 924, Property Insurance	(In 233)	3,025,798	GP(h) 0.17867	540,615
239	Acct. 928 - Transmission Specific	Worksheet J In 24.(E) (Note L)	99,069	TP 0.94055	93,180
240	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 38.(E) (Note L)	47,107	TP 0.94055	44,307
241	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 46.(E) (Note L)	293,056	DA 1.00000	293,056
242	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet J In 10.C (Note M)	(805,888)	W/S 0.05765	(46,460)
243	A & G Subtotal	(sum Ins 237 to 241 less In 242)	71,062,581		4,868,194
244	TOTAL O & M EXPENSE	(In 231 + In 243)	83,024,783		16,119,263
245	DEPRECIATION AND AMORTIZATION EXPENSE				
246	Transmission	336.7.f	23,038,927	TP 0.94055	21,669,302
247	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A		N/A
248	General	336.10.f	7,873,185	W/S 0.05765	453,894
249	Intangible	336.1.f	9,744,521	W/S 0.05765	561,777
250	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 246 to 249)	40,656,633		22,684,973
251	TAXES OTHER THAN INCOME	(Note N)			
252	Labor Related				
253	Payroll	Worksheet L, Col. D	5,301,344	W/S 0.05765	305,625
254	Plant Related				
255	Property	Worksheet L, Col. C	34,824,273	GP(h) 0.17867	6,221,998
256	Gross Receipts/Sales & Use	Worksheet L, Col. F	5,255,125	NA 0.00000	-
257	Other	Worksheet L, Col. E	19,866,985	GP(h) 0.17867	3,549,603
258	TOTAL OTHER TAXES	(sum Ins 253 to 257)	65,247,727		10,077,226
259	INCOME TAXES	(Note O)			
260	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		37.69%		
261	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		40.28%		
262	where WCLTD=(In 298) and WACC = (In 301)				
263	and FIT, SIT & p are as given in Note O.				
264	$GRCF=1 / (1 - T) =$ (from In 260)		1.6048		
265	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(549,547)		
266	Income Tax Calculation	(In 261 * In 269)	83,432,534		16,145,233
267	ITC adjustment	(In 264 * In 265)	(881,893)	NP(h) 0.19727	(173,968)
268	TOTAL INCOME TAXES	(sum Ins 266 to 267)	82,550,641		15,971,265
269	RETURN ON RATE BASE (Rate Base*WACC)	(In 226 * In 301)	207,148,294		40,085,772
270	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		639,048	DA 1.00000	639,048
271	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		479,267,126		105,577,546
272	(sum Ins 244, 250, 258, 268, 269, 270)				
273	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		1,245,256	DA	274,317
274	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		480,512,382		105,851,863

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2011 with Year-End Rate Base Balances

SOUTHWESTERN ELECTRIC POWER COMPANY

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF												
275	Total transmission plant	(In 169)								988,029,328			
276	Less transmission plant excluded from SPP Tariff (Worksheet A, In 23a Col. (C)) (Note Q)									37,474,495			
277	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note R)									21,262,158			
278	Transmission plant included in SPP Tariff	(In 275 - In 276 - In 277)								929,292,675			
279	Percent of transmission plant in SPP Tariff	(In 278 / In 275)							TP=	0.94055			
280	WAGES & SALARY ALLOCATOR (W/S)	(Note S)											
281	Production	354.20.b	Direct Payroll	31,223,849	Payroll Billed from AEP Service Corp.	12,581,774	Total	43,805,623	NA	0.00000	-		
282	Transmission	354.21.b		2,600,423		2,857,594		5,458,017	TP	0.94055	5,133,547		
283	Regional Market Expenses	354.22.b		0				-	NA	0.00000	-		
284	Distribution	354.23.b		23,825,840		1,654,533		25,480,373	NA	0.00000	-		
285	Other (Excludes A&G)	354.24,25,26.b		8,076,947		6,224,965		14,301,912	NA	0.00000	-		
286	Total	(sum Ins 281 to 285)		65,727,059		23,318,866		89,045,925			5,133,547		
287	Transmission related amount								W/S=	0.05765			
288	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$			
289										102,426,827			
290										-			
291	Development of Common Stock:												
292										1,813,365,524			
293										-			
294										16,684,595			
295										(26,817,142)			
296										1,823,498,071			
297													
298	Long Term Debt (Worksheet M, In. 21, col. (B))		\$	1,685,200,000	Actual	48.03%	Cap Limit	0.00%	Cost (Note T)	0.0608	Weighted	0.0292	
299	Preferred Stock (Worksheet M, In. 25, col. (B))			-		0.00%		0.00%		-		0.0000	
300	Common Stock (In 296) (Note U)			1,823,498,071		51.97%		0.00%		11.2%		0.0582	
301	Total (sum Ins 298 to 300)			3,508,698,071								WACC=	0.0874
302	Capital Structure Equity Limit (Note U)			52.5%									

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
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 SOUTHWESTERN ELECTRIC POWER COMPANY

Letter

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- 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 231.
- H Consistent with Paragraph 657 of Order 2003-A, the amount on line 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 270.
- 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 This line complies with FERC requirement that Other Post Employment Benefits remain constant from an initial test year. Changes in this base amount can only occur via approval of a 205 filing.
- 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 260) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
 Inputs Required:

FIT =	35.00%	
SIT =	4.13%	(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 Long Term Debt cost rate = long-term interest (ln 289) / long term debt (ln 298). Preferred Stock cost rate = preferred dividends (ln 290) / preferred outstanding (ln 299). Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket No. ER07-XXX. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 52.5% of PSO'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 cannot change prior to 2/1/11. After this date it can only be changed 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

SOUTHWESTERN ELECTRIC POWER COMPANY

Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 107)				\$103,527,417
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	6,814,667	DA	1.00000	\$ 6,814,667
4	Assoc. Business Development	(Worksheet H)	103,133	DA	1.00000	\$ 103,133
5	Total Revenue Credits		6,917,801			\$ 6,917,801
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)				\$96,609,616
MEMO: The Carrying Charge Calculations on lines 9 to 14 below is used in calculating project revenue requirements billed on SPP Schedule 11. The total non-incentive revenue requirements for these projects shown on line 7 is included in the total on line 6.						
7	Trued-Up Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet G)		18,621,087	DA	1.00000	\$ 18,621,087
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
9	Annual Rate	(In 1 / In 39 x 100)				19.01%
10	Monthly Rate	(In 9 / 12)				1.58%
11	NET PLANT CARRYING CHARGE ON LINE 9, W/O DEPRECIATION (w/o incentives) (Note B)					
12	Annual Rate	((In 1 - In 83) / In 39 x 100)				15.04%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((In 1 - In 83 - In 104 - In 105) / In 39 x 100)				5.13%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet G)					-

AEP West SPP Member Companies
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 Utilizing Actual Cost Data for 2011 with Average Ratebase Balances

SOUTHWESTERN ELECTRIC POWER COMPANY

	(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	Production	(Worksheet A In 1.E)	2,300,309,670	NA	0.00000
17	Less: Production ARO (Enter Negative)	(Worksheet A In 2.E)	(22,927,252)	NA	0.00000
18	Transmission	(Worksheet A In 3.E & Ln 114)	965,624,457	DA	0.00000
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E)	-	TP	0.93918
20	Distribution	(Worksheet A In 5.E)	1,642,600,605	NA	0.00000
21	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.E)	-	NA	0.00000
22	General Plant	(Worksheet A In 7.E)	305,235,086	W/S	0.05757
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	(682,710)	W/S	0.05757
24	Intangible Plant	(Worksheet A In 9.E)	62,669,743	W/S	0.05757
25	TOTAL GROSS PLANT	(sum ins 16 to 24)	<u>5,252,829,599</u>	GP(TU)=	0.17667
				GTD=	0.37022
26	ACCUMULATED DEPRECIATION AND AMORTIZATION				
27	Production	(Worksheet A In 12.E)	1,211,727,458	NA	0.00000
28	Less: Production ARO (Enter Negative)	(Worksheet A In 13.E)	(2,114,565)	NA	0.00000
29	Transmission	(Worksheet A In 14.E & 28.E)	363,603,556	TP1=	0.99654
30	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	0.99654
31	Distribution	(Worksheet A In 16.E)	626,012,344	NA	0.00000
32	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.E)	-	NA	0.00000
33	General Plant	(Worksheet A In 18.E)	148,737,788	W/S	0.05757
34	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	(270,905)	W/S	0.05757
35	Intangible Plant	(Worksheet A In 20.E)	49,340,922	W/S	0.05757
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	<u>2,397,036,599</u>		<u>373,733,162</u>
37	NET PLANT IN SERVICE				
38	Production	(In 16 + In 17 - In 27 - In 28)	1,067,769,525		-
39	Transmission	(In 18 + In 19 - In 29 - In 30)	602,020,901		544,551,847
40	Distribution	(In 20 + In 21 - In 31 - In 32)	1,016,588,261		-
41	General Plant	(In 22 + In 23 - In 33 - In 34)	156,085,493		8,985,319
42	Intangible Plant	(In 24 - In 35)	13,328,821		767,296
43	TOTAL NET PLANT IN SERVICE	(sum Ins 38 to 42)	<u>2,855,793,000</u>	NP(TU)=	0.19410
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)	(519,116,929)	DA	(92,721,590)
47	Account No. 283.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	(40,873,194)	DA	(3,146,047)
48	Account No. 190.1	(Worksheet C, In 25.C & Ln 27.J)	67,782,395	DA	1,424,747
49	Account No. 255 (enter negative)	(Worksheet C, In 34.C & Ln 36.J)	-	DA	-
50	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	<u>(492,207,727)</u>		<u>(94,442,889)</u>
51	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	1,350,884	DA	252,497
52	WORKING CAPITAL	(Note F)			
53	Cash Working Capital	(1/8 * In 68) (Note G)	1,495,275		1,404,337
54	Transmission Materials & Supplies	(Worksheet D, In 2.(F))	200,631	TP	0.93918
55	A&G Materials & Supplies	(Worksheet D, In 3.(F))	98,132	W/S	0.05757
56	Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	0.17667
57	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 7.G)	102,078,390	W/S	0.05757
58	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 7.F)	1,328,889	GP(TU)	0.17667
59	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 7.E)	-	DA	1.00000
60	Prepayments (Account 165) - Unallocable	(Worksheet D, In 7.D)	(90,941,666)	NA	0.00000
61	TOTAL WORKING CAPITAL	(sum Ins 53 to 60)	<u>14,259,651</u>		<u>7,709,506</u>
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	(19,638,186)	DA	1.00000
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		<u>2,359,557,622</u>		<u>448,185,390</u>

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

SOUTHWESTERN ELECTRIC POWER COMPANY

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	33,846,469		
65	Less: Total Account 561	(Note I) 322.84-92.b	8,917,172		
66	Less: Account 565	(Note J) 322.96.b	12,967,095		
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)	11,962,202	TP 0.93918	11,234,694
69	Administrative and General	323.197.b (Note K)	75,607,602		
70	Less: Acct. 924, Property Insurance	323.185.b	3,025,798		
71	Acct. 928, Reg. Com. Exp.	322.189.b	1,851,735		
72	Acct. 930.1, Gen. Advert. Exp.	322.191.b	453,548		
73	Acct. 930.2, Misc. Gen. Exp.	322.192.b	3,484,858		
74	Balance of A & G	(In 69 - sum In 70 to In 73)	66,791,663	W/S 0.05757	3,844,972
75	Plus: Acct. 924, Property Insurance	(In 70)	3,025,798	GP(TU) 0.17667	534,579
76	Acct. 928 - Transmission Specific	Worksheet J In 24.(E) (Note L)	99,069	TP 0.93918	93,044
77	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 38.(E) (Note L)	47,107	GP(TU) 0.17667	8,323
78	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 46.(E) (Note L)	293,056	DA 1.00000	293,056
79	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet J In 10.C (Note M)	(805,888)	W/S 0.05757	(46,392)
80	A & G Subtotal	(sum Ins 74 to 78 less In 79)	71,062,581		4,820,367
81	TOTAL O & M EXPENSE	(In 68 + In 80)	83,024,783		16,055,061
82	DEPRECIATION AND AMORTIZATION EXPENSE				
83	Transmission	336.7.f	23,038,927	TP 0.93918	21,637,764
84	General	336.10.f	7,873,185	W/S 0.05757	453,233
85	Intangible	336.1.f	9,744,521	W/S 0.05757	560,959
86	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 83 to 85)	40,656,633		22,651,956
87	TAXES OTHER THAN INCOME	(Note N)			
88	Labor Related				
89	Payroll	Worksheet L, Col. D	5,301,344	W/S 0.05757	305,181
90	Plant Related				
91	Property	Worksheet L, Col. C	34,824,273	GP(TU) 0.17667	6,152,538
92	Gross Receipts/Sales & Use	Worksheet L, Col. F	5,255,125	NA 0.00000	-
93	Other	Worksheet L, Col. E	19,866,985	GP(TU) 0.17667	3,509,977
94	TOTAL OTHER TAXES	(sum Ins 89 to 93)	65,247,727		9,967,696
95	INCOME TAXES	(Note O)			
96	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		37.69%		
97	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		39.59%		
98	where WCLTD=(In 134) and WACC = (In 137)				
99	and FIT, SIT & p are as given in Note O.				
100	$GRCF=1 / (1 - T) =$ (from In 96)		1.6048		
101	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(549,547)		
102	Income Tax Calculation	(In 97 * In 105)	80,800,478		15,347,620
103	ITC adjustment	(In 100 * In 101)	(881,893)	NP(TU) 0.19410	(171,174)
104	TOTAL INCOME TAXES	(sum Ins 102 to 103)	79,918,585		15,176,446
105	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 137)	204,106,372		38,768,917
106	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		639,048	DA 1.00000	639,048
107	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		473,593,149		103,259,124
108	(sum Ins 81, 86, 94, 104, 105, 106)				
109	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		1,230,514	DA	268,293
110	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		474,823,663		103,527,417

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

SOUTHWESTERN ELECTRIC POWER COMPANY

SUPPORTING CALCULATIONS

In										
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN SPP TARIFF									
111	Total transmission plant	(In 18)								965,624,457
112	Less transmission plant excluded from SPP Tariff (Worksheet A, In 23a Col. (E)) (Note Q)									37,474,495
113	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (E)) (Note R)									21,252,085
114	Transmission plant included in SPP Tariff	(In 111 - In 112 - In 113)								<u>906,897,877</u>
115	Percent of transmission plant in SPP Tariff	(In 114 / In 111)							TP=	0.93918
116	WAGES & SALARY ALLOCATOR (W/S)	(Note S)		Direct Payroll	Payroll Billed from AEP Service Corp.	Total				
117	Production	354.20.b		31,223,849	12,581,774	43,805,623	NA	0.00000		-
118	Transmission	354.21.b		2,600,423	2,857,594	5,458,017	TP	0.93918		5,126,076
119	Regional Market Expenses	354.22.b		0	0	-	NA	0.00000		-
120	Distribution	354.23.b		23,825,840	1,654,533	25,480,373	NA	0.00000		-
121	Other (Excludes A&G)		0	<u>8,076,947</u>	<u>6,224,965</u>	<u>14,301,912</u>	NA	0.00000		-
122	Total	(sum Ins 117 to 121)		<u>65,727,059</u>	<u>23,318,866</u>	<u>89,045,925</u>				<u>5,126,076</u>
123	Transmission related amount								W/S=	0.05757
124	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
125	Long Term Interest	Long Term Interest (Worksheet N, In. 19, col. (E))								103,159,113
126	Preferred Dividends	Preferred Stock Dividends (Worksheet N, In. 47, col. (E))								114,402
127	<u>Development of Common Stock:</u>									<u>Average</u>
128	Proprietary Capital	(Worksheet N, In. 1, col. (E))								1,742,524,800
129	Less Preferred Stock (In 135)	(Worksheet N, In. 2, col. (E))								2,347,900
130	Less Account 216.1	(Worksheet N, In. 3, col. (E))								15,311,449
131	Less Account 219	(Worksheet N, In. 4, col. (E))								<u>(19,654,296)</u>
132	Common Stock	(In 128 - In 129 - In 130 - In 131)								<u>1,744,519,746</u>
133			<u>2011 Avg Balances</u>		<u>Capital Structure Percentages</u>			Cost		<u>Weighted</u>
134	Avg Long Term Debt (Worksheet N, In. 10, col. (E))		1,705,767,500		Actual	Cap Limit		(Note S)		
135	Avg Preferred Stock (Worksheet N, In. 46, col. (E))		2,347,900		49.40%	0.00%		6.05%		0.0299
136	Avg Common Stock (In 132) (Note U)		<u>1,744,519,746</u>		0.07%	0.00%		4.87%		0.0000
137	Total (sum Ins 134 to 136)		<u>3,452,635,146</u>		50.53%	0.00%		11.20%		<u>0.0566</u>
									WACC=	0.0865
138	Capital Structure Equity Limit (Note U)		<u>52.5%</u>							

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

SOUTHWESTERN ELECTRIC POWER COMPANY

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 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 106.
- 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 This line complies with FERC requirement that Other Post Employment Benefits remain constant from an initial test year. Changes in this base amount can only occur via approval of a 205 filing.
- 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 96) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.

Inputs Required:	FIT =	35.00%
	SIT =	4.13% (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 Long Term Debt cost rate = long-term interest (In 125) / long term debt (In 134). Preferred Stock cost rate = preferred dividends (In 126) / preferred outstanding (In 135). Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket No. ER07-XXX. It includes an additional 50 basis points for remaining a member of the SPP RTO.
- U Per Settlement, equity is limited to 52.5% of PSO'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 cannot change prior to 2/1/11. After this date it can only be changed via an approved 205 or 206 filing.

AEP West SPP Member Companies
2012 Cost of Service Formula Rate
Worksheet A - Detail Plant Balances
SOUTHWESTERN ELECTRIC POWER COMPANY

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
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
Plant Investment Balances					
1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 46	2,312,167,355	2,288,451,984	2,300,309,670
2	Production Asset Retirement Obligation (ARO)	FF1, page 205 & 204, Col.(g)&(b), Ins 15,24,34,44	22,508,276	23,346,227	22,927,252
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	988,029,328	943,219,585	965,624,457
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	-	-	-
5	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 75	1,674,918,482	1,610,282,728	1,642,600,605
6	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 74	-	-	-
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	308,449,476	302,020,696	305,235,086
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	682,710	682,710	682,710
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	59,272,045	66,067,441	62,669,743
10	Total Property Investment Balance	(Sum of Lines: 1, 3, 5, 7, 9)	5,342,836,686	5,210,042,434	5,276,439,560
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 2, 4, 6, 8)	23,190,986	24,028,937	23,609,962
Accumulated Depreciation & Amortization Balances					
12	Production Accumulated Depreciation	FF1, page 219, Ins 20-24, Col. (b)	1,228,216,129	1,195,238,786	1,211,727,458
13	Production ARO Accumulated Depreciation	Company Records	2,378,217	1,850,912	2,114,565
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	370,861,968	356,345,144	363,603,556
15	Transmission ARO Accumulated Depreciation	Company Records	-	-	-
16	Distribution Accumulated Depreciation	FF1, page 219, In 26, Col. (b)	637,961,404	614,063,284	626,012,344
17	Distribution ARO Accumulated Depreciation	Company Records	-	-	-
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	153,582,765	143,892,811	148,737,788
19	General ARO Accumulated Depreciation	Company Records	286,526	255,283	270,905
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	47,433,439	51,248,405	49,340,922
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 12, 14, 16, 18, 20)	2,438,055,705	2,360,788,430	2,399,422,068
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 13, 15, 17, 19)	2,664,743	2,106,195	2,385,469
Generation Step-Up Units					
23	GSU Investment Amount	Company Records	21,262,158	21,242,012	21,252,085
24	GSU Accumulated Depreciation	Company Records	14,253,436	13,871,825	14,062,630
25	GSU Net Balance	(Line 23 - Line 24)	7,008,722	7,370,187	7,189,454
Transmission Plant Excluded from SPP Tariff (see TCOS Note Q)					
23a	Excluded Facilities Investment Amount	Company Records	37,474,495	37,474,495	37,474,495
24a	Excluded Facilities Accumulated Depreciation	Company Records	13,305,423	12,304,784	12,805,104
25a	Excluded Facilities Net Balance	(Line 23a - Line 24a)	24,169,072	25,169,711	24,669,391
Transmission Accumulated Depreciation Net of GSU/Excluded Facilities Accumulated Depreciation					
26	Transmission Accumulated Depreciation	(Line 14 Above)	370,861,968	356,345,144	363,603,556
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	948,012	1,567,041	1,257,527
28	Subtotal of Transmission Accumulated Depreciation	(Line 26 - Line 27)	369,913,956	354,778,103	362,346,029
Plant Held For Future Use					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	1,350,884	1,350,884	1,350,884
30	Transmission Plant Held For Future	Company Records	504,994	-	252,497

AEP West SPP Member Companies
 2012 Cost of Service Formula Rate Projected on 2011 FF1 Balances
Worksheet B - Projected Transmission Plant in Service Additions
SOUTHWESTERN ELECTRIC POWER COMPANY

I. Calculation of Composite Depreciation Rate

1	Transmission Plant @ Beginning of Historic Period (2011) (P.206, In 58,(b)):	943,219,585
2	Transmission Plant @ End of Historic Period (2011) (P.207, In 58,(g)):	988,029,328
3		<u>1,931,248,913</u>
4	Average Balance of Transmission Investment	965,624,457
5	Annual Depreciation Expense, Historic TCOS, In 246	23,038,927
6	Composite Depreciation Rate	2.39%
7	Round to 2% to Reflect a Composite Life of 50 Years	2.00%

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

8	Month in Service	Capitalized Balance	Composite Annual Depreciation Rate	Annual Depreciation	Monthly Depreciation	No. Months Depreciation	First Year Depreciation Expense
9	January	\$ 5,828,937	2.00%	\$ 116,579	\$ 9,715	11	\$ 106,865
10	February	\$ 5,859,934	2.00%	\$ 117,199	\$ 9,767	10	\$ 97,670
11	March	\$ 5,686,962	2.00%	\$ 113,739	\$ 9,478	9	\$ 85,302
12	April	\$ 5,565,117	2.00%	\$ 111,302	\$ 9,275	8	\$ 74,200
13	May	\$ 11,670,700	2.00%	\$ 233,414	\$ 19,451	7	\$ 136,157
14	June	\$ 13,407,393	2.00%	\$ 268,148	\$ 22,346	6	\$ 134,076
15	July	\$ 5,959,639	2.00%	\$ 119,193	\$ 9,933	5	\$ 49,665
16	August	\$ 33,793,054	2.00%	\$ 675,861	\$ 56,322	4	\$ 225,288
17	September	\$ 2,177,627	2.00%	\$ 43,553	\$ 3,629	3	\$ 10,887
18	October	\$ 2,229,650	2.00%	\$ 44,593	\$ 3,716	2	\$ 7,432
19	November	\$ 2,169,070	2.00%	\$ 43,381	\$ 3,615	1	\$ 3,615
20	December	\$ 3,486,073	2.00%	\$ 69,721	\$ 5,810	0	\$ -
21	Investment	<u>\$ 97,834,154</u>			Depreciation Expense		<u>\$ 931,157</u>

III. Plant Transferred

22	\$ -	<== This input area is for original cost plant
23	\$ -	<== 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.
24 (Ln 7 * Ln 22)	\$ -	<== This input area is for additional Depreciation Expense

AEP West SPP Member Companies
 2012 Cost of Service Formula Rate
Worksheet C - ADIT Balances used in Projection & True-Up
SOUTHWESTERN ELECTRIC POWER COMPANY

Line No.	(A) Acc. No.	(B) Description	(C) YE Balance	(E) Exclusions *	(F) 100% Transmission Related	(G) PTD Plant Related	(H) Transmission & Distribution Plant Related	(I) Labor Related	(J) Total Included in Ratebase (E)+(F)+(G)+(H)
Account 282 - Form-1 page 274-275, Ln 2 Col. (k)									
282 Balance to Use in Projection									
1	282.1	2011 Year End Tax Deferrals - Ws C-1	(536,560,912)	10,621,531	-	(544,691,859)	-	(2,490,584)	
2	282.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	17.8668%	37.1028%	5.7651%	
3	282.1	Allocated Total		0	0	(97,319,231)	0	(143,584)	(97,462,815)
282 Balance to Use in True-Up									
4	282.1	2011 Year End Tax Deferrals - Ws C-1	(536,560,912)	10,621,531	-	(544,691,859)	-	(2,490,584)	
5	282.1	2010 Year End Tax Deferrals - Ws C-2	(501,672,946)	5,003,260	-	(502,902,813)	-	(3,773,393)	
6		Subtotal	(1,038,233,858)	15,624,791	-	(1,047,594,672)	-	(6,263,976)	
7		Average Balance	(519,116,929)	7,812,395	0	(523,797,336)	0	(3,131,988)	
8		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	17.6674%	37.0223%	5.7567%	
9		Allocated Total		0	0	(92,541,292)	0	(180,298)	(92,721,590)
Account 283 - Form-1 page 276-277, Ln 9, Col (k)									
283 Balance to Use in Projection									
10	283.1	2011 Year End Tax Deferrals - Ws C-1	(42,603,672)	(6,255,903)	-	(10,366,986)	-	(25,980,783)	
11	283.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	17.8668%	37.1028%	5.7651%	
12	283.1	Allocated Total		0	0	(1,852,253)	0	(1,497,807)	(3,350,060)
283 Balance to Use in True-Up									
13	283.1	2011 Year End Tax Deferrals - Ws C-1	(42,603,672)	(6,255,903)	-	(10,366,986)	-	(25,980,783)	
14	283.1	2010 Year End Tax Deferrals - Ws C-2	(39,142,715)	(7,492,689)	-	(9,595,607)	-	(22,054,420)	
15		Subtotal	(81,746,387)	(13,748,592)	-	(19,962,592)	-	(48,035,203)	
16		Average Balance	(40,873,194)	(6,874,296)	0	(9,981,296)	0	(24,017,601)	
17		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	17.6674%	37.0223%	5.7567%	
18		Allocated Total		0	0	(1,763,434)	0	(1,382,613)	(3,146,047)
Account 190 - Form-1 page 234, Ln 8, Col. (c)									
190 Balance to Use in Projection									
19	190.1	2011 Year End Tax Deferrals - Ws C-1	71,386,128	60,977,171	-	3,968,222	-	6,440,734	
20	190.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	17.8668%	37.1028%	5.7651%	
21	190.1	Allocated Total		0	0	708,996	0	371,312	1,080,308
190 Balance to Use in True-Up									
22	190.1	2011 Year End Tax Deferrals - Ws C-1	71,386,128	60,977,171	-	3,968,222	-	6,440,734	
23	190.1	2010 Year End Tax Deferrals - Ws C-2	64,178,663	49,939,547	-	8,042,702	-	6,196,414	
24		Subtotal	135,564,790	110,916,718	-	12,010,924	-	12,637,148	
25		Average Balance	67,782,395	55,458,359	0	6,005,462	0	6,318,574	
26		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	17.6674%	37.0223%	5.7567%	
27		Allocated Total		0	0	1,061,008	0	363,739	1,424,747
Account 255 - Form-1 page 266-267									
255 Balance to Use in Projection									
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]				17.8668%			
30	255	Allocated Total		N/A	N/A	0	N/A	N/A	0
255 Balance to Use in True-Up									
31	255	Acc Defrd ITC - Federal - 12/31/2011 (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]				17.6674%			
36		Allocated Total		N/A	N/A	0	N/A	N/A	0

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

AEP West SPP Member Companies
 2012 Cost of Service Formula Rate
Worksheet D - Working Capital Rate Base Adjustments
SOUTHWESTERN ELECTRIC POWER COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
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)	151,172	250,090	200,631			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c & b)	121,528	74,735	98,132			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c & b)	0	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	9,966,336	(105,277,143)	0	1,178,400	114,065,080	115,243,480
6 Totals as of December 31, 2010	14,964,889	(76,606,188)	0	1,479,377	90,091,700	91,571,077
7 Average Balance	12,465,613	(90,941,666)	0	1,328,889	102,078,390	103,407,279

Prepayments Account 165 - Balance @ 12/31/2011

Acc. No.	Description	2011 YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)	
8 1650001	Prepaid Insurance	1,054,123	0		543,574	510,549	1,054,123	Plant: Property Ins, Labor Related: Gen Liability
9 1650004	Prepaid Interest	0	0		0	0	0	Ins, D&O Ins, Workers Comp Ins.
10 1650006	Other Prepayments	6,985,537	6,985,537				0	Stall Prepaid agreement fees & NERC
11 1650009	Prepaid Carry Cost-Factored AR	84,194	84,194				0	Assessment fees.
12 1650010	Prepaid Pension Benefits	113,158,952	0			113,158,952	113,158,952	AR Factoring - Excluded because it is retail.
13 1650014	FAS 158 Qual Contra Asset	(113,158,952)	(113,158,952)				0	Refunded Pension Expense
14 1650016	FAS 112 ASSETS	0				0	0	Non-Cash Offset Excludable from Rate Base
15 1650021	Prepaid Insurance - EIS	1,030,405			634,826	395,579	1,030,405	SFAS 158 Offset
16 165001209	Prepaid Taxes	688,600	688,600				0	Plant: EIS Property Ins, Labor Related: EIS Gen
17 1650023	Prepaid Leases	143,478	143,478				0	Liability Ins.
18	Subtotal - Form 1, p 111.57.c	9,966,336 check sum to FF1	(105,277,143)	0	1,178,400	114,065,080	115,243,480	

Prepayments Account 165 - Balance @ 12/31/2010

Acc. No.	Description	2010 YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)	
20 1650001	Prepaid Insurance	1,364,711			912,816	451,895	1,364,711	Plant: Excess Gen. Lia. & Property Liability Ins.
21 1650004	Prepaid Interest	0			0	0	-	Prepaid Facility Fee on 1.5B Securitization
22 1650006	Other Prepayments	11,767,067	11,767,067				-	NERC Assessment fees.
23 1650009	Prepaid Carry Cost-Factored AR	83,097	83,097				-	AR Factoring - Excluded because it is retail.
24 1650010	Prepaid Pension Benefits	89,286,952	0			89,286,952	89,286,952	Refunded Pension Expense
25 1650014	FAS 158 Qual Contra Asset	(89,286,952)	(89,286,952)				0	Non-Cash Offset Excludable from Rate Base
26 1650016	FAS 112 ASSETS	0				0	0	SFAS 158 Offset
27 1650021	Prepaid Insurance - EIS	919,414			566,561	352,853	919,414	EIS
28 165001209	Prepaid Taxes	806,600	806,600				0	
29 1650023	Prepaid Leases	24,000	24,000				0	
30	Subtotal - Form 1, p 111.57.d	14,964,889 check sum to FF1	(76,606,188)	0	1,479,377	90,091,700	91,571,077	

AEP West SPP Member Companies
2012 Cost of Service Formula Rate
Worksheet E - IPP Credits
SOUTHWESTERN ELECTRIC POWER COMPANY

<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))	19,845,042
2	Interest Accrual (company records)	639,048
3	Revenue Credits to Generators (company records)	(1,052,761)
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))	<u>19,431,329</u>
8	Average Balance for 2011 ((ln 1 + ln 7)/2)	<u>19,638,186</u>

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 149)			11.20%
Project ROE Incentive Adder (Enter as whole number)			0 basis points
ROE with additional 0 basis point incentive			11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from Projected TCOS, Ins 147 through 149)			
	%	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)	531,652,081
R (from A. above)	0.0874
Return (Rate Base x R)	46,466,149

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

Return (from B. above)	46,466,149
Tax Rate (Projected TCOS, In 109)	37.69%
EIT=(T(1-T)) * (1-(WCLTD/WACC)) =	40.28%
Income Tax Calculation (Return x EIT)	18,715,040
ITC Adjustment (Projected TCOS, In 116)	(173,968)
Income Taxes	18,541,072

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 123)	115,977,418
Return (Projected TCOS, In 118)	46,466,149
Income Taxes (Projected TCOS, In 117)	18,541,072
Gross Margin Taxes (Projected TCOS, In 122)	300,558
Net Revenue Requirement, Less Return and Taxes	50,669,639

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

Net Revenue Requirement, Less Return and Taxes	50,669,639
Return (from I.B. above)	46,466,149
Income Taxes (from I.C. above)	18,541,072
Net Revenue Requirement, with 0 Basis Point ROE increase	115,676,860
Gross Margin Tax with 0 Basis Point ROE Increase (II C. below)	300,558
Revenue Requirement w/ Gross Margin Taxes	115,977,418
Less: Depreciation (Projected TCOS, In 95)	21,792,703
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	94,184,715

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)	115,676,860
Apportionment Factor to Texas (Worksheet K, In 12)	37.02%
Apportioned Texas Revenues	42,824,673
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	29,977,271
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	299,773
Gross-up Required for Gross Margin Tax Expense	785
Total Additional Gross Margin Tax Revenue Requirement	300,558

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

Net Transmission Plant (Projected TCOS, Ins 46, 47, 48, 49, 51)	633,301,683
Net Revenue Requirement, with 0 Basis Point ROE increase	115,676,860
FCR with 0 Basis Point increase in ROE	18.27%
Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	94,184,715
FCR with 0 Basis Point ROE increase, less Depreciation	14.87%
FCR less Depreciation (Projected TCOS, In 12)	14.87%
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)	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 (Historic TCOS, In 246)	23,038,927	
Composite Depreciation Rate	2.39%	
Depreciable Life for Composite Depreciation Rate	41.91	
Round to nearest whole year	42	

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS				
PROJECTED YEAR	2012	Rev Require	W Incentives	Incentive Amounts
		29,283,407	29,283,407	\$ -

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
SOUTHWESTERN ELECTRIC POWER COMPANY

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 136)			11.20%
Project ROE Incentive Adder (Enter as whole number)			0 basis points
ROE with additional 0 basis point incentive			11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from True-Up TCOS, Ins 134 through 136)			
	%	Cost	Weighted cost
Long Term Debt	49.40%	0.0605	0.0299
Preferred Stock	0.07%	0.0487	0.0000
Common Stock	50.53%	0.1120	0.0566
			R = 0.0865

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

Rate Base (True-Up TCOS, In 63)	448,185,390
R (from A. above)	0.0865
Return (Rate Base x R)	38,768,917

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

Return (from B. above)	38,768,917
Tax Rate (True-Up TCOS, In 96)	37.69%
EIT=(T(1-T)) * (1-(WCLTD/WACC)) =	39.59%
Income Tax Calculation (Return x EIT)	15,347,620
ITC Adjustment (True-Up TCOS, In 103)	(171,174)
Income Taxes	15,176,446

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 110)	103,527,417
Return (True-Up TCOS, In 105)	38,768,917
Income Taxes (True-Up TCOS, In 104)	15,176,446
Gross Margin Taxes (True-Up TCOS, In 109)	268,293
Net Revenue Requirement, Less Return and Taxes	49,313,761

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

Net Revenue Requirement, Less Return and Taxes	49,313,761
Return (from I.B. above)	38,768,917
Income Taxes (from I.C. above)	15,176,446
Net Revenue Requirement, with 0 Basis Point ROE increase	103,259,124
Gross Margin Tax with Basis Point ROE Increase (II C. below)	268,293
Revenue Requirement w/ Gross Margin Taxes	103,527,417
Less: Depreciation (True-Up TCOS, In 83)	21,637,764
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	81,889,653

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)	103,259,124
Apportionment Factor to Texas (Worksheet K, In 12)	37.02%
Apportioned Texas Revenues	38,227,509
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	26,759,256
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	267,593
Gross-up Required for Gross Margin Tax Expense	700
Total Additional Gross Margin Tax Revenue Requirement	268,293

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

Net Transmission Plant (True-Up TCOS, In 39)	544,551,847
Net Revenue Requirement, with 0 Basis Point ROE increase	103,527,417
FCR with 0 Basis Point increase in ROE	19.01%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	81,889,653
FCR with 0 Basis Point ROE increase, less Depreciation	15.04%
FCR less Depreciation (True-Up TCOS, In 12)	15.04%
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)	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 83)	23,036,927	
Composite Depreciation Rate	2.39%	
Depreciable Life for Composite Depreciation Rate	41.91	
Round to nearest whole year	42	

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)	\$	20,171,851	\$	20,171,851
Σ Prior Year True-Up (WS-G)	\$	18,621,087	\$	18,621,087
True-up Adjustment For 2011		(1,550,764)		(1,550,764)
				-

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
SOUTHWESTERN ELECTRIC POWER COMPANY

Revenue Credits for

	Total Company	Non- Transmission	Transmission
I. Account 450, Forfeited Discounts	4,745,231	4,745,231	0
II. Account 451, Miscellaneous Service Revenues	2,382,278	2,382,278	0
III. Account 454, Rent from Electric Property			
1 Account 4540001 - Rent from Elect Property-Aff	2,035,600	2,035,600	0
2 Account 4540002 - Rent from Elect Property - Non-Aff	7,227,778	7,227,778	0
3 Account 4540003 - Rent from Elect Property - ABD - Aff	0	0	0
4 Account 4540004 - Rent from Elect Property - ABD - Non-Aff	30,900	30,900	0
5 Total Rents from Electric Property	9,294,278		0
(Revenue related to transmission facilities for pole attachments, rentals, etc. Provide data sources and explanations in Section VIII, Notes below)			
IV. Account 4560015, Revenues from Associated Business Development			
1 Account 4560015, Revenues from Associated Business Development	696,694	0	103,133
V. Total Other Operating Revenues To Reduce Revenue Requirement			103,133
VI. Account 456.1, Revenues from Transmission of Electricity of Others			53,544,612
(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)			0
2 Sponsored Upgrade Revenue			0
3 Credits against Transmission Service Revenue related to Generation Interconnections			2,171,479
4 Revenue for GFA's (Relative to SPP OATT) Associated with Load Included in the Divisor			108,243
5 Network Service Revenue (SPP Schedule 9) Associated with Load included in the Divisor			24,010,369
6 Revenue Associated with Transmission Plant Excluded From SPP Tariff			0
7 Distribution and Other Non-Transmission Revenue			381,259
8 Revenue from SPP Ancillary Services Provided			4,507,591
9 Base Plan Revenue (from SPP)			15,551,004
10 Flow Through of ERCOT Ancillary Charges			0
11 Other			0
Net Transmission Credits			\$6,814,667
VII. Total Worksheet A Revenue Credits			\$6,917,801

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
SOUTHWESTERN ELECTRIC POWER COMPANY

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)	\$0

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
SOUTHWESTERN ELECTRIC POWER COMPANY

<u>Line Number</u>	<u>FERC Acct No.</u>	<u>Description</u>	<u>2011 Expense</u>	<u>100% Non-Transmission</u>	<u>100% Transmission Specific</u>	<u>Explanation</u>
Account 926						
2007 Base Year OPEB Expense (Note 1)						
1	9260021	Postretirement Benefits - OPEB	7,852,189			
2	9260057	Postret Ben Medicare Subsidy	(2,175,142)			
3		OPEB Billed From Service Corporation	496,027			
4		Net 2007 Base Year Expense	6,173,074			
5	2011 Current Year Expense					
6	9260021	Postretirement Benefits - OPEB	7,034,585			
7	9260057	Postret Ben Medicare Subsidy	(2,194,050)			
8		OPEB Billed From Service Corporation	526,651			
9		Net 2011 Expense	5,367,186			
10		Net Increase (Decrease) in OPEB Expense	(805,888)	This Amount Is Allocated on Wages & Salaries		
Note 1: Absent a 205 Filing with FERC, the base amounts (Lns 1-4) will not change in subsequent years.						
Account 928						
11	9280000	Regulatory Commission Exp	17,279	17,276	2	
	9280001	Reg Commission Expense - OCC Annual Fees	41,471	2,504	38,966	FERC Annual Assessment
12	9280002	Reg Commission Exp - Labor Accruals	1,644	1,331	312	Labor accruals - for various depts
13	9280002	Reg Commission Exp - Case	617	487	129	Arkansas Rate Case filing
14	9280002	Reg Commission Exp - Case	72,217	65,627	6,591	Misc Filing
15	9280002	Reg Commission Exp - Case	63,305	63,305	0	2009 TX EECRF Filing
16	9280002	Reg Commission Exp - Case	4,058	0	4,058	FERC Docket ER07-1369-000
17	9280002	Reg Commission Exp - Case	-754,445	-757,334	2,888	2009 TX Filing - Fuel Rec
18	9280002	Reg Commission Exp - Case	27,111	25,844	1,268	2009 TX Rate Filing
19	9280002	Reg Commission Exp - Case	0	0	0	PUCT Docket #37365 - Declaratory Ruling Approving Limited Issues Rate Proceeding
20	9280002	Reg Commission Exp - Case	23,077	23,077	0	Rate Case Support - Flint Greek FGD
21	9280002	Reg Commission Exp - Case	237,529	237,529	0	Rate Case Support - SWEPCO Turk CWIP Case 2011
22	9280002	Reg Commission Exp - Case	213,100	168,245	44,855	Rate Case Support - SWEPCO TX CWIP Case 2010
23	9280003	Rate Case Amort	1,904,774	1,904,774	0	Rate Case Amortization
24		Total (FF1, pg. 323)	1,851,735	1,752,666	99,069	
Account 930.1						
25	9301000	General Advertising Expenses	210,906	179,400	31,506	
26	9301001	Newspaper Advertising Space	55,283	50,492	4,791	
27	9301002	Radio Station Advertising Time	11,094	9,657	1,436	
28	9301003	TV Station Advertising Time	2,000	1,678	322	
29	9301006	Spec Corporate Comm Info Proj	0	0	0	
30	9301008	Direct Mail and Handouts	0	0	0	
31	9301009	Fairs, Shows, and Exhibits	0	0	0	
32	9301010	Publicity	2,682	2,331	351	
33	9301011	Dedications, Tours, & Openings	0	0	0	
34	9301012	Public Opinion Surveys	70,433	69,865	568	
35	9301013	Movies Slide Films & Speeches	0	0	0	
36	9301014	Video Communications	112	96	16	
37	9301015	Other Corporate Comm Exp	101,038	92,922	8,116	
38		Total (FF1, pg. 323)	453,548	406,441	47,107	
Account 930.2						
39	9302000	Misc General Expenses	3,032,596	2,918,654	113,943	
40	9302003	Corporate & Fiscal Expenses	120,165	110,165	10,000	
41	9302004	Research, Develop&Demonstr Exp	64,169	64,169	0	
42	9302006	Assoc Bus Development - Materials Sold-Trans	0	0	0	
43	9302006	Assoc Bus Development - Materials Sold-Non Trans	28,096	28,096	0	
44	9302007	Assoc Business Development Exp - Transmission	70,719	70,719	0	
45	9302007	Assoc Business Development Exp - Non-Transmission	169,113	0	169,113	
46		Total (FF1, pg. 323)	3,484,858	3,191,802	293,056	

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2011 FF1 Balances
Worksheet K - Development of Composite State Income Tax Rate
SOUTHWESTERN ELECTRIC POWER COMPANY

I. DEVELOPMENT OF COMPOSITE STATE INCOME TAX RATES FOR 2011

State Income Tax Rate - Louisiana		8.00%	
Apportionment Factor		34.5100%	
Effective Louisiana State Income Tax Rate			2.7608%
State Income Tax Rate - Arkansas		6.50%	
Apportionment Factor		20.8599%	
Effective Arkansas State Income Tax Rate			1.3559%
State Income Tax Rate - Oklahoma	Note 1	5.66%	
Apportionment Factor		0.2640%	
Effective State Income Tax Rate			0.0149%
State Income Tax Rate - Ohio		8.5000%	
Apportionment Factor		0.00%	
Tax Phase-out Factor	Note 2	20.00%	
Effective State Income Tax Rate			0.0000%
State Income Tax Rate - Nebraska		7.81%	
Apportionment Factor		0.0000%	
Effective Nebraska State Income Tax Rate			0.0000%
Total Effective State Income Tax Rate			<u>4.1316%</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 118 of Template)	Projected		Historic		Actual	
		Total Company	Trans. Only	Total Company	Trans. Only	Total Company	Trans. Only
		487,094,155	115,676,860	479,267,126	105,577,546	473,593,149	103,259,124
1	Apportionment Factor to Texas (In12)	37.02%	37.02%	37.02%	37.02%	37.02%	37.02%
2	Apportioned Texas Revenues	\$180,326,886	\$42,824,673	\$177,429,245	\$39,085,811	\$175,328,685	\$38,227,509
3	Taxable Percentage of Revenue (70%)	70%	70%	70%	70%	70%	70%
4	Taxable, Apportioned Margin	126,228,820	29,977,271	124,200,472	27,360,068	122,730,079	26,759,256
5	Texas Gross Margin Tax Rate (1%)	1%	1%	1%	1%	1%	1%
6	Texas Gross Margin Tax Expense	1,262,288	299,773	1,242,005	273,601	1,227,301	267,593
7	Gross-up Required for Texas Gross Margin Expense (In 6 * In 3 * In 1)/(1- In 5) * In 5)	3,304	785	3,251	716	3,213	700
8	Total Additional Gross Margin Tax Revenue Requirement	<u>1,265,592</u>	<u>300,558</u>	<u>1,245,256</u>	<u>274,317</u>	<u>1,230,514</u>	<u>268,293</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
SOUTHWESTERN ELECTRIC POWER COMPANY

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	Revenue Taxes					
2	TX Gross Receipts/OH CAT Tax	5,246,396				5,246,396
3	Real Estate and Personal Property Taxes					
4	Oklahoma Ad Valorum	381,427	381,427			
5	Arkansas Ad Valorum	4,006,194	4,006,194			
6	Louisiana Ad Valorum	15,419,772	15,419,772			
7	Texas Ad Valorum	15,016,880	15,016,880			
8	Payroll Taxes					
9	Federal Insurance Contribution (FICA)	5,086,003		5,086,003		
10	Federal Unemployment Tax	51,553		51,553		
11	State Unemployment Insurance	163,788		163,788		
12	Production Taxes					
13		-				-
14		-				-
15	Miscellaneous Taxes					
16	Federal Excise Tax	6,367				6,367
17	LA State Franchise	2,443,268			2,443,268	
18	DE State Franchise	56,870			56,870	
19	AR State Franchise	106,785			106,785	
20	Ok State Franchise Tax	20,100			20,100	
21	Ok State License	10			10	
22	AR State License	155			155	
23	NE State License	-			-	
24	DE State License	10			10	
25	LA State License	27			27	
26	AR Local Franchise	34,728			34,728	
27	TX Local Franchise	9,790,839			9,790,839	
28	TX State Franchise	-			-	
29	LA Local Franchise	5,476,336			5,476,336	
30	AR Sales & Use Tax	(8,955)			-	
31	LA Sales & Use Tax	2,320			-	2,320
32	NE Sales & Use Tax	-			-	-
33	Ok Sales & Use Tax	7			-	7
34	TX Sales & Use Tax	35			-	35
35	Multi-State Sales & Use Tax	-			-	-
36	TX Misc Tax	834,122			834,122	
37	LA Misc Tax	453,602			453,602	
38	AR Misc Tax	650,133			650,133	
39	NE Misc Tax	-			-	
40	OK Misc Tax	-			-	
41	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	65,238,772	34,824,273	5,301,344	19,866,985	5,255,125

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
SOUTHWESTERN ELECTRIC POWER COMPANY

(A)	(B)	(C)	(D)	(E)
<u>Issuance</u>	<u>Principle Amount</u> FF1.p. 257.x (h)	<u>Interest Rate</u>	<u>Annual Expense</u>	<u>Notes</u>
<u>Long Term Debt (FF1.p. 256-257.h)</u>				
1 <u>Affiliated Notes Payable</u>				
2 None			-	
3			-	
<u>Pollution Control Bonds</u>				
5 PCRB - Titus - Series 2008, FERC (ES08-6)		4.50%	-	Issue 8/20/08
6 PCRB - Parish of DeSoto, LA - Series 2010	53,500,000	3.25%	1,738,750	Issue 3/12/10
7 PCRB - Sabine River - Series 2006 - 4.95%	81,700,000	4.95%	4,044,150	Issue 4/11/08
<u>Senior Unsecured Notes</u>				
9 Senior Unsecured Notes - Series C	100,000,000	5.375%	5,375,000	Issue 4/15/03
10 Senior Unsecured Notes - Series D	150,000,000	4.90%	7,350,000	Issue 6/28/05
11 Senior Unsecured Notes - Series E	250,000,000	5.55%	13,875,000	Issue 1/11/07
12 Senior Unsecured Notes - Series F	300,000,000	5.875%	17,625,000	Issue 12/04/07
13 Senior Unsecured Notes - Series G	400,000,000	6.45%	25,800,000	Issue 6/09/08
14 Senior Unsecured Notes - Series H	350,000,000	6.20%	21,700,000	Issue 3/15/10
15			-	
<u>Issuance Discount, Premium, & Expenses:</u>				
16 Financial Hedges & Auction Fees	FF1.p256 & 257.i Lines Described as Hedges or Fees		1,919,569	p256.1, Ln26
17 Amort of Debt Discount and Expenses	FF1.p. 117.63.c (or WS-N Ln 15)		1,583,137	
18 Less: Amor of Debt Premiums	FF1.p. 117.65.c (or WS-N Ln 17)		-	
<u>Reacquired Debt:</u>				
19 Amortization of Loss	FF1.p. 117.64.c (or WS-N Ln 16)		1,653,629	
20 Less: Amortization of Gain	FF1.p. 117.66.c (or WS-N Ln 18)		237,408	
21 Total Interest on Long Term Debt	1,685,200,000	6.08%	102,426,827	
<u>Preferred Stock (FF1.p. 250-251)</u>				
<u>Preferred Balance Outstanding</u>				
22 5.00% Series - \$100 - 37665 Shares O/S	-	5.00%	-	
23 4.65% Series - \$100 - 1907 Shares O/S	-	4.65%	-	
24 4.28% Series - \$100 - 7386 Shares O/S	-	4.28%	-	
25 Dividends on Preferred Stock	-	0.00%	-	

AEP West SPP Member Companies
Cost of Service Formula Rate Using 2011 FF1 Balances
SOUTHWESTERN ELECTRIC POWER COMPANY

**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>Balances @</u>	<u>Average</u>
		<u>12/31/2011</u>	<u>12/31/2010</u>	
<u>Development of Average Balance of Common Equity</u>				
1	Total Proprietary Capital (p. 112.16.c&d)	1,813,365,524	1,671,684,075	1,742,524,800
2	Less Preferred Stock from Ln 46 below	0	4,695,800	2,347,900
3	Less Account 216.1 (p. 112.12.c&d)	16,684,595	13,938,303	15,311,449
4	Less Account 219.1 (p. 112.15.c&d)	(26,817,142)	(12,491,449)	(19,654,296)
5	Average Balance of Common Equity	1,823,498,071	1,665,541,421	1,744,519,746
<u>Development of Cost of Long Term Debt Based on Average Outstanding Balance</u>				
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)	1,685,200,000	1,726,335,000	1,705,767,500
10	Total Average Debt	1,685,200,000	1,726,335,000	1,705,767,500
11	Annual Interest Expense for 2011			
12	Coupon Interest on Long Term Debt (256-257.33.i)			100,353,006
13	Less: Financial Hedge (Gain)/Expense from Ln 26 Included in Ln 12			1,919,569
14	Plus: Allowed Hedge Recovery from Ln 30 below			1,726,318
15	Amort of Debt Discount & Expense (428) (p. 117.63.c)			1,583,137
16	Amort of Loss on Reacquired Debt (428.1) (p. 117.64.c)			1,653,629
17	Less: Amort of Premium on Debt (429) (p. 117.65.c)			-
18	Less: Amort of Gain on Reacquired Debt (429.1) (p. 117.66.c)			237,408
19	Total Interest Expense (Ln 12 - Ln 13 + Ln 14 + Ln 15 + Ln 16 - Ln 17 - Ln 18)			103,159,113
20	Average Cost of Debt for 2012 (Ln 19/Ln 10)			6.05%
21	Financial Hedge Amortization Reported in Column (i) on Page 256-257			
22	SUN Series E 5.55% Financial Hedge (p256.1/Ln26)			1,919,569
23				
24				
25				
26	Total Hedge Amortization			1,919,569
27	Total Average Capital Balance for 2011 (Actual TCOS, Ln 137)			3,452,635,146
28	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005
29	Limit of Recoverable (Gain)/Expense Amount			1,726,318
30	Recoverable Hedge Amortization			1,726,318
	<i>(lesser of 5 basis point Cap or Actual (Gain)/Expense based on magnitude as indicated on Ln 26 or Ln 29)</i>			
<u>Development of Cost of Preferred Stock</u>				
	Preferred Stock			Average
31	0% Series - - Dividend Rate (p. 250-251. 10.a)		4.28%	
32	0% Series - - Par Value (p. 250-251. 10.c)	\$	100.00	
33	0% Series - - Shares O/S (p.250-251. 10.e)		7,386	
34	0% Series - - Monetary Value (Ln 32 * Ln 33)	-	738,600	369,300
35	0% Series - - Dividend Amount (Ln 31 * Ln 34)	-	31,612	15,806
36	0% Series - - Dividend Rate (p. 250-251. 9.a)		4.65%	
37	0% Series - - Par Value (p. 250-251. 9.c)	\$	100.00	
38	0% Series - - Shares O/S (p.250-251. 9.e)		1,907	
39	0% Series - - Monetary Value (Ln 37 * Ln 38)	-	190,700	95,350
40	0% Series - - Dividend Amount (Ln 36 * Ln 39)	-	8,868	4,434
41	0% Series - - Dividend Rate (p. 250-251. 8.a)		5.00%	
42	0% Series - - Par Value (p. 250-251. 8.c)	\$	100.00	
43	0% Series - - Shares O/S (p.250-251. 8.e)		37,665	
44	0% Series - - Monetary Value (Ln 42 * Ln 43)	-	3,766,500	1,883,250
45	0% Series - - Dividend Amount (Ln 41 * Ln 44)	-	188,325	94,163
46	Balance of Preferred Stock (Lns 34, 39, 44)	-	4,695,800	2,347,900
47	Dividends on Preferred Stock (Lns 35, 40, 45)	-	228,805	114,402
48	Average Cost of Preferred Stock (Ln 47/46)	0.00%	4.87%	4.87%