

AEP Transmission Formula Rate Template
 Utilizing FERC Form 1 Data
 For rates effective July 1, 2016

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)	246,683,321	\$91,596,170	\$155,087,151
2	LESS: REVENUE CREDITS	(TCOS Line 5)	16,165,289	\$6,818,274	\$9,347,015
3	CURRENT YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(TCOS Line 6)	<u>\$230,518,032</u>	<u>\$84,777,896</u>	<u>\$145,740,136</u>
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			36.777%	63.223%
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(TCOS Line 7)	70,531,855	6,774,890	63,756,965
6	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet F)	-	-	-
7	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet F)	-	-	-
8	SUBTOTAL		<u>70,531,855</u>	<u>6,774,890</u>	<u>63,756,965</u>
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	<u>159,986,178</u>	<u>78,003,006</u>	<u>81,983,172</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>\$159,986,178</u>	<u>\$78,003,006</u>	<u>\$81,983,172</u>
12	2015 Historic AEP West Zone 1 SPP Average 12-Mo. Peak Demand, MW	(Load WS, ln 19)	8,211	8,211	8,211
13	AEP Monthly NITS Rate in \$/MW - Month	(Line 11 / Line 12) / 12	\$1,623.70	\$791.65	\$832.05
B. Point-to-Point Service					
14	Annual Point-to-Point Rate in \$/MW - Year	(Line 11 / Line 12)	\$19,484.37	\$9,499.82	\$9,984.55
15	Monthly Point-to-Point Rate in \$/MW - Month	(Line 14 / 12)	\$1,623.70	\$791.65	\$832.05
16	Weekly Point-to-Point Rate in \$/MW - Weekly	(Line 14 / 52)	\$374.70	\$182.69	\$192.01
17	Daily On-Peak Point-to-Point Rate in \$/MW - Day	(Line 14 / 260)	\$74.94	\$36.54	\$38.40
18	Daily Off-Peak Point-to-Point Rate in \$/MW - Day	(Line 14 / 365)	\$53.38	\$26.03	\$27.35
19	Hourly On-Peak Point-to-Point Rate in \$/MW - Hour	(Line 14 / 4160)	\$4.68	\$2.28	\$2.40
20	Hourly Off-Peak Point-to-Point Rate in \$/MW - Hour	(Line 14 / 8760)	\$2.22	\$1.08	\$1.14

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For rates effective July 1, 2016

SPP SCHEDULE 1 AEP Revenue Requirements

Line No.		AEP Annual Revenue Requirement	PSO Annual Revenue Requirement	SWEPCO Annual Revenue Requirement
A. Schedule 1 ARR For 2016 Projected Year				
1	Total Load Dispatch & Scheduling (Account 561) (TCOS Line 77)	\$30,698,829	\$15,009,855	\$15,688,974
2	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)	\$22,154,223	\$11,043,371	\$11,110,852
3	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)	\$2,120,246	\$1,054,895	\$1,065,351
4	Total 561 Internally Developed Costs	(Line 1 - Line 2 - Line 3) \$6,424,360	\$2,911,589	\$3,512,771
5	Less: PTP Service Credit (prior year Sched 1 revenue from PTP transactions)	487,415	\$229,827	\$257,588
6	PROJECTED ZONAL ARR FOR 2016	(Line 4 - Line 5) \$5,936,945	\$2,681,762 45.171%	\$3,255,183 54.829%
B. Schedule 1 Projected 7/1/2016 Rate Calculations				
7	2015 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 19)	8,211.00 MW	
8	Annual Point-to-Point Rate in \$/MW - Year	(Line 6 / Line 7)	\$723.05	
9	Monthly Point-to-Point Rate (In 8 / 12) \$/MW - Month	(Line 8 / 12)	\$60.25	
10	Weekly Point-to-Point Rate (In 8 / 52) \$/MW - Weekly	(Line 8 / 52)	\$13.90	
11	Daily Off-Peak Point-to-Point Rate (In 8 / 365) \$/MW - Day	(Line 8 / 365)	\$1.98	
12	Hourly Off-Peak Point-to-Point Rate (In 8 / 8760) \$/MW - Hour	(Line 8 / 8760)	\$0.08	

AEP Transmission Formula Rate Template
Calculation of True-Up Rate For Schedule 9
For Calendar Year 2015

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 2015 REVENUE REQUIREMENT (w/o incentives)	(True-Up TCOS Line 1)	233,663,607	\$91,021,133	\$142,642,474
2	LESS: REVENUE CREDITS	(True-Up TCOS Line 5)	16,165,289	\$6,818,274	\$9,347,015
3	TRUE-UP YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(True-Up TCOS Line 6)	<u>\$217,498,319</u>	<u>\$84,202,859</u> 38.714%	<u>\$133,295,459</u> 61.286%
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:				
5	BASE PLAN UPGRADES (W/O INCENTIVES)	(True-Up TCOS Line 7)	62,542,079	7,037,772	55,504,307
6	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-	-
7	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-	-
8	SUBTOTAL		<u>62,542,079</u>	<u>7,037,772</u>	<u>55,504,307</u>
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3- Line 8)	<u>154,956,240</u>	<u>77,165,087</u>	<u>77,791,152</u>
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(True-Up TCOS Line 15)	-	-	-
11	TRUED-UP ZONAL ATRR (W/ INCENTIVES) FOR 2015	(Line 9 + Line 10)	154,956,240	77,165,087	77,791,152
12	2015 Historic AEP West Zone SPP Average 12-Mo. Peak Demand, MW	(Load WS, In 19)	8,211	8,211	8,211
13	Monthly NITS Rate in \$/MW - Month	(Line 11 / Line 12) /12	1,572.65	783.15	789.50

AEP Transmission Formula Rate Template
 Calculation of Schedule 11 Revenue Requirements For AEP Transmission Projects
 For Calendar Year 2015 and Projected Year 2016

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

PUBLIC SERVICE COMPANY OF OKLAHOMA

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

(A)	(B)	(C)	(D)	(E)	(F)	(G) = (E) + (F)	(H)	(I)	(J)	(K) = (I) - (J)	(L)	(M)	(N) = (L)-(M)	(O)	(P) = (H)+(K)+(N)+(O)	(Q) = (G) + (P)
				Projected ARR For 2016 From WS-F			True-Up ARR CY2015 From Worksheet G (includes adjustment for SPP Collections)									
							Base ARR			Incentive ARR				Total ADJUSTED		
Sheet	Owner	Project Description	Year in Service	Base ARR (WS-F)	Incentive	Total	TRUE-UP Adjustment (WS-G)	Projected ADJUSTED ARR from Prior Update	As Billed by SPP (for Prior Yr T-Service)	COLLECTION Adjustment	True-up	As Billed	Change	Interest	Total Adjustments (True-Up, Billing, & Interest)	Total ADJUSTED Revenue Requirement Effective 7/1/2016
P.001	PSO	Riverside-Glenpool (81-523) Reconductor	2009	118,046	-	118,046	(462)	133,250	123,730	9,520	-	-	-	(905)	8,152	126,198
P.002	PSO	Craig Jct. to Broken Bow Dam 138 Rebuild (7.7mi)	2009	613,227	-	613,227	2,883	697,703	647,854	49,848	-	-	-	(5,271)	47,460	660,687
P.003	PSO	WFEC New 138 kV Ties: Sayre to Erick (WFEC) Line & Atoka and Tupelo station work	2009	1,508,465	-	1,508,465	950	1,597,550	1,483,411	114,139	-	-	-	(11,505)	103,584	1,612,049
P.004	PSO	Cache-Snyder to Altus Jct. 138 kV line (w/2 ring bus stations)	2008	1,887,202	-	1,887,202	(12,435)	2,126,862	1,974,906	151,957	-	-	-	(13,947)	125,574	2,012,777
P.005	PSO	Catoosa 138 kV Device (Cap. Bank)	2006	48,054	-	48,054	87	54,558	50,660	3,898	-	-	-	(398)	3,586	51,640
P.006	PSO	Pryor Junction 138/69 Upgrade Transf	2008	195,750	-	195,750	62	221,866	206,014	15,852	-	-	-	(1,591)	14,323	210,073
P.007	PSO	Elk City - Elk City 69 kV line (CT Upgrades)*	2007	10,822	-	10,822	(19)	12,243	11,368	875	-	-	-	(86)	770 *	11,592
P.008	PSO	Weleetka & Okmulgee Wavetrap replacement 81-805*	2006	6,965	-	6,965	84	7,981	7,411	570	-	-	-	(65)	589 *	7,554
P.009	PSO	Tulsa Southeast Upgrade (repl switches)*	2007	9,186	-	9,186	102	10,516	9,764	751	-	-	-	(85)	768 *	9,955
P.010	PSO	Wavetrap Clinton City-Foss Tap 69kV Ckt 1*	2010	12,898	-	12,898	44	14,656	13,609	1,047	-	-	-	(109)	982	13,880
P.011	PSO	Bartlesville SE to Coffeyville T Rebuild	2011	191,059	-	191,059	153	216,545	201,074	15,471	-	-	-	(1,562)	14,063	205,122
P.012	PSO	Canadian River - McAlester City 138 kV Line Conversion	2012	464,889	-	464,889	(1,312)	537,535	499,130	38,405	-	-	-	(3,708)	33,385	498,274
P.013	PSO	CoffeyvilleT to Dearing 138 kv Rebuild - 1.1 mi*	2010	3,072	-	3,072	0	3,478	3,229	248	-	-	-	(25)	224	3,296
P.014	PSO	Ashdown West - Craig Junction	2013	136,209	-	136,209	(614,178)	183,078	169,997	13,080	-	-	-	60,089	(541,009)	(404,799)
P.015	PSO	Locust Grove to Lone Star 115 kV Rebuild 2.1 miles	2014	321,714	-	321,714	(6,714)	211,918	196,777	15,141	-	-	-	(842)	7,585	329,299
P.016	PSO	Cornville Station Conversion	2014	736,521	-	736,521	(35,775)	483,128	448,610	34,518	-	-	-	126	(1,131)	735,390
P.017	PSO	Grady Customer Connection	2015	262,897	-	262,897	(95,929)	206,807	192,032	14,776	-	-	-	8,113	(73,041)	189,856
P.018	PSO	Darlington-Red Rock 138 kV line	2014	247,914	-	247,914	(521)	263,478	244,653	18,825	-	-	-	(1,830)	16,474	264,388
PSO Total				6,774,890	-	6,774,890	# (762,979)	6,983,150	6,484,229	498,921	-	-	-	26,397	(237,661)	6,537,230
*<\$100K investment																
Informational ONLY																
SWEPCO Total				63,756,965	-	63,756,965	(1,915,832)	59,232,137	55,000,209	4,231,928	-	-	-	208,181	2,524,276	66,281,241
AEP TOTALS				70,531,855	-	70,531,855	(2,678,811)	66,215,287	61,484,438	4,730,849	-	-	-	234,577	2,286,616	72,818,471

AEP Transmission Formula Rate Template
Calculation of Schedule 11 Revenue Requirements For AEP Transmission Projects
For Calendar Year 2015 and Projected Year 2016

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 2016 From WS-F</u>							<u>True-Up ARR CY2015 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</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 Requirement Effective 7/1/2016</u>	
S.039	SWE	Ashdown West - Craig Junction 138KV Rebuild (tie w/PSO)	2013	613,044	-	613,044	7,099	693,664	644,104	49,560	-	-	-	5,093	61,752 *	674,795	
S.040	SWE	Rock Hill to Carthage 69 kV Rebuild 11.4 Miles	2014	1,403,625	-	1,403,625	26,966	783,133	727,181	55,952	-	-	-	7,453	90,371 *	1,493,996	
S.041	SWE	Broadmoor to Fern Street 69 kV Rebuild 1 mile	2014	708,199	-	708,199	114,359	396,978	368,615	28,363	-	-	-	12,828	155,550 *	863,748	
S.042	SWE	Northwest Henderson to Poynter 69 kV Rebuild 3.2 miles	2014	774,189	-	774,189	108,724	452,293	419,978	32,315	-	-	-	12,677	153,716 *	927,905	
S.043	SWE	Diana to Perdue 138 kV Rebuild 21.8 miles; Station Upgrades at Diana and Perdue	2014	2,219,268	-	2,219,268	96,887	1,229,216	1,141,393	87,823	-	-	-	16,603	201,313 *	2,420,581	
S.044	SWE	Pittsburg-Winnsboro-North Mineola	2007	3,660,458	-	3,660,458	(62,014)	3,788,800	3,518,103	270,696	-	-	-	18,757	227,440 *	3,887,898	
S.045	SWE	CHAMBER SPRINGS - TONTITOWN 161KV CKT 1	2007	328,830	-	328,830	(6,605)	340,483	316,157	24,326	-	-	-	1,593	19,314 *	348,144	
S.046	SWE	CHAMBER SPRINGS - TONTITOWN 345KV CKT 1	2008	2,077,482	-	2,077,482	(30,434)	2,149,751	1,996,159	153,592	-	-	-	11,070	134,228 *	2,211,710	
S.047	SWE	FULTON - HOPE 115KV CKT 1	2012	109,452	-	109,452	100	113,056	104,978	8,077	-	-	-	735	8,912 *	118,364	
S.048	SWE	MINEOLA - NORTH MINEOLA 69KV CKT 1	2010	21,317	-	21,317	(143)	22,038	20,463	1,575	-	-	-	129	1,560 *	22,877	
S.049	SWE	SUGAR HILL 138/69KV TRANSFORMER CKT 1	2011	3,201	-	3,201	(1)	3,307	3,071	236	-	-	-	21	256 *	3,457	
S.050	SWE	Dekalb-New Boston 69 kV	2015	2,355,186	-	2,355,186	(986,670)	2,201,646	2,044,346	157,300	-	-	-	(74,547)	(903,917) *	1,451,268	
S.051	SWE	Hardy Street-Waterworks 69 kV	2015	809,243	-	809,243	(331,289)	684,865	635,934	48,931	-	-	-	(25,380)	(307,737) *	501,506	
S.052	SWE	Red Oak (State Line)-North Huntington 69 kV	2015	1,789,026	-	1,789,026	(823,786)	1,747,112	1,622,287	124,825	-	-	-	(62,826)	(761,787) *	1,027,239	
S.053	SWE	Mt. Pleasant - West Mt. Pleasant 69 kV Ckt 1)	2015	861,695	-	861,695	(399,454)	787,223	730,979	56,244	-	-	-	(30,849)	(374,059) *	487,636	
S.054	SWE	Benteler - Port Robson 138 kV Ckt 1 and 2	2015	2,088,786	-	2,088,786	(909,390)	1,849,307	1,717,180	132,126	-	-	-	(69,864)	(847,128) *	1,241,658	
S.055	SWE	Ellerbe Rd-S Shreveport 69 kv Build	2016	1,240,275	-	1,240,275	-	-	-	-	-	-	-	-	-	1,240,275	
S.056	SWE	Logansport 138 kv	2016	156,067	-	156,067	-	-	-	-	-	-	-	-	-	156,067	
S.057	SWE	Winnsboro 138 kv	2016	160,164	-	160,164	-	-	-	-	-	-	-	-	-	160,164	
S.058	SWE	Rock Hill-Springridge Pan-Harr REC 138 kv	2016	3,262,214	-	3,262,214	-	-	-	-	-	-	-	-	-	3,262,214	
S.059	SWE	Brownlee-North Mrket 69 kv Rebuild	2016	1,253,474	-	1,253,474	-	-	-	-	-	-	-	-	-	1,253,474	
SWEPCO Total				63,756,965	-	63,756,965	(1,915,832)	59,232,137	55,000,209	4,231,928	-	-	-	208,181	2,524,276	66,281,241	
PSO Total				6,774,890	-	6,774,890	(762,979)	6,983,150	6,484,229	498,921	-	-	-	26,397	(237,661)	6,537,230	
AEP TOTALS				70,531,855	-	70,531,855	# (2,678,811)	66,215,287	61,484,438	4,730,849	-	-	-	234,577	2,286,616	72,818,471	

*-<\$100K investment, **Al xfer, ***Non-BPU (to be removed from list in future).

Informational ONLY

AEP West (SPP Zone-1)
Network Load for January Through December, 2015
Based on West Zone-SPP Monthly Transmission System Firm Peak Demands [1] for the Twelve Months Ended December 31, 2015

Historical Combined Load Worksheet (SPP Zone - 1)

Line No.	Peak Day Peak Hour	1/8/2015	2/27/2015	3/6/2015	4/7/2015	5/27/2015	6/24/2015	7/29/2015	8/7/2015	9/8/2015	10/15/2015	11/23/2015	12/18/2015	12 Month Average MW	LRS
SPP Load Responsibility		800	800	800	1700	1700	1700	1700	1600	1500	1700	800	800		
1	PSO (2)	3,016	2,790	2,517	2,592	2,879	3,811	4,055	4,199	3,776	2,996	2,192	2,442	3,105.4	37.8%
2	SWEPSCO (2)	3,257	2,984	3,011	2,401	2,827	3,436	3,776	3,765	3,462	2,872	2,378	2,436	3,050.4	37.2%
3	AECC (3)	526	565	498	309	498	563	640	619	494	375	399	425	492.6	6.0%
4	AECC-MISO	318	196	168	111	103	189	205	241	225	193	140	173	188.5	2.3%
5	WFEC (3)	35	34	33	21	26	30	36	37	34	27	31	30	31.2	0.38%
6	OMPA (3)	94	85	77	89	91	137	155	156	143	112	69	77	107.1	1.3%
7	OG&E (3)	20	19	22	21	8	9	12	11	14	13	13	13	14.6	0.18%
8	NTEC (3)	849	736	780	378	467	635	695	702	603	466	572	570	621.1	7.6%
9	ETEC (3)	108	85	91	48	59	80	92	91	77	61	75	75	78.5	1.0%
10	TEXLA (3)	121	106	109	80	70	103	113	109	96	37	84	86	92.8	1.1%
11	Greenbelt (3)	8	7	6	7	4	7	14	12	12	8	4	7	8.0	0.10%
12	Lighthouse (3)	2	2	1	1	1	1	3	3	2	1	1	2	1.7	0.02%
13	Bentonville, AR (3)	112	102	95	87	115	144	153	153	141	106	81	92	115.1	1.4%
14	Prescott, AR (Entergy) (3)	11	12	13	12	12	13	14	15	14	12	12	12	12.7	0.15%
15	Minden, LA (Entergy) (3)	25	23	23	22	26	35	39	39	36	27	18	19	27.7	0.34%
16	Hope, AR (3)	46	43	45	40	44	58	56	61	57	45	39	39	47.8	0.58%
17	SWEPSCO-Valley (6)	180	158	161	81	94	140	149	149	125	105	122	118	131.8	1.61%
18	Coffeyville, KS (3)	105	82	101	86	108	107	31	41	94	63	90	96	83.7	1.0%
Zone 1 - System Firm Peak Demands		8,833	8,029	7,751	6,386	7,432	9,498	10,238	10,403	9,405	7,519	6,320	6,712	8,211	
Supporting Data															
20	PSO: PSO Native Load (2)	2,974	2,750	2,488	2,578	2,855	3,775	4,015	4,164	3,749	2,979	2,174	2,428		
21	KAMO	39	36	30	22	28	41	43	41	32	25	26	29		
22	GRDA load on PSO	16	14	11	5	7	11	12	12	10	7	8	0		
23	PSO load on WFEC	-6	-6	-6	-6	-6	-6	-6	-6	-6	-6	-6	-6		
24	Allen Holdenville	-7	-4	-6	-7	-5	-10	-9	-12	-9	-9	-10	-9		
25	PSO Load Responsibility	3016	2790	2517	2592	2879	3811	4055	4199	3776	2996	2192	2442		
26	SWEPSCO: SWEPSCO Native Load (2) (5)	3,437	3,142	3,172	2,481	2,916	3,576	3,925	3,914	3,587	2,977	2,500	2,554		
27	Dolet Hills Aux. Load (4)	0	0	0	1	5	0	0	0	0	0	0	0		
28	SWEPSCO-Valley (6)	-180	-158	-161	-81	-94	-140	-149	-149	-125	-105	-122	-118		
29	VEMCO (SPA Hydro Replacement) (7)	0	0	0	0	0	0	0	0	0	0	0	0		
30	SWEPSCO Load Responsibility	3257	2984	3011	2401	2827	3436	3776	3765	3462	2872	2378	2436		

- 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) Includes SWEPSCO-Valley (formerly VEMCO) load connected to Entergy/CLECO system. SWEPSCO purchased VEMCO Oct. 1, 2010.
 - (6) Effective Jan 1, 2015, the entire SWEPSCO Valley load (formerly VEMCO) power supply is supplied from SWEPSCO's SPP fleet and listed separately on OATT customer list for reporting purposes.
 - (7) included in SWEPSCO-Valley.

AEP West SPP Member Companies
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Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 120)				\$91,596,170
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	6,621,737	DA	1.00000	\$ 6,621,737
4	Assoc. Business Development	(Worksheet H)	196,537	DA	1.00000	\$ 196,537
5	Total Revenue Credits		6,818,274			\$ 6,818,274
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)				\$84,777,896

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

7	Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet F)		6,774,890	DA	1.00000	\$ 6,774,890
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%				15.56%
10	Monthly Rate	(In 9 / 12)				1.30%
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%				13.12%
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%				4.96%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)					-

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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				
16	Production	(Worksheet A In 1.C)	1,475,502,682	NA	0.00000
17	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(34,973,963)	NA	0.00000
18	Transmission	(Worksheet A In 3.C & Hist. Template Ln 169)	815,430,062	DA	
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	0.93624
20	Plus: Transmission Plant-in-Service Additions (Worksheet B)		30,288,573	DA	1.00000
21	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		-	TP	0.93624
22	Distribution	(Worksheet A In 5.C)	2,206,508,992	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)	157,148,220	W/S	0.10128
25	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(518,435)	W/S	0.10128
26	Intangible Plant	(Worksheet A In 9.C)	38,844,829	W/S	0.10128
27	TOTAL GROSS PLANT	(sum Ins 16 to 26)	4,688,230,960		
28	ACCUMULATED DEPRECIATION AND AMORTIZATION				
29	Production	(Worksheet A In 12.C)	759,321,650	NA	0.00000
30	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(4,972,667)	NA	0.00000
31	Transmission	(Worksheet A In 14.C & 28.C)	208,745,843	TP1=	0.90617
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.90617
33	Plus: Transmission Plant-in-Service Additions (Worksheet B)		167,297	DA	1.00000
34	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		-	DA	1.00000
35	Plus: Additional Transmission Depreciation for 2016 (In 95)		15,385,707	TP1	0.90617
36	Plus: Additional General & Intangible Depreciation for (In 97+In 98)		14,457,016	W/S	0.10128
37	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		-	DA	1.00000
38	Distribution	(Worksheet A In 16.C)	554,330,144	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)	67,375,992	W/S	0.10128
41	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(395,275)	W/S	0.10128
42	Intangible Plant	(Worksheet A In 20.C)	21,128,855	W/S	0.10128
43	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 29 to 42)	1,635,544,562		
44	NET PLANT IN SERVICE				
45	Production	(In 16 + In 17 - In 29 - In 30)	686,179,736		
46	Transmission	(In 18 + In 19 - In 31 - In 32)	606,684,219		
47	Plus: Transmission Plant-in-Service Additions (In 20 - In 33)		30,121,276		
48	Plus: Additional Trans Plant on Transferred Assets (In 21 - In 34)		-		
49	Plus: Additional Transmission Depreciation for 2016 (-In 35)		(15,385,707)		
50	Plus: Additional General & Intangible Depreciation for 2016 (-In 36)		(14,457,016)		
51	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 37)		-		
52	Distribution	(In 22 + In 23 - In 38 - In 39)	1,652,178,848		
53	General Plant	(In 24 + In 25 - In 40 - In 41)	89,649,068		
54	Intangible Plant	(In 26 - In 42)	17,715,974		
55	TOTAL NET PLANT IN SERVICE	(sum Ins 45 to 54)	3,052,686,398		
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)	(863,023,268)	DA	
59	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & In 12.J)	(224,981,753)	DA	
60	Account No. 190.1	(Worksheet C, In 19.C & In 21.J)	128,137,563	DA	
61	Account No. 255 (enter negative)	(Worksheet C, In 28.C & In 30.J)	(53,780)	DA	
62	TOTAL ADJUSTMENTS	(sum Ins 57 to 61)	(959,921,238)		
63	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	225,408	DA	
64	WORKING CAPITAL	(Note F)			
65	Cash Working Capital	(1/8 * In 80) (Note G)	1,992,358		
66	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	637,007	TP	0.93624
67	A&G Materials & Supplies	(Worksheet D, In 3.(D))	231,880	W/S	0.10128
68	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	0.16773
69	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	104,773,318	W/S	0.10128
70	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	3,386,442	GP(h)	0.16773
71	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA	1.00000
72	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	(102,502,956)	NA	0.00000
73	TOTAL WORKING CAPITAL	(sum Ins 65 to 72)	8,518,049		
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	(1,020,696)	DA	1.00000
75	RATE BASE (sum Ins 55, 62, 63, 73, 74)		2,100,487,921		

AEP West SPP Member Companies
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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
76	OPERATION & MAINTENANCE EXPENSE				
76	Transmission	321.112.b	100,058,261		
77	Less: Total Account 561	(Note I) 321.84-92.b	15,009,855		
78	Less: Account 565	(Note J) 321.96.b	69,109,539		
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)	<u>15,938,867</u>	TP 0.93624	14,922,680
81	Administrative and General	323.197.b (Note K)	56,457,051		
82	Less: Acct. 924, Property Insurance	323.185.b	1,754,843		
83	Acct. 928, Reg. Com. Exp.	323.189.b	4,155,085		
84	Acct. 930.1, Gen. Advert. Exp.	323.191.b	242,278		
85	Acct. 930.2, Misc. Gen. Exp.	323.192.b	<u>1,872,537</u>		
86	Balance of A & G	(In 81 - sum In 82 to In 85)	48,432,308	W/S 0.10128	4,905,403
87	Plus: Acct. 924, Property Insurance	(In 82)	1,754,843	GP(h) 0.16773	294,333
88	Acct. 928 - Transmission Specific	Worksheet J In 20.(E) (Note L)	-	TP 0.93624	-
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 34.(E) (Note L)	-	TP 0.93624	-
90	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 43.(E) (Note L)	236,964	DA 1.00000	236,964
91	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet J In 10.C (Note M)	<u>(12,569,252)</u>	W/S 0.10128	<u>(1,273,060)</u>
92	A & G Subtotal	(sum Ins 86 to 90 less in 91)	62,993,367		6,709,761
93	TOTAL O & M EXPENSE	(In 80 + In 92)	<u>78,932,234</u>		<u>21,632,441</u>
94	DEPRECIATION AND AMORTIZATION EXPENSE				
95	Transmission	336.7.f	15,385,707	TP 0.93624	14,404,787
96	Plus: Transmission Plant-in-Service Additions (Worksheet B)		167,297	DA 1.00000	167,297
97	General	336.10.f	4,524,493	W/S 0.10128	458,257
98	Intangible	336.1.f	<u>9,932,523</u>	W/S 0.10128	<u>1,006,003</u>
99	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 95 to 98)	30,010,020		16,036,344
100	TAXES OTHER THAN INCOME	(Note N)			
101	Labor Related				
102	Payroll	Worksheet L, Col. D	4,754,650	W/S 0.10128	481,569
103	Plant Related				
104	Property	Worksheet L, Col. C	32,133,476	GP(h) 0.16773	5,389,628
105	Gross Receipts/Sales & Use	Worksheet L, Col. F	168,591	NA 0.00000	-
106	Other	Worksheet L, Col. E	<u>150,218</u>	GP(h) 0.16773	<u>25,196</u>
107	TOTAL OTHER TAXES	(sum Ins 102 to 106)	37,206,935		5,896,392
108	INCOME TAXES	(Note O)			
109	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.56%		
110	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		42.11%		
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)	<u>(1,868,433)</u>		
115	Income Tax Calculation	(In 110 * In 118)	68,371,888		14,394,598
116	ITC adjustment	(In 113 * In 114)	<u>(3,040,985)</u>	NP(h) 0.19106	<u>(581,015)</u>
117	TOTAL INCOME TAXES	(sum Ins 115 to 116)	65,330,903		13,813,583
118	RETURN ON RATE BASE (Rate Base*WACC)	(In 75 * In 150)	162,372,451		34,184,900
119	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		32,510	DA 1.00000	32,510
120	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		<u>373,885,053</u>		<u>91,596,170</u>
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		<u>373,885,053</u>		<u>91,596,170</u>

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF										
124	Total transmission plant	(In 18, 19, 20, 21)							845,718,635		
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)								17,998,194		
127	Transmission plant included in SPP Tariff	(In 124 - In 125 - In 126)							791,799,608		
128	Percent of transmission plant in SPP Tariff	(In 127 / In 124)						TP=	0.93624		
129	WAGES & SALARY ALLOCATOR (W/S)	(Note S)									
130	Production	354.20.b	Direct Payroll	25,536,755	Payroll Billed from AEP Service Corp.	10,291,839	Total	35,828,594	NA	0.00000	-
131	Transmission	354.21.b		3,780,846		4,481,855		8,262,701	TP	0.93624	7,735,910
132	Regional Market Expenses	354.22.b		0		0		-	NA	0.00000	-
133	Distribution	354.23.b		18,659,637		1,645,866		20,305,503	NA	0.00000	-
134	Other (Excludes A&G)	354.24,25,26.b		6,307,209		5,674,627		11,981,836	NA	0.00000	-
135	Total	(sum Ins 130 to 134)		54,284,447		22,094,187		76,378,634			7,735,910
136	Transmission related amount									W/S=	0.10128
137	WEIGHTED AVERAGE COST OF CAPITAL (WACC)										\$
138			Long Term Interest (Worksheet M, In. 18, col. (D))								61,279,457
139			Preferred Stock Dividends (Worksheet M, In. 22, col. (D))								-
140	Development of Common Stock:										
141			Proprietary Capital (112.16.c)								1,119,986,871
142			Less Preferred Stock (In 148)								-
143			Less Account 216.1 (112.12.c)								-
144			Less Account 219.1 (112.15.c)								4,184,017
145			Common Stock (In 141 - In 142 - In 143 - In 144)								1,115,802,854
146											
147	Long Term Debt (Worksheet M, In. 18, col. (B))		\$	1,293,562,544		53.69%	0.00%		0.0474		0.0254
148	Preferred Stock (Worksheet M, In. 22, col. (B))			-		0.00%	0.00%		-		0.0000
149	Common Stock (In 145) (Note U)			1,115,802,854		46.31%	0.00%		11.2%		0.0519
150	Total (sum Ins 147 to 149)			2,409,365,398						WACC=	0.0773
151	Capital Structure Equity Limit (Note U)			52.5%							

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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 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) (ln 109) multiplied by $(1/1-T)$. If the applicable tax rates are zero enter 0.
- | | | | |
|------------------|-------|--------|---|
| Inputs Required: | FIT = | 35.00% | |
| | SIT = | 5.47% | (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 138) / long term debt (ln 147). Preferred Stock cost rate = preferred dividends (ln 139) / preferred outstanding (ln 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.

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 Utilizing Historic Cost Data for 2015 with Year-End Rate Base Balances

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Line No.			Total	Allocator		Transmission Amount
152	REVENUE REQUIREMENT (w/o incentives)	(In 271)				\$89,711,012
153	REVENUE CREDITS	(Note A)				
154	Transmission Credits	(Worksheet H)	6,621,737	DA	1.00000	\$ 6,621,737
155	Assoc. Business Development	(Worksheet H)	196,537	DA	1.00000	\$ 196,537
156	Total Revenue Credits		6,818,274			\$ 6,818,274
157	REVENUE REQUIREMENT For All Company Facilities	(In 152 less In 156)				\$ 82,892,737
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)		6,774,890	DA	1.00000	\$ 6,774,890
159	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
160	Annual Rate	(In 152/ In 197 x 100%)				15.67%
161	Monthly Rate	(In 160 / 12)				1.31%
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%)				13.16%
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%)				5.06%
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 2015 with Year-End Rate Base Balances

PUBLIC SERVICE COMPANY OF OKLAHOMA

Line No.	(1) RATE BASE CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total NOTE D	(4) Allocator	(5) Total Transmission
167	GROSS PLANT IN SERVICE				
167	Production	(Worksheet A In 1.C)	1,475,502,682	NA 0.00000	-
168	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(34,973,963)	NA 0.00000	-
169	Transmission	(Worksheet A In 3.C & Ln 278)	815,430,062	DA	761,511,035
170	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 0.93388	-
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)	2,206,508,992	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)	157,148,220	W/S 0.10103	15,876,293
176	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(518,435)	W/S 0.10103	(52,376)
177	Intangible Plant	(Worksheet A In 9.C)	38,844,829	W/S 0.10103	3,924,396
178	TOTAL GROSS PLANT	(sum Ins 167 to 177)	4,657,942,387	GP(h)= 0.167726 GTD= 0.26984	781,259,348
179	ACCUMULATED DEPRECIATION AND AMORTIZATION				
180	Production	(Worksheet A In 12.C)	759,321,650	NA 0.00000	-
181	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(4,972,667)	NA 0.00000	-
182	Transmission	(Worksheet A In 14.C & 28.C)	208,745,843.000	TP1=	189,160,148.929
183	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	-
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 2016 (In 246)		N/A	TP1 0.90617	N/A
187	Plus: Additional General & Intangible Depreciation for 2016 (In 248+In 249)		N/A	W/S 0.10103	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)	554,330,144	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)	67,375,992	W/S 0.10103	6,806,828
192	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(395,275)	W/S 0.10103	(39,934)
193	Intangible Plant	(Worksheet A In 20.C)	21,128,855	W/S 0.10103	2,134,596
194	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 180 to 193)	1,605,534,542		198,061,639
195	NET PLANT IN SERVICE				
196	Production	(In 167 + In 168 - In 180 - In 181)	686,179,736		-
197	Transmission	(In 169 + In 170 - In 182 - In 183)	606,684,219		572,350,886.071
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 2016 (-In 186)		N/A		N/A
201	Plus: Additional General & Intangible Depreciation for 2016 (-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)	1,652,178,848		-
204	General Plant	(In 175 + In 176 - In 191 - In 192)	89,649,068		9,057,022
205	Intangible Plant	(In 177 - In 193)	17,715,974		1,789,801
206	TOTAL NET PLANT IN SERVICE	(sum Ins 196 to 205)	3,052,407,845	NP(h)= 0.191062	583,197,709
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)	(863,023,268)	DA	(146,752,106)
210	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(224,981,753)	DA	(31,272,653)
211	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	128,137,563	DA	9,673,185
212	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	(53,780)	DA	(9,020)
213	TOTAL ADJUSTMENTS	(sum Ins 208 to 212)	(959,921,238)		(168,360,594)
214	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	225,408	DA	-
215	WORKING CAPITAL	(Note F)			
216	Cash Working Capital	(1/8 * In 231) (Note G)	1,992,358		1,860,617
217	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	637,007	TP 0.93388	594,886
218	A&G Materials & Supplies	(Worksheet D, In 3.(D))	231,880	W/S 0.10103	23,426
219	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h) 0.16773	-
220	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	104,773,318	W/S 0.10103	10,584,987
221	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	3,386,442	GP(h) 0.16773	567,995
222	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA 1.00000	-
223	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	(102,502,956)	NA 0.00000	-
224	TOTAL WORKING CAPITAL	(sum Ins 216 to 223)	8,518,049		13,631,911
225	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	(1,020,696)	DA 1.00000	(1,020,696)
226	RATE BASE (sum Ins 206, 213, 214, 224, 225)		2,100,209,368		427,448,330

AEP West SPP Member Companies
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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	100,058,261		
228	Less: Total Account 561	(Note I) 321.84-92.b	15,009,855		
229	Less: Account 565	(Note J) 321.96.b	69,109,539		
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)	15,938,867	TP 0.93388	14,884,935
232	Administrative and General	323.197.b (Note K)	56,457,051		
233	Less: Acct. 924, Property Insurance	323.185.b	1,754,843		
234	Acct. 928, Reg. Com. Exp.	323.189.b	4,155,085		
235	Acct. 930.1, Gen. Advert. Exp.	323.191.b	242,278		
236	Acct. 930.2, Misc. Gen. Exp.	323.192.b	1,872,537		
237	Balance of A & G	(In 232 - sum In 233 to In 236)	48,432,308	W/S 0.10103	4,892,995
238	Plus: Acct. 924, Property Insurance	(In 233)	1,754,843	GP(h) 0.16773	294,333
239	Acct. 928 - Transmission Specific	Worksheet J In 20.(E) (Note L)	-	TP 0.93388	-
240	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 34.(E) (Note L)	-	TP 0.93388	-
241	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 43.(E) (Note L)	236,964	DA 1.00000	236,964
242	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet J In 10.C (Note M)	(12,569,252)	W/S 0.10103	(1,269,840)
243	A & G Subtotal	(sum Ins 237 to 241 less In 242)	62,993,367		6,694,133
244	TOTAL O & M EXPENSE	(In 231 + In 243)	78,932,234		21,579,067
245	DEPRECIATION AND AMORTIZATION EXPENSE				
246	Transmission	336.7.f	15,385,707	TP 0.93388	14,368,351
247	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A		N/A
248	General	336.10.f	4,524,493	W/S 0.10103	457,098
249	Intangible	336.1.f	9,932,523	W/S 0.10103	1,003,458
250	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 246 to 249)	29,842,723		15,828,908
251	TAXES OTHER THAN INCOME	(Note N)			
252	Labor Related				
253	Payroll	Worksheet L, Col. D	4,754,650	W/S 0.10103	480,350
254	Plant Related				
255	Property	Worksheet L, Col. C	32,133,476	GP(h) 0.16773	5,389,628
256	Gross Receipts/Sales & Use	Worksheet L, Col. F	168,591	NA 0.00000	-
257	Other	Worksheet L, Col. E	150,218	GP(h) 0.16773	25,196
258	TOTAL OTHER TAXES	(sum Ins 253 to 257)	37,206,935		5,895,174
259	INCOME TAXES	(Note O)			
260	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		38.56%		
261	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		42.11%		
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)	(1,868,433)		
266	Income Tax Calculation	(In 261 * In 269)	68,362,821		13,913,648
267	ITC adjustment	(In 264 * In 265)	(3,040,985)	NP(h) 0.19106	(581,015)
268	TOTAL INCOME TAXES	(sum Ins 266 to 267)	65,321,836		13,332,633
269	RETURN ON RATE BASE (Rate Base*WACC)	(In 226 * In 301)	162,350,919		33,042,720
270	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		32,510	DA 1.00000	32,510
271	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		373,687,156		89,711,012
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		373,687,156		89,711,012

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF							
275	Total transmission plant	(In 169)						815,430,062
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)							17,998,194
278	Transmission plant included in SPP Tariff	(In 275 - In 276 - In 277)						<u>761,511,035</u>
279	Percent of transmission plant in SPP Tariff	(In 278 / In 275)					TP=	0.93388
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	25,536,755	10,291,839	35,828,594	NA	0.00000	-
283	Regional Market Expenses	354.22.b	3,780,846	4,481,855	8,262,701	TP	0.93388	7,716,343
284	Distribution	354.23.b	0	0	-	NA	0.00000	-
285	Other (Excludes A&G)	354.24,25,26.b	18,659,637	1,645,866	20,305,503	NA	0.00000	-
286	Total	(sum Ins 281 to 285)	6,307,209	5,674,627	11,981,836	NA	0.00000	-
			54,284,447	22,094,187	76,378,634			<u>7,716,343</u>
287	Transmission related amount						W/S=	0.10103
288	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
289								<u>61,279,457</u>
290								-
291	Development of Common Stock:							
292								1,119,986,871
293								-
294								-
295								<u>4,184,017</u>
296								1,115,802,854
297								
298	Long Term Debt (Worksheet M, In. 18, col. (B))		\$					
299	Preferred Stock (Worksheet M, In. 22, col. (B))		1,293,562,544		53.69%	0.00%	Cost (Note T)	0.0474
300	Common Stock (In 296) (Note U)		-		0.00%	0.00%		-
301	Total (sum Ins 298 to 300)		<u>1,115,802,854</u>		46.31%	0.00%		<u>0.0519</u>
			2,409,365,398				WACC=	0.0773
302	Capital Structure Equity Limit (Note U)		52.5%					

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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 = | 5.47% | (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)	(In 107)				\$91,021,133
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	6,621,737	DA	1.00000	\$ 6,621,737
4	Assoc. Business Development	(Worksheet H)	196,537	DA	1.00000	\$ 196,537
5	Total Revenue Credits		6,818,274			\$ 6,818,274
6	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 5)				\$84,202,859

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)		7,037,772	DA	1.00000	\$ 7,037,772
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
9	Annual Rate	(In 1 / In 39 x 100%)				16.20%
10	Monthly Rate	(In 9 / 12)				1.35%
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%)				13.64%
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%)				5.15%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet G)					-

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Line No.	(1) RATE BASE CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total NOTE D	(4) Allocator	(5) Total Transmission
16	GROSS PLANT IN SERVICE				
16	Production	(Worksheet A In 1.E)	1,456,355,647	NA	0.00000
17	Less: Production ARO (Enter Negative)	(Worksheet A In 2.E)	(31,179,794)	NA	0.00000
18	Transmission	(Worksheet A In 3.E & Ln 114)	802,170,437	DA	
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E)	-	TP	0.93286
20	Distribution	(Worksheet A In 5.E)	2,143,246,717	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)	160,710,492	W/S	0.10092
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	(536,044)	W/S	0.10092
24	Intangible Plant	(Worksheet A In 9.E)	44,448,977	W/S	0.10092
25	TOTAL GROSS PLANT	(sum Ins 16 to 24)	4,575,216,431	GP(TU)=	0.16807
				GTD=	0.27235
26	ACCUMULATED DEPRECIATION AND AMORTIZATION				
27	Production	(Worksheet A In 12.E)	751,534,285	NA	0.00000
28	Less: Production ARO (Enter Negative)	(Worksheet A In 13.E)	(4,345,834)	NA	0.00000
29	Transmission	(Worksheet A In 14.E & 28.E)	205,502,361	TP1=	0.90703
30	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	0.90703
31	Distribution	(Worksheet A In 16.E)	538,492,118	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)	73,098,015	W/S	0.10092
34	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	(382,999)	W/S	0.10092
35	Intangible Plant	(Worksheet A In 20.E)	26,669,662	W/S	0.10092
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	1,590,567,606		
37	NET PLANT IN SERVICE				
38	Production	(In 16 + In 17 - In 27 - In 28)	677,987,403		
39	Transmission	(In 18 + In 19 - In 29 - In 30)	596,668,076		
40	Distribution	(In 20 + In 21 - In 31 - In 32)	1,604,754,599		
41	General Plant	(In 22 + In 23 - In 33 - In 34)	87,459,432		
42	Intangible Plant	(In 24 - In 35)	17,779,316		
43	TOTAL NET PLANT IN SERVICE	(sum Ins 38 to 42)	2,984,648,825	NP(TU)=	0.19183
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)	(831,871,937)	DA	(142,034,553)
47	Account No. 283.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	(211,094,715)	DA	(30,514,437)
48	Account No. 190.1	(Worksheet C, In 25.C & Ln 27.J)	112,028,116	DA	9,328,035
49	Account No. 255 (enter negative)	(Worksheet C, In 34.C & Ln 36.J)	(81,692)	DA	(13,730)
50	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	(931,020,227)		(163,234,685)
51	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	230,714	DA	
52	WORKING CAPITAL	(Note F)			
53	Cash Working Capital	(1/8 * In 68) (Note G)	1,992,358		1,858,585
54	Transmission Materials & Supplies	(Worksheet D, In 2.(F))	756,978	TP	0.93286
55	A&G Materials & Supplies	(Worksheet D, In 3.(F))	256,085	W/S	0.10092
56	Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	0.16807
57	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 7.G)	103,257,425	W/S	0.10092
58	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 7.F)	3,314,147	GP(TU)	0.16807
59	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 7.E)	-	DA	1.00000
60	Prepayments (Account 165) - Unallocable	(Worksheet D, In 7.D)	(100,950,103)	NA	0.00000
61	TOTAL WORKING CAPITAL	(sum Ins 53 to 60)	8,626,890		13,568,042
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	(1,055,633)	DA	1.00000
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		2,061,430,568		421,810,823

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 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	100,058,261		
65	Less: Total Account 561	(Note I) 321.84-92.b	15,009,855		
66	Less: Account 565	(Note J) 321.96.b	69,109,539		
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)	15,938,867	TP	14,868,683
69	Administrative and General	323.197.b (Note K)	56,457,051		
70	Less: Acct. 924, Property Insurance	323.185.b	1,754,843		
71	Acct. 928, Reg. Com. Exp.	323.189.b	4,155,085		
72	Acct. 930.1, Gen. Advert. Exp.	323.191.b	242,278		
73	Acct. 930.2, Misc. Gen. Exp.	323.192.b	1,872,537		
74	Balance of A & G	(In 69 - sum In 70 to In 73)	48,432,308	W/S	4,887,653
75	Plus: Acct. 924, Property Insurance	(In 70)	1,754,843	GP(TU)	294,938
76	Acct. 928 - Transmission Specific	(Note I) 321.84-92.b	-	TP	-
77	Acct 930.1 - Only safety related ads -Direct	(Note J) 321.96.b	-	GP(TU)	-
78	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 43.(E) (Note L)	236,964	DA	236,964
79	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet J In 10.C (Note M)	(12,569,252)	W/S	(1,268,454)
80	A & G Subtotal	(sum Ins 74 to 78 less In 79)	62,993,367		6,688,009
81	TOTAL O & M EXPENSE	(In 68 + In 80)	78,932,234		21,556,691
82	DEPRECIATION AND AMORTIZATION EXPENSE				
83	Transmission	336.7.f	15,385,707	TP	14,352,663
84	General	336.10.f	4,524,493	W/S	456,599
85	Intangible	336.1.f	9,932,523	W/S	1,002,362
86	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 83 to 85)	29,842,723		15,811,625
87	TAXES OTHER THAN INCOME	(Note N)			
88	Labor Related				
89	Payroll	Worksheet L, Col. D	4,754,650	W/S	479,826
90	Plant Related				
91	Property	Worksheet L, Col. C	32,133,476	GP(TU)	5,400,699
92	Gross Receipts/Sales & Use	Worksheet L, Col. F	168,591	NA	-
93	Other	Worksheet L, Col. E	150,218	GP(TU)	25,247
94	TOTAL OTHER TAXES	(sum Ins 89 to 93)	37,206,935		5,905,772
95	INCOME TAXES	(Note O)			
96	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.56%		
97	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		41.51%		
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)	(1,868,433)		
102	Income Tax Calculation	(In 97 * In 105)	69,233,506		14,166,590
103	ITC adjustment	(In 100 * In 101)	(3,040,985)	NP(TU)	(583,340)
104	TOTAL INCOME TAXES	(sum Ins 102 to 103)	66,192,521		13,583,250
105	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 137)	166,802,912		34,131,285
106	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		32,510	DA	32,510
107	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		379,009,835		91,021,133
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		379,009,835		91,021,133

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 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)							802,170,437
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)							17,939,353
114	Transmission plant included in SPP Tariff	(In 111 - In 112 - In 113)							<u>748,310,251</u>
115	Percent of transmission plant in SPP Tariff	(In 114 / In 111)						TP=	0.93286
116	WAGES & SALARY ALLOCATOR (W/S)	(Note S)		Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
117	Production	354.20.b		25,536,755	10,291,839	35,828,594	NA	0.00000	-
118	Transmission	354.21.b		3,780,846	4,481,855	8,262,701	TP	0.93286	7,707,918
119	Regional Market Expenses	354.22.b		0	0	-	NA	0.00000	-
120	Distribution	354.23.b		18,659,637	1,645,866	20,305,503	NA	0.00000	-
121	Other (Excludes A&G)		0	6,307,209	5,674,627	11,981,836	NA	0.00000	-
122	Total	(sum Ins 117 to 121)		<u>54,284,447</u>	<u>22,094,187</u>	<u>76,378,634</u>			<u>7,707,918</u>
123	Transmission related amount							W/S=	0.10092
124	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
125	Long Term Interest	Long Term Interest (Worksheet N, In. 19, col. (E))							<u>61,327,406</u>
126	Preferred Dividends	Preferred Stock Dividends (Worksheet N, In. 47, col. (E))							-
127	Development of Common Stock:								Average
128	Proprietary Capital	(Worksheet N, In. 1, col. (E))							<u>1,074,100,599</u>
129	Less Preferred Stock (In 135)	(Worksheet N, In. 2, col. (E))							-
130	Less Account 216.1	(Worksheet N, In. 3, col. (E))							-
131	Less Account 219	(Worksheet N, In. 4, col. (E))							<u>4,563,327</u>
132	Common Stock	(In 128 - In 129 - In 130 - In 131)							<u>1,069,537,272</u>
133		2015 Avg Balances			Capital Structure Percentages			Cost	
134	Avg Long Term Debt (Worksheet N, In. 10, col. (E))		<u>1,168,776,136</u>		Actual	Cap Limit		(Note S)	Weighted
135	Avg Preferred Stock (Worksheet N, In. 46, col. (E))		-		52.22%	0.00%		5.25%	0.0274
136	Avg Common Stock (In 132) (Note U)		<u>1,069,537,272</u>		0.00%	0.00%		0.00%	0.0000
137	Total (sum Ins 134 to 136)		<u>2,238,313,408</u>		47.78%	0.00%		11.20%	<u>0.0535</u>
								WACC=	0.0809
138	Capital Structure Equity Limit (Note U)		52.5%						

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 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. 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 = | 5.47% (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
 2016 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 @ 12/31/2015</u>	<u>(D) Balances 12/31/2014</u>	<u>(E) Average Balance for 2015</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), ln 46	1,475,502,682	1,437,208,612	1,456,355,647
2	Production Asset Retirement Obligation (ARO)	FF1, page 205&204, Col.(g)&(b), lns 15,24,34,44	34,973,963	27,385,625	31,179,794
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58	815,430,062	788,910,811	802,170,437
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 57	-	-	-
5	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 75	2,206,508,992	2,079,984,442	2,143,246,717
6	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 74	-	-	-
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 99	157,148,220	164,272,763	160,710,492
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 98	518,435	553,653	536,044
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 5	38,844,829	50,053,125	44,448,977
10	Total Property Investment Balance	(Sum of Lines: 1, 3, 5, 7, 9)	4,693,434,785	4,520,429,753	4,606,932,269
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 2, 4, 6, 8)	35,492,398	27,939,278	31,715,838
Accumulated Depreciation & Amortization Balances					
12	Production Accumulated Depreciation	FF1, page 219, lns 20-24, Col. (b)	759,321,650	743,746,919	751,534,285
13	Production ARO Accumulated Depreciation	Company Records	4,972,667	3,719,001	4,345,834
14	Transmission Accumulated Depreciation	FF1, page 219, ln 25, Col. (b)	208,745,843	202,258,878	205,502,361
15	Transmission ARO Accumulated Depreciation	Company Records	-	-	-
16	Distribution Accumulated Depreciation	FF1, page 219, ln 26, Col. (b)	554,330,144	522,654,092	538,492,118
17	Distribution ARO Accumulated Depreciation	Company Records	-	-	-
18	General Accumulated Depreciation	FF1, page 219, ln 28, Col. (b)	67,375,992	78,820,037	73,098,015
19	General ARO Accumulated Depreciation	Company Records	395,275	370,722	382,999
20	Intangible Accumulated Amortization	FF1, page 200, ln 21, Col. (b)	21,128,855	32,210,468	26,669,662
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 12, 14, 16, 18, 20)	1,610,902,484	1,579,690,394	1,595,296,439
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 13, 15, 17, 19)	5,367,942	4,089,723	4,728,833
Generation Step-Up Units					
23	GSU Investment Amount	Company Records	17,998,194	17,880,512	17,939,353
24	GSU Accumulated Depreciation	Company Records	3,911,553	3,638,749	3,775,151
25	GSU Net Balance	(Line 23 - Line 24)	14,086,641	14,241,763	14,164,202
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	15,674,141	14,985,176	15,329,659
25a	Excluded Facilities Net Balance	(Line 23a - Line 24a)	20,246,692	20,935,657	20,591,174
Transmission Accumulated Depreciation Net of GSU/Excluded Facilities Accumulated Depreciation					
26	Transmission Accumulated Depreciation	(Line 14 Above)	208,745,843	202,258,878	205,502,361
27	Less: GSU & Excl Facilities Acc Dep	(Line 24 + Line 24a Above)	19,585,694	18,623,925	19,104,810
28	Subtotal of Transmission Accumulated Depreciation Net of GSU/Excluded Facilities	(Line 26 - Line 27)	189,160,149	183,634,953	186,397,551
Plant Held For Future Use					
29	Plant Held For Future Use	FF1, page 214, ln 47, Col. (d)	225,408	236,021	230,714
30	Transmission Plant Held For Future	Company Records	-	-	-

AEP West SPP Member Companies
2016 Cost of Service Formula Rate Projected on 2015 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 (2015) (P.206, In 58,(b)):	788,910,811
2	Transmission Plant @ End of Historic Period (2015) (P.207, In 58,(g)):	<u>815,430,062</u>
3		1,604,340,873
4	Average Balance of Transmission Investment	802,170,437
5	Annual Depreciation Expense, Historic TCOS, In 246	15,385,707
6	Composite Depreciation Rate	1.92%
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	\$ 873,323	2.00%	\$ 17,466	\$ 1,456	11	\$ 16,016
10	February	\$ 1,022,209	2.00%	\$ 20,444	\$ 1,704	10	\$ 17,040
11	March	\$ 4,629,256	2.00%	\$ 92,585	\$ 7,715	9	\$ 69,435
12	April	\$ 906,628	2.00%	\$ 18,133	\$ 1,511	8	\$ 12,088
13	May	\$ 873,323	2.00%	\$ 17,466	\$ 1,456	7	\$ 10,192
14	June	\$ 1,814,694	2.00%	\$ 36,294	\$ 3,024	6	\$ 18,144
15	July	\$ 873,323	2.00%	\$ 17,466	\$ 1,456	5	\$ 7,280
16	August	\$ 966,378	2.00%	\$ 19,328	\$ 1,611	4	\$ 6,444
17	September	\$ 936,489	2.00%	\$ 18,730	\$ 1,561	3	\$ 4,683
18	October	\$ 1,116,665	2.00%	\$ 22,333	\$ 1,861	2	\$ 3,722
19	November	\$ 1,351,781	2.00%	\$ 27,036	\$ 2,253	1	\$ 2,253
20	December	\$ 14,924,509	2.00%	\$ 298,490	\$ 24,874	0	\$ -
21	Investment	<u>\$ 30,288,573</u>				Depreciation Expense	<u>\$ 167,297</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
 2016 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	2015 Year End Tax Deferrals - WS C-1	(863,023,268)	15,603,336	-	(869,381,067)	-	(9,245,537)	
2	282.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	16.7726%	26.9837%	10.1028%	
3	282.1	Allocated Total		0	0	(145,818,052)	0	(934,054)	(146,752,106)
282 Balance to Use in True-Up									
4	282.1	2015 Year End Tax Deferrals - WS C-1	(863,023,268)	15,603,336	-	(869,381,067)	-	(9,245,537)	
5	282.1	2014 Year End Tax Deferrals - WS C-2	(800,720,606)	17,146,475	-	(811,299,020)	-	(6,568,061)	
6		Subtotal	(1,663,743,874)	32,749,812	-	(1,680,680,088)	-	(15,813,598)	
7		Average Balance	(831,871,937)	16,374,906	0	(840,340,044)	0	(7,906,799)	
8		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	16.8071%	27.2345%	10.0917%	
9		Allocated Total		0	0	(141,236,621)	0	(797,932)	(142,034,553)
Account 283 - Form-1 page 276-277, Ln 9, Col (k)									
283 Balance to Use in Projection									
10	283.1	2015 Year End Tax Deferrals - WS C-1	(224,981,753)	(27,169,935)	-	(165,205,160)	(1,594,919)	(31,011,740)	
11	283.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	16.7726%	26.9837%	10.1028%	
12	283.1	Allocated Total		0	0	(27,709,247)	(430,368)	(3,133,039)	(31,272,653)
283 Balance to Use in True-Up									
13	283.1	2015 Year End Tax Deferrals - WS C-1	(224,981,753)	(27,169,935)	-	(165,205,160)	(1,594,919)	(31,011,740)	
14	283.1	2014 Year End Tax Deferrals - WS C-2	(197,207,676)	(8,695,658)	-	(156,368,818)	(1,014,363)	(31,128,836)	
15		Subtotal	(422,189,429)	(35,865,593)	-	(321,573,978)	(2,609,282)	(62,140,576)	
16		Average Balance	(211,094,715)	(17,932,796)	0	(160,786,989)	(1,304,641)	(31,070,288)	
17		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	16.8071%	27.2345%	10.0917%	
18		Allocated Total		0	0	(27,023,597)	(355,313)	(3,135,526)	(30,514,437)
Account 190 - Form-1 page 234, Ln 8, Col. (c)									
190 Balance to Use in Projection									
19	190.1	2015 Year End Tax Deferrals - Ws C-1	128,137,563	65,659,033	-	50,392,762	-	12,085,767	
20	190.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	16.7726%	26.9837%	10.1028%	
21	190.1	Allocated Total		0	0	8,452,191	0	1,220,995	9,673,185
190 Balance to Use in True-Up									
22	190.1	2015 Year End Tax Deferrals - Ws C-1	128,137,563	65,659,033	-	50,392,762	-	12,085,767	
23	190.1	2014 Year End Tax Deferrals - Ws C-2	95,918,669	38,406,317	-	47,099,044	-	10,413,308	
24		Subtotal	224,056,231	104,065,350	-	97,491,806	-	22,499,075	
25		Average Balance	112,028,116	52,032,675	0	48,745,903	0	11,249,537	
26		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	16.8071%	27.2345%	10.0917%	
27		Allocated Total		0	0	8,192,763	0	1,135,272	9,328,035
Account 255 - Form-1 page 266-267									
255 Balance to Use in Projection									
28	255.0	Acc Defrd ITC - Federal - 12/31/2015 (FF1 p. 267, Ln 2.h)	(53,780)			(53,780)			
29	255.0	Transmission Allocator from Historic TCOS [GP or W/S]				16.7726%			
30	255.0	Allocated Total		N/A	N/A	(9,020)	N/A	N/A	(9,020)
255 Balance to Use in True-Up									
31	255.0	Acc Defrd ITC - Federal - 12/31/2015 (FF1 p. 267, Ln 2.h)	(53,780)			(53,780)			
32	255.0	Acc Defrd ITC - Federal - 12/31/2014 (FF1 p. 266, Ln 2.b)	(109,603)			(109,603)			
33		Subtotal	(163,383)			(163,383)			
34		Average Balance	(81,692)			(81,692)			
35		Transmission Allocator from True-Up TCOS [GP or W/S]				16.8071%			
36		Allocated Total		N/A	N/A	(13,730)	N/A	N/A	(13,730)

* 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
 2016 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, 2015 FF1, p. 227, Col. (c)	Balance @ December 31, 2014 FF1, p. 227, Col. (b)	Average Balance for Rate Year 2015				
1								
2	Transmission Materials & Supplies	FF1, p. 227, In 8, Col. (c & b)	637,007	876,948	756,978			
3	General Materials & Supplies	FF1, p. 227, In 11, Col. (c & b)	231,880	280,289	256,085			
4	Stores Expense (Undistributed)	FF1, p. 227, In 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, 2015	5,656,804	(102,502,956)	0	3,386,442	104,773,318	96,827,070
6	Totals as of December 31, 2014	5,586,134	(99,397,249)	0	3,241,851	101,741,532	104,983,384
7	Average Balance	5,621,469	(100,950,103)	0	3,314,147	103,257,425	100,905,227

Prepayments Account 165 - Balance @ 12/31/2015

Acc. No.	Description	2015 YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)	
8	1650001 Prepaid Insurance	1,267,297			768,980	498,316	1,267,297	Plant (Property) , Cyber Risk, Property broker fees, Property Jurisdictional Certification Inspection fees, D&O Liability, Fiduciary Liability, Workers Comp Ins, Excess Liability Ins, Excess Liability broker fees.
9	1650004 Prepaid Interest							
10	1650005 Prepaid Employee Benefits	205,250	205,250					
11	1650006 Other Prepayments	900,089	900,089					Prepaid Oklahoma Corporate Commission Fees (OCC) and NERC Assessment Fees.Prepaid Outage Alerts Service, Prepaid AMI Advertising and promotion costs.
12	1650009 Prepaid Carry Cost-Factored	82,650	82,650					AR Factoring - Excluded because it is retail.
13	1650010 Prepaid Pension Benefits	92,533,343				92,533,343	92,533,343	Prefunded Pension Expense
14	165001115 Prepaid Sales Taxes	2,026,681			2,026,681		2,026,681	
15	165001215 Prepaid Use Taxes	302,914			302,914		302,914	
16	1650014 FAS 158 Qual Contra Asset	(92,533,343)	(92,533,343)					Non-Cash Offset Excludable from Rate Base SFAS 158 Offset
17	1650016 FAS 112 ASSETS							
18	1650021 Prepaid Insurance - EIS	696,835			287,867	408,968	696,835	Plant (Property) Ins and EIS Excess Liability Ins.
19	1650023 Prepaid Leases	171,729	171,729					
20	1650028 Trinity Rail Car Lease - Non-current							
21	1650031 Prepaid OCIP Work Comp	2,923				2,923		
22	1650032 Prepaid OCIP Work Comp-Long Term					0		
23	1650033 Prepaid OCIP Work Comp-Affiliated	437				437		
24	1650034 Prepaid OCIP Work Comp-Affiliated Long Term					0		
25	1650035 PRW Without MED-D Benefits	11,329,330				11,329,330		
26	1650036 PRW for Med-D Benefits							
27	1650037 FAS158 Contra-PRW Exclude Med-D	(11,329,330)	(11,329,330)					
28	Subtotal - Form 1, p 111.57.c	5,656,804	(102,502,956)	0	3,386,442	104,773,318	96,827,070	

Prepayments Account 165 - Balance @ 12/31/2014

Acc. No.	Description	2014 YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)	
30	1650001 Prepaid Insurance	1,189,527	0		592,888	596,639	1,189,527	Plant: Property Ins, Labor Related: Gen Liability Ins, D&O Ins, Workers Comp Ins.
31	1650004 Prepaid Interest	0	0				-	Prepaid Executive Life Insurance
32	1650005 Prepaid Employee Benefits	0	0				-	
33	1650006 Other Prepayments	603,535	603,535				-	Prepaid Oklahoma Corporate Commission Fees (OCC) and NERC Assessment Fees.
34	1650009 Prepaid Carry Cost-Factored	69,246	69,246				-	AR Factoring - Excluded because it is retail.
35	1650010 Prepaid Pension Benefits	94,612,820				94,612,820	94,612,820	Prefunded Pension Expense
36	165001114 Prepaid Sales Taxes	1,895,864			1,895,864		1,895,864	
37	165001214 Prepaid Use Taxes	417,179			417,179		417,179	
38	1650014 FAS 158 Qual Contra Asset	(94,612,820)	(94,612,820)				-	Non-Cash Offset Excludable from Rate Base SFAS 158 Offset
39	1650016 FAS 112 ASSETS	0					-	
40	1650021 Prepaid Insurance - EIS	813,159			335,921	477,238	813,159	Plant: EIS Property Ins, Labor Related: EIS Gen Liability Ins.
41	1650023 Prepaid Leases	348,941	348,941				-	
42	1650028 Trinity Rail Car Lease - Non-current	0	0				-	
43	1650031 Prepaid OCIP Work Comp	145,575				145,575	145,575	
44	1650032 Prepaid OCIP Work Comp-Long Term	623				623	623	
45	1650033 Prepaid OCIP Work Comp-Affiliated	102,050				102,050	102,050	
46	1650034 Prepaid OCIP Work Comp-Affiliated Long Term	437				437	437	
47	1650035 PRW Without MED-D Benefits	(3,544,036)				(3,544,036)	(3,544,036)	
48	1650036 PRW for Med-D Benefits	9,350,188				9,350,188	9,350,188	
49	1650037 FAS158 Contra-PRW Exclude Med-D	(5,806,152)	(5,806,152)				-	
50	Subtotal - Form 1, p 111.57.c	5,586,134	(99,397,249)	0	3,241,851	101,741,532	104,983,384	

AEP West SPP Member Companies
 2016 Cost of Service Formula Rate
Worksheet E - IPP Credits
PUBLIC SERVICE COMPANY OF OKLAHOMA

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2015</u>
1	Net Funds from IPP Customers @ 12/31/2014 (2015 FORM 1, P269, (B))	1,090,569
2	Interest Accrual (company records)	32,510
3	Revenue Credits to Generators (company records)	(128,795)
4	<u>Other Adjustments (company records)</u>	
5	Accounting Adjustment	26,412
6		
7	Net Funds from IPP Customers 12/31/2015 (2015 FORM 1, P269, (F))	1,020,696
8	Average Balance for 2015 ((ln 1 + ln 7)/2)	1,055,633

AEP West SPP Member Companies
 2016 Cost of Service Formula Rate Projected on 2015 FF1 Balances
Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for BPU and Special-billed Projects
 Based on a Carrying Charge Derived from Historic 2015 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)			
	%	Cost	Weighted cost
Long Term Debt	53.69%	0.0474	0.0254
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	46.31%	0.1120	0.0519
		R =	0.0773

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

Rate Base (Projected TCOS, In 75)	442,223,845
R (from A. above)	0.0773
Return (Rate Base x R)	34,184,900

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

Return (from B. above)	34,184,900
Tax Rate (Projected TCOS, In 109)	38.56%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	42.11%
Income Tax Calculation (Return x EIT)	14,394,598
ITC Adjustment (Projected TCOS, In 116)	(581,015)
Income Taxes	13,813,583

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)	91,596,170
Return (Projected TCOS, In 118)	34,184,900
Income Taxes (Projected TCOS, In 117)	13,813,583
Gross Margin Taxes (Projected TCOS, In 122)	-
Net Revenue Requirement, Less Return and Taxes	43,597,687

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

Net Revenue Requirement, Less Return and Taxes	43,597,687
Return (from I.B. above)	34,184,900
Income Taxes (from I.C. above)	13,813,583
Net Revenue Requirement, with 0 Basis Point ROE increase	91,596,170
Gross Margin Tax with Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	91,596,170
Less: Depreciation (Projected TCOS, In 95)	14,404,787
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	77,191,383

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)	91,596,170
Apportionment Factor to Texas (Worksheet K, In 12)	0.00%
Apportioned Texas Revenues	-
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	-
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	-
Gross-up Required for Gross Margin Tax Expense	-
Total Additional Gross Margin Tax Revenue Requirement	-

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

Net Transmission Plant (Projected TCOS, Ins 46, 47, 48, 49, 51)	588,530,028
Net Revenue Requirement, with 0 Basis Point ROE increase	91,596,170
FCR with 0 Basis Point increase in ROE	15.56%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	77,191,383
FCR with 0 Basis Point ROE increase, less Depreciation	13.12%
FCR less Depreciation (Projected TCOS, In 12)	13.12%
	0.00%

Incremental FCR with 0 Basis Point ROE increase, less Depreciation

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	788,910,811	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	815,430,062	<==From Input on Worksheet B
	1,604,340,873	
Transmission Plant Average Balance for 2015	802,170,437	
Annual Depreciation Expense (Historic TCOS, In 246)	15,385,707	
Composite Depreciation Rate	1.92%	
Depreciable Life for Composite Depreciation Rate	52.14	
Round to nearest whole year	52	

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR 2016	6,774,890	6,774,890	\$ -

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
 2016 Cost of Service Formula Rate Projected on 2015 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 2015 Data
PUBLIC SERVICE COMPANY OF OKLAHOMA

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	52.22%	0.0525	0.0274
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	47.78%	0.1120	0.0535
		R =	0.0809

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR SPP BPU & NON-BPU PROJECTS				
TRUE-UP YEAR	2015	Rev Require	W Incentives	Incentive Amounts
Σ Prior Year Projected (WS-F)		\$ 7,800,751	\$ 7,800,751	\$ -
Σ Prior Year True-Up (WS-G)		\$ 7,037,772	\$ 7,037,772	\$ -
True-up Adjustment For 2015		(762,979)	(762,979)	-

Note: Review formulas in summary to ensure the proper year's revenue requirement is being accumulated for each project from the tables below.

NOTE: PART IV --- BPU Project Tables are contained in separate *.xls file

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

Rate Base (True-Up TCOS, In 63)	421,810,823
R (from A. above)	0.0809
Return (Rate Base x R)	34,131,285

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

Return (from B. above)	34,131,285
Tax Rate (True-Up TCOS, In 106)	38.56%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	41.51%
Income Tax Calculation (Return x EIT)	14,166,590
ITC Adjustment (True-Up TCOS, In 103)	(583,340)
Income Taxes	13,583,250

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)	91,021,133
Return (True-Up TCOS, In 105)	34,131,285
Income Taxes (True-Up TCOS, In 104)	13,583,250
Gross Margin Taxes (True-Up TCOS, In 109)	-
Net Revenue Requirement, Less Return and Taxes	43,306,598

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

Net Revenue Requirement, Less Return and Taxes	43,306,598
Return (from I.B. above)	34,131,285
Income Taxes (from I.C. above)	13,583,250
Net Revenue Requirement, with 0 Basis Point ROE increase	91,021,133
Gross Margin Tax with Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	91,021,133
Less: Depreciation (True-Up TCOS, In 83)	14,352,663
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	76,668,470

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

Net Revenue Requirement before Gross Margin Taxes, with 0	91,021,133
Basis Point ROE increase (II B. above)	
Apportionment Factor to Texas (Worksheet K, In 12)	0.00%
Apportioned Texas Revenues	-
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	-
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	-
Gross-up Required for Gross Margin Tax Expense	-
Total Additional Gross Margin Tax Revenue Requirement	-

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

Net Transmission Plant (True-Up TCOS, In 39)	561,912,700
Net Revenue Requirement, with 0 Basis Point ROE increase	91,021,133
FCR with 0 Basis Point increase in ROE	16.20%
Net Rev. Req. w/ 0 Basis Point ROE increase, less Dep.	76,668,470
FCR with 0 Basis Point ROE increase, less Depreciation	13.64%
FCR less Depreciation (True-Up TCOS, In 12)	13.64%
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)	788,910,811	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	815,430,062	<==From Input on Worksheet B
	1,604,340,873	
Transmission Plant Average Balance for 2015	802,170,437	
Annual Depreciation Expense (True-Up TCOS, In 83)	15,385,707	
Composite Depreciation Rate	1.92%	
Depreciable Life for Composite Depreciation Rate	52.14	
Round to nearest whole year	52	

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 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	2,815,695	2,815,695	-
II. Account 451, Miscellaneous Service Revenues	5,183,310	5,183,310	-
III. Account 454, Rent from Electric Property			
1 Account 4540001 - Rent from Elect Property-Aff	2,873,192	2,825,963	47,229
2 Account 4540002 - Rent from Elect Property - Non-Aff	134,736	110,135	24,601
3 Account 4540005 - Rent from Elect Property - Pole Attach	89,833	42,843	46,990
4 Account 4540004 - Rent from Elect Property - ABD - Non-Aff	3,599,003	3,599,003	-
5 Total Rents from Electirc Property	6,696,764		118,820

(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	2,419,944		77,717

V. Total Other Operating Revenues To Reduce Revenue Requirement			196,537
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VI. Account 456.1, Revenues from Transmission of Electricity of Others			38,867,362
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(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			52,043
4 Revenue for GFA's (Relative to SPP OATT) Associated with Load Included in the Divisor			2,110,301
5 Network Service Revenue (SPP Schedule 9) Associated with Load included in the Divisor			13,693,177
6 Revenue Associated with Transmission Plant Excluded From SPP Tariff			-
7 Distribution and Other Non-Transmission Revenue			258,146
8 Revenue from SPP Ancillary Services Provided			661,538
9 Base Plan Revenue (from SPP)			15,470,420
10 Flow Through of ERCOT Ancillary Charges			-
11 Other			-

Net Transmission Credits \$6,621,737

VII. Total Worksheet A Revenue Credits			\$6,818,274
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VIII. Data Sources:

Data for this worksheet came from the FERC Form 1 and the Company's General Ledger.

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 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 2015 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>2015 Expense</u>	<u>100% Non-Transmission</u>	<u>100% Transmission Specific</u>	<u>Explanation</u>
Account 926						
<u>2007 Base Year OPEB Expense (Note 1)</u>						
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			
5	<u>2015 Current Year Expense</u>					
6	9260021	Postretirement Benefits - OPEB	(6,511,163)			
7	9260057	Postret Ben Medicare Subsidy	666,601			
8		OPEB Billed From Service Corporation	(549,954)			
9		Net 2015 Expense	(6,394,516)			
10		Net Increase (Decrease) in OPEB Expense	(12,569,252)	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	1,484,718	1,484,718		Oklahoma Corporation Commission Assessment
12	9280001	Reg Commission Expense Admin	12,349	12,349		FERC Assessment Fees
13						To accumulate AEPSC costs in connection with the preparation and filing of the 2013 Public Service of Oklahoma base rate case.
	9280002	Reg Commission Exp - Case	1,998,529	1,998,529		Activity not associated with a project.
14	9280002	Reg Commission Exp - Transmission	428	428	-	Labor accruals - for various depts
15	9280002	Reg Commission Exp - Labor Accruals	1,202	1,202		General Culture Initiative
16	9280002	Reg Commission Exp - Misc Filings	197	197		PSO Transmission
17	9280002	Reg Commission Exp - Misc Filings	0	-		Reg/Leg Act-Oklahoma
18	9280002	Reg Commission Exp - Misc Filings	71,418	71,418		Rate Case Amortization
19	9280003	Rate Case Amort	586,242	586,242		
20		Total (FF1, pg. 323)	4,155,085	4,155,085	0	
Account 930.1						
21	9301000	General Advertising Expenses	143,023	143,023	0	
22	9301001	Newspaper Advertising Space	24,723	24,723	0	
23	9301002	Radio Station Advertising Time	15,230	15,230	0	
24	9301006	Spec Corporate Comm Info Proj	0	0	0	
25	9301007	Special Adv Space & Prod Exp	0	0	0	
26	9301008	Direct Mail and Handouts	0	0	0	
27	9301009	Fairs, Shows, and Exhibits	0	0	0	
28	9301010	Publicity	6,684	6,684	0	
29	9301011	Dedications, Tours, & Openings	0	0	0	
30	9301012	Public Opinion Surveys	34,461	34,461	0	
31	9301013	Movies Slide Films & Speeches	0	0	0	
32	9301014	Video Communications	0	0	0	
33	9301015	Other Corporate Comm Exp	18,156	18,156	0	
34		Total (FF1, pg. 323)	242,278	242,278	0	
Account 930.2						
35	9302000	Misc General Expenses	584,207	584,207	0	
36	9302003	Corporate & Fiscal Expenses	31,232	31,232	0	
37	9302004	Research, Develop&Demonstr Exp	6,902	6,902	0	
38	9302006	Assoc Bus Development - Materials Sold-Trans	(1)	0	(1)	
39	9302006	Assoc Bus Development - Materials Sold-Non Trans	85,122	85,122	0	
40	9302007	Assoc Business Development Exp - Transmission	236,965	0	236,965	
41	9302007	Assoc Business Development Exp - Non-Transmission	928,110	928,110	0	
42	9302458	AEPSC Non Affiliated expenses	0	0	0	
43		Total (FF1, pg. 323)	1,872,537	1,635,573	236,964	

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 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 2015

State Income Tax Rate - Oklahoma	Note 1	5.66%	
Apportionment Factor		96.72%	
Effective State Income Tax Rate			5.4743%
State Income Tax Rate - Ohio		0.00%	
Apportionment Factor		0.00%	
Tax Phase-out Factor	Note 2	0.00%	
Effective State Income Tax Rate			0.0000%
State Income Tax Rate - West Virginia		6.50%	
Apportionment Factor		0.00%	
Effective State Income Tax Rate			0.0000%
Total Effective State Income Tax Rate			5.4743%

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
		373,885,053	91,596,170	373,687,156	89,711,012	379,009,835	91,021,133
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 2015 FF1 Balances
Worksheet L - Taxes Other than Income
PUBLIC SERVICE COMPANY OF OKLAHOMA

HISTORIC PERIOD EXPENSE (2015) - 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	1,092				1,092
3	Real Estate and Personal Property Taxes					
4	Oklahoma Ad Valorem	30,919,988	30,919,988			
5	Texas Ad Valorem	1,212,759	1,212,759			
6	Louisiana Ad Valorem	729	729			
7			-			
8	Payroll Taxes					
9	Federal Insurance Contribution (FICA)	4,729,378		4,729,378		
10	Federal Unemployment Tax	34,959		34,959		
11	State Unemployment Insurance	(9,687)		(9,687)		
12	Production Taxes					
13						-
14						-
15	Miscellaneous Taxes					
16	Federal Excise Tax	2,220				2,220
17	Ok State Franchise Tax	20,000			20,000	
18	Ok Sales & Use Taxes	434				434
19	Ok Local Franchise Tax - 2015	173,372				173,372
20	Ok Lsd PP Tax - 2015	118,123			118,123	
21	State License Fee	67			67	
22	Tx Sales & Use Taxes	(8,527)				(8,527)
23	Unemployment TX - 014	(8,033)			(8,033)	
24	TX Lsd PP Tax - 2015	20,000			20,000	
25	Ok Misc Tax	61			61	
26	MT Misc Tax				-	
26	Wy Misc Tax				-	
27	Total Taxes by Allocable Basis	37,206,935	32,133,476	4,754,650	150,218	168,591
	(Total Company Amount Ties to FFI p.114, Ln 14,(c))	37,206,935				

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2015
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>Other Long Term Debt</i>				
2 Oklahoma Local Revolving Credit Facility	125,000,000		1,973,825	p256.1 L7(h)
3 <i>Pollution Control Bonds</i>				
4 Pollution Control Bonds - Series 2007	12,660,000	4.45%	563,370	p257 L23h)
5 <i>Senior Unsecured Notes</i>				
6 Senior Unsecured Notes - Series F	150,000,000	6.15%	9,225,000	p256 L12(h)
7 Senior Unsecured Notes - Series G	250,000,000	6.625%	16,562,500	p256 L17(h)
8 Senior Unsecured Notes - Series H	250,000,000	5.15%	12,875,000	p256 L20(h)
9 Senior Unsecured Notes - Series I	250,000,000	4.40%	11,000,000	p256.1 L3(h)
10 Senior Unsecured Notes - Series A	125,000,000	3.17%	3,449,576	p256.1 L10(h)
11 Senior Unsecured Notes - Series B	125,000,000	4.09%	4,450,715	p256.1 L13(h)
12 GridSMART Promissory Note	5,902,544	3.00%	182,982	p257 L25(h)
<u>Issuance Discount, Premium, & Expenses:</u>				
13 Financial Hedges & Auction Fees	FF1.p. 256 & 257.Lines Described as Hedges or Fees		(1,167,106)	256 Ln15(i) 257 Ln5(i)
14 Amort of Debt Discount and Expenses	FF1.p. 117.63.c (also WS-N Ln 15)		960,992	
15 Less: Amor of Debt Premiums	FF1.p. 117.65.c (also WS-N Ln 17)		-	
<u>Reacquired Debt:</u>				
16 Amortization of Loss	FF1.p. 117.64.c (also WS-N Ln 16)		1,202,603	
17 Less: Amortization of Gain	FF1.p. 117.66.c (also WS-N Ln 18)		-	
18 Total Interest on Long Term Debt	1,293,562,544	4.74%	61,279,457	
<u>Preferred Stock (FF1.p. 250-251)</u>				
		<u>Preferred Balance Outstanding</u>		
19		-		-
20		-		-
21		-		-
22 Dividends on Preferred Stock		0.00%		

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
 PUBLIC SERVICE COMPANY OF OKLAHOMA

Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2014 and 12/31/2015

(A)	(B)	(C)	(D)	(E)
Line		Balances @ 12/31/2015	Balances @ 12/31/2014	Average
Development of Average Balance of Common Equity				
1	Total Proprietary Capital (p. 112.16.c&d)	1,119,986,871	1,028,214,326	1,074,100,599
2	Less Preferred Stock from Ln 46 below	0	0	-
3	Less Account 216.1 (p. 112.12.c&d)	0	-	-
4	Less Account 219.1 (p. 112.15.c&d)	4,184,017	4,942,636	4,563,327
5	Average Balance of Common Equity	1,115,802,854	1,023,271,690	1,069,537,272

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

6	Bonds (221) (p. 112.18.c&d)	-	-	-
7	Less: Reacquired Bonds (222) (p. 112.19.c&d)	-	-	-
8	Advances from Assoc. Companies (223) (p112.20.c&d)	-	-	-
9	Senior Unsecured Notes (224) (p. 112.21.c&d)	1,293,562,544	1,043,989,728	1,168,776,136
10	Total Average Debt	1,293,562,544	1,043,989,728	1,168,776,136
11 Annual Interest Expense for 2016				
12	Coupon Interest on Long Term Debt (256-257.33.i)			59,115,862
13	Less: Financial Hedge Gain/Expense from Ln 26 Included in Ln 12			(1,167,106)
14	Plus: Allowed Hedge Recovery from Ln 30 below			(1,119,157)
15	Amort of Debt Discount & Expense (428) (p. 117.63.c)			960,992
16	Amort of Loss on Reacquired Debt (428.1) (p. 117.64.c)			1,202,603
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)			61,327,406
20	Average Cost of Debt for 2016 (Ln 19/Ln 10)			5.25%

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 5.i)			(1,279,141)
23	SUN Series F 6.15% Financial Hedge (p. 256 Ln 17.i)			112,035
24				
25				
26	Total Hedge Amortization			(1,167,106)
27	Total Average Capital Balance for 2015 (Actual TCOS, Ln 137)			2,238,313,408
28	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005
29	Limit of Recoverable Amount			(1,119,157)
30	Recoverable Hedge Amortization			(1,119,157)
	<i>(lesser of 5 basis point Cap or Actual (Gain)/Expense based on magnitude as indicated on Ln 26 or Ln 29)</i>			

Development of Cost of Preferred Stock

Preferred Stock			Average
31	___% Series - - Dividend Rate (p. 250-251. ___a)		
32	___% Series - - Par Value (p. 250-251. ___c)		
33	___% Series - - Shares O/S (p.250-251. ___e)		
34	___% Series - - Monetary Value (Ln 32 * Ln 33)	-	-
35	___% Series - - Dividend Amount (Ln 31 * Ln 34)	-	-
36	___% Series - - Dividend Rate (p. 250-251. col(a))		
37	___% Series - ___ - Par Value (p. 250-251. col(c))		
38	___% Series - 0 - Share O/S (p. 250-251. col(e))		
39	___% Series - - Monetary Value (Ln 37 * Ln 38)	-	-
40	___% Series - - Dividend Amount (Ln 36 * Ln 39)	-	-
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)	-	-
47	Dividends on Preferred Stock (Lns 35, 40, 45)	-	-
48	Average Cost of Preferred Stock (Ln 47/46)	0.00%	0.00%

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

SOUTHWESTERN ELECTRIC POWER COMPANY

Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 120)				\$155,087,151
2	REVENUE CREDITS	(Note A)				
3	Transmission Credits	(Worksheet H)	9,106,191	DA	1.00000	\$ 9,106,191
4	Assoc. Business Development	(Worksheet H)	240,824	DA	1.00000	\$ 240,824
5	Total Revenue Credits		9,347,015			\$ 9,347,015
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 5)				\$145,740,136
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)		63,756,965	DA	1.00000	\$ 63,756,965
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
9	Annual Rate	(ln 1 / (Sum of lns 46, 47, 48, 49, 51)) x 100%				16.14%
10	Monthly Rate	(ln 9 / 12)				1.35%
11	NET PLANT CARRYING CHARGE ON LINE 9, W/O DEPRECIATION (w/o incentives) (Note B)					
12	Annual Rate	((ln 1 - ln 95) / (Sum of lns 46, 47, 48, 49, 51)) x 100%				13.01%
13	NET PLANT CARRYING CHARGE ON LINE 11, W/O INCOME TAXES, RETURN (Note B)					
14	Annual Rate	((ln 1 - ln 95 - ln 117 - ln 118) / (Sum of lns 46, 47, 48, 49, 51)) x 100%				4.16%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)					-

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

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)	4,158,567,302	NA	-
17	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(61,153,921)	NA	-
18	Transmission	(Worksheet A In 3.C & Hist. Template Ln 169)	1,387,776,696	DA	1,309,855,784
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	0.94780
20	Plus: Transmission Plant-in-Service Additions (Worksheet B)		105,025,030	DA	1.00000
21	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)		-	TP	0.94780
22	Distribution	(Worksheet A In 5.C)	1,955,712,964	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)	324,056,692	W/S	0.08010
25	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(713,958)	W/S	0.08010
26	Intangible Plant	(Worksheet A In 9.C)	40,695,821	W/S	0.08010
27	TOTAL GROSS PLANT	(sum Ins 16 to 26)	7,909,966,626		1,444,039,554
28	ACCUMULATED DEPRECIATION AND AMORTIZATION				
29	Production	(Worksheet A In 12.C)	1,444,419,377	NA	0.00000
30	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(5,424,046)	NA	0.00000
31	Transmission	(Worksheet A In 14.C & 28.C)	461,774,500	TP1=	0.91873
32	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.91873
33	Plus: Transmission Plant-in-Service Additions (Worksheet B)		682,366	DA	1.00000
34	Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)		-	DA	1.00000
35	Plus: Additional Transmission Depreciation for 2016 (In 95)		31,768,930	TP1	0.91873
36	Plus: Additional General & Intangible Depreciation for (In 97+In 98)		19,931,523	W/S	0.08010
37	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)		-	DA	1.00000
38	Distribution	(Worksheet A In 16.C)	690,329,575	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)	190,936,107	W/S	0.08010
41	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(411,556)	W/S	0.08010
42	Intangible Plant	(Worksheet A In 20.C)	23,364,306	W/S	0.08010
43	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 29 to 42)	2,857,371,082		472,842,800
44	NET PLANT IN SERVICE				
45	Production	(In 16 + In 17 - In 29 - In 30)	2,658,418,050		-
46	Transmission	(In 18 + In 19 - In 31 - In 32)	926,002,196		885,610,870
47	Plus: Transmission Plant-in-Service Additions (In 20 - In 33)		104,342,664		104,342,664
48	Plus: Additional Trans Plant on Transferred Assets (In 21 - In 34)		-		-
49	Plus: Additional Transmission Depreciation for 2016 (-In 35)		(31,768,930)		(29,186,988)
50	Plus: Additional General & Intangible Depreciation for 2016 (-In 36)		(19,931,523)		(1,596,474)
51	Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 37)		-		-
52	Distribution	(In 22 + In 23 - In 38 - In 39)	1,265,383,389		-
53	General Plant	(In 24 + In 25 - In 40 - In 41)	132,818,184		10,638,463
54	Intangible Plant	(In 26 - In 42)	17,331,515		1,388,219
55	TOTAL NET PLANT IN SERVICE	(sum Ins 45 to 54)	5,052,595,544		971,196,754
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)	(1,185,711,001)	DA	(200,688,576)
59	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(46,919,466)	DA	(2,823,935)
60	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	127,491,877	DA	1,350,567
61	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
62	TOTAL ADJUSTMENTS	(sum Ins 57 to 61)	(1,105,138,590)		(202,161,943)
63	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	1,581,480	DA	-
64	WORKING CAPITAL	(Note F)			
65	Cash Working Capital	(1/8 * In 80) (Note G)	2,420,488		2,294,144
66	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	304,802	TP	0.94780
67	A&G Materials & Supplies	(Worksheet D, In 3.(D))	192,087	W/S	0.08010
68	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h)	0.17154
69	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	111,058,111	W/S	0.08010
70	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	2,535,003	GP(h)	0.17154
71	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA	1.00000
72	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	(95,981,338)	NA	0.00000
73	TOTAL WORKING CAPITAL	(sum Ins 65 to 72)	20,529,153		11,928,814
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7 (B))	(46,339,620)	DA	1.00000
75	RATE BASE (sum Ins 55, 62, 63, 73, 74)		3,923,227,968		734,624,004

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

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	96,781,200		
77	Less: Total Account 561	(Note I) 321.84-92.b	15,688,974		
78	Less: Account 565	(Note J) 321.96.b	61,728,320		
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)	19,363,906	TP 0.94780	18,353,153
81	Administrative and General	323.197.b (Note K)	70,385,819		
82	Less: Acct. 924, Property Insurance	323.185.b	2,538,763		
83	Acct. 928, Reg. Com. Exp.	323.189.b	1,923,339		
84	Acct. 930.1, Gen. Advert. Exp.	323.191.b	269,699		
85	Acct. 930.2, Misc. Gen. Exp.	323.192.b	1,117,978		
86	Balance of A & G	(In 81 - sum In 82 to In 85)	64,536,040	W/S 0.08010	5,169,204
87	Plus: Acct. 924, Property Insurance	(In 82)	2,538,763	GP(h) 0.17154	435,510
88	Acct. 928 - Transmission Specific	Worksheet J In 32.(E) (Note L)	-	TP 0.94780	-
89	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 46.(E) (Note L)	-	TP 0.94780	-
90	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 49.(E) (Note L)	109,203	DA 1.00000	109,203
91	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet J In 10.C (Note M)	(13,645,949)	W/S 0.08010	(1,093,012)
92	A & G Subtotal	(sum Ins 86 to 90 less In 91)	80,829,955		6,806,929
93	TOTAL O & M EXPENSE	(In 80 + In 92)	100,193,861		25,160,083
94	DEPRECIATION AND AMORTIZATION EXPENSE				
95	Transmission	336.7.f	31,768,930	TP 0.94780	30,110,663
96	Plus: Transmission Plant-in-Service Additions (Worksheet B)		682,366	DA 1.00000	682,366
97	General	336.10.f	7,922,859	W/S 0.08010	634,605
98	Intangible	336.1.f	12,008,664	W/S 0.08010	961,869
99	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 95 to 98)	52,382,819		32,389,503
100	TAXES OTHER THAN INCOME	(Note N)			
101	Labor Related				
102	Payroll	Worksheet L, Col. D	6,775,111	W/S 0.08010	542,672
103	Plant Related				
104	Property	Worksheet L, Col. C	51,940,176	GP(h) 0.17154	8,910,039
105	Gross Receipts/Sales & Use	Worksheet L, Col. F	23,261,131	NA 0.00000	-
106	Other	Worksheet L, Col. E	6,063,521	GP(h) 0.17154	1,040,162
107	TOTAL OTHER TAXES	(sum Ins 102 to 106)	88,039,939		10,492,874
108	INCOME TAXES	(Note O)			
109	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		37.92%		
110	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		40.91%		
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)		1.6108		
114	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(1,351,985)		
115	Income Tax Calculation	(In 110 * In 118)	132,372,275		24,786,694
116	ITC adjustment	(In 113 * In 114)	(2,177,792)	NP(h) 0.17952	(390,955)
117	TOTAL INCOME TAXES	(sum Ins 115 to 116)	130,194,483		24,395,738
118	RETURN ON RATE BASE (Rate Base*WACC)	(In 75 * In 150)	323,566,304		60,587,755
119	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		1,622,024	DA 1.00000	1,622,024
120	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		695,999,430		154,647,977
121	(sum Ins 93, 99, 107, 117, 118, 119)				
122	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		1,976,518	DA	439,174
123	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		697,975,948		155,087,151

AEP West SPP Member Companies
2016 Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

SOUTHWESTERN ELECTRIC POWER COMPANY

SUPPORTING CALCULATIONS

In									
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN SPP TARIFF								
124	Total transmission plant	(In 18, 19, 20, 21)							1,492,801,726
125	Less transmission plant excluded from SPP Tariff (Note Q)								41,354,526
126	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note R)								36,566,386
127	Transmission plant included in SPP Tariff	(In 124 - In 125 - In 126)							1,414,880,814
128	Percent of transmission plant in SPP Tariff	(In 127 / In 124)						TP=	0.94780
129	WAGES & SALARY ALLOCATOR (W/S)	(Note S)							
		Direct Payroll	Payroll Billed from AEP Service Corp.		Total				
130	Production	354.20.b	41,842,715	13,325,443	55,168,158	NA	0.00000		-
131	Transmission	354.21.b	3,507,774	5,751,094	9,258,868	TP	0.94780	8,775,576	
132	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000		-
133	Distribution	354.23.b	28,508,313	1,585,672	30,093,985	NA	0.00000		-
134	Other (Excludes A&G)	354.24,25,26.b	8,345,335	6,694,217	15,039,552	NA	0.00000		-
135	Total	(sum Ins 130 to 134)	82,204,137	27,356,426	109,560,563				8,775,576
136	Transmission related amount							W/S=	0.08010
137	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
138		Long Term Interest (Worksheet M, In. 22, col. (D))							118,777,528
139		Preferred Stock Dividends (Worksheet M, In. 23, col. (D))							-
140	Development of Common Stock:								
141		Proprietary Capital (112.16.c)							2,169,212,700
142		Less Preferred Stock (In 148)							-
143		Less Account 216.1 (112.12.c)							27,601,852
144		Less Account 219.1 (112.15.c)							(9,331,734)
145		Common Stock (In 141 - In 142 - In 143 - In 144)							2,150,942,582
146		\$							
147	Long Term Debt (Worksheet M, In. 22, col. (B))	2,210,200,000			Capital Structure Percentages		Cost	Weighted	
148	Preferred Stock (Worksheet M, In. 23, col. (B))	-			Actual	Cap Limit	(Note T)		
149	Common Stock (In 145) (Note U)	2,150,942,582			50.68%	0.00%	0.0537		0.0272
150	Total (sum Ins 147 to 149)	4,361,142,582			0.00%	0.00%	-		0.0000
					49.32%	0.00%	11.2%		0.0552
							WACC=		0.0825
151	Capital Structure Equity Limit (Note U)	52.5%							

AEP West SPP Member Companies
 2016 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 and Projected Net Plant at Year-End 2016

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= | 4.49% | (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 2015 with Year-End Rate Base Balances

SOUTHWESTERN ELECTRIC POWER COMPANY

Line No.			Total	Allocator		Transmission Amount
152	REVENUE REQUIREMENT (w/o incentives)	(In 271)				\$145,580,775
153	REVENUE CREDITS	(Note A)				
154	Transmission Credits	(Worksheet H)	9,106,191	DA	1.00000	\$ 9,106,191
155	Assoc. Business Development	(Worksheet H)	240,824	DA	1.00000	\$ 240,824
156	Total Revenue Credits		9,347,015			\$ 9,347,015
157	REVENUE REQUIREMENT For All Company Facilities	(In 152 less In 156)				\$ 136,233,760

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 is included in the total on line 157.

158	Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet F)		63,756,965	DA	1.00000	\$ 63,756,965
159	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
160	Annual Rate	(In 152/ In 197 x 100%)				16.44%
161	Monthly Rate	(In 160 / 12)				1.37%
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%)				13.05%
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%)				4.42%
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 2015 with Year-End Rate Base Balances

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				
167	Production	(Worksheet A In 1.C)	4,158,567,302	NA 0.00000	-
168	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(61,153,921)	NA 0.00000	-
169	Transmission	(Worksheet A In 3.C & Ln 278)	1,387,776,696	DA	1,309,855,784
170	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 0.94385	-
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)	1,955,712,964	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)	324,056,692	W/S 0.07976	25,848,094
176	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(713,958)	W/S 0.07976	(56,948)
177	Intangible Plant	(Worksheet A In 9.C)	40,695,821	W/S 0.07976	3,246,066
178	TOTAL GROSS PLANT	(sum Ins 167 to 177)	7,804,941,596	GP(h)= 0.171544 GTD= 0.41507	1,338,892,996
179	ACCUMULATED DEPRECIATION AND AMORTIZATION				
180	Production	(Worksheet A In 12.C)	1,444,419,377	NA 0.00000	-
181	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(5,424,046)	NA 0.00000	-
182	Transmission	(Worksheet A In 14.C & 28.C)	461,774,500.000	TP1= 0.91873	424,244,914
183	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 0.91873	-
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 2016 (In 246)		N/A	TP1 0.91873	N/A
187	Plus: Additional General & Intangible Depreciation for 2016 (In 248+In 249)		N/A	W/S 0.07976	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)	690,329,575	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)	190,936,107	W/S 0.07976	15,229,849
192	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(411,556)	W/S 0.07976	(32,827)
193	Intangible Plant	(Worksheet A In 20.C)	23,364,306	W/S 0.07976	1,863,633
194	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 180 to 193)	2,804,988,263		441,305,568
195	NET PLANT IN SERVICE				
196	Production	(In 167 + In 168 - In 180 - In 181)	2,658,418,050		-
197	Transmission	(In 169 + In 170 - In 182 - In 183)	926,002,196		885,610,870.201
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 2016 (-In 186)		N/A		N/A
201	Plus: Additional General & Intangible Depreciation for 2016 (-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)	1,265,383,389		-
204	General Plant	(In 175 + In 176 - In 191 - In 192)	132,818,184		10,594,124
205	Intangible Plant	(In 177 - In 193)	17,331,515		1,382,433
206	TOTAL NET PLANT IN SERVICE	(sum Ins 196 to 205)	4,999,953,333	NP(h)= 0.179519	897,587,427
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)	(1,185,711,001)	DA	(200,688,576)
210	Account No. 283.1 (enter negative)	(Worksheet C, In 10.C & Ln 12.J)	(46,919,466)	DA	(2,823,935)
211	Account No. 190.1	(Worksheet C, In 19.C & Ln 21.J)	127,491,877	DA	1,350,567
212	Account No. 255 (enter negative)	(Worksheet C, In 28.C & Ln 30.J)	-	DA	-
213	TOTAL ADJUSTMENTS	(sum Ins 208 to 212)	(1,105,138,590)		(202,161,943)
214	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	1,581,480	DA	-
215	WORKING CAPITAL	(Note F)			
216	Cash Working Capital	(1/8 * In 231) (Note G)	2,420,488		2,284,583
217	Transmission Materials & Supplies	(Worksheet D, In 2.(D))	304,802	TP 0.94385	287,688
218	A&G Materials & Supplies	(Worksheet D, In 3.(D))	192,087	W/S 0.07976	15,322
219	Stores Expense	(Worksheet D, In 4.(D))	-	GP(h) 0.17154	-
220	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 5.G)	111,058,111	W/S 0.07976	8,858,452
221	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 5.F)	2,535,003	GP(h) 0.17154	434,865
222	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 5.E)	-	DA 1.00000	-
223	Prepayments (Account 165) - Unallocable	(Worksheet D, In 5.D)	(95,981,338)	NA 0.00000	-
224	TOTAL WORKING CAPITAL	(sum Ins 216 to 223)	20,529,153		11,880,909
225	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 7.(B))	(46,339,620)	DA 1.00000	(46,339,620)
226	RATE BASE (sum Ins 206, 213, 214, 224, 225)		<u>3,870,585,757</u>		<u>660,966,773</u>

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 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	96,781,200		
228	Less: Total Account 561	(Note I) 321.84-92.b	15,688,974		
229	Less: Account 565	(Note J) 321.96.b	61,728,320		
230	Less: expenses 100% assigned to TO billed customers (Worksheet I, ln 14)		\$0		
231	Total O&M Allocable to Transmission	(lns 227 - 228 - 229 - 230)	19,363,906	TP 0.94385	18,276,661
232	Administrative and General	323.197.b (Note K)	70,385,819		
233	Less: Acct. 924, Property Insurance	323.185.b	2,538,763		
234	Acct. 928, Reg. Com. Exp.	323.189.b	1,923,339		
235	Acct. 930.1, Gen. Advert. Exp.	323.191.b	269,699		
236	Acct. 930.2, Misc. Gen. Exp.	323.192.b	1,117,978		
237	Balance of A & G	(ln 232 - sum ln 233 to ln 236)	64,536,040	W/S 0.07976	5,147,660
238	Plus: Acct. 924, Property Insurance	(ln 233)	2,538,763	GP(h) 0.17154	435,510
239	Acct. 928 - Transmission Specific	Worksheet J ln 32.(E) (Note L)	-	TP 0.94385	-
240	Acct 930.1 - Only safety related ads -Direct	Worksheet J ln 46.(E) (Note L)	-	TP 0.94385	-
241	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J ln 49.(E) (Note L)	109,203	DA 1.00000	109,203
242	Less: PBOP Expense ln Acct. 926 Adjustment	Worksheet J ln 10.C (Note M)	(13,645,949)	W/S 0.07976	(1,088,457)
243	A & G Subtotal	(sum lns 237 to 241 less ln 242)	80,829,955		6,780,830
244	TOTAL O & M EXPENSE	(ln 231 + ln 243)	100,193,861		25,057,491
245	DEPRECIATION AND AMORTIZATION EXPENSE				
246	Transmission	336.7.f	31,768,930	TP 0.94385	29,985,168
247	Plus: Transmission Plant-in-Service Additions (Worksheet B)		N/A		N/A
248	General	336.10.f	7,922,859	W/S 0.07976	631,960
249	Intangible	336.1.f	12,008,664	W/S 0.07976	957,860
250	TOTAL DEPRECIATION AND AMORTIZATION	(sum lns 246 to 249)	51,700,453		31,574,988
251	TAXES OTHER THAN INCOME	(Note N)			
252	Labor Related				
253	Payroll	Worksheet L, Col. D	6,775,111	W/S 0.07976	540,411
254	Plant Related				
255	Property	Worksheet L, Col. C	51,940,176	GP(h) 0.17154	8,910,039
256	Gross Receipts/Sales & Use	Worksheet L, Col. F	23,261,131	NA 0.00000	-
257	Other	Worksheet L, Col. E	6,063,521	GP(h) 0.17154	1,040,162
258	TOTAL OTHER TAXES	(sum lns 253 to 257)	88,039,939		10,490,612
259	INCOME TAXES	(Note O)			
260	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		37.92%		
261	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		40.91%		
262	where WCLTD=(ln 298) and WACC = (ln 301)				
263	and FIT, SIT & p are as given in Note O.				
264	$GRCF=1 / (1 - T) =$ (from ln 260)		1.6108		
265	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	(1,351,985)		
266	Income Tax Calculation	(ln 261 * ln 269)	130,596,093		22,301,451
267	ITC adjustment	(ln 264 * ln 265)	(2,177,792)	NP(h) 0.17952	(390,955)
268	TOTAL INCOME TAXES	(sum lns 266 to 267)	128,418,300		21,910,495
269	RETURN ON RATE BASE (Rate Base*WACC)	(ln 226 * ln 301)	319,224,663		54,512,911
270	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		1,622,024	DA 1.00000	1,622,024
271	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		689,199,241		145,168,521
272	(sum lns 244, 250, 258, 268, 269, 270)				
273	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		1,957,207	DA	412,254
274	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		691,156,448		145,580,775

AEP West SPP Member Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2015 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)							1,387,776,696
276	Less transmission plant excluded from SPP Tariff (Worksheet A, In 23a Col. (C)) (Note Q)								41,354,526
277	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note R)								36,566,386
278	Transmission plant included in SPP Tariff	(In 275 - In 276 - In 277)							<u>1,309,855,784</u>
279	Percent of transmission plant in SPP Tariff	(In 278 / In 275)						TP=	0.94385
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	41,842,715	13,325,443	55,168,158	NA	0.00000		-
283	Regional Market Expenses	354.22.b	3,507,774	5,751,094	9,258,868	TP	0.94385		8,739,001
284	Distribution	354.23.b	0	0	-	NA	0.00000		-
285	Other (Excludes A&G)	354.24,25,26.b	28,508,313	1,585,672	30,093,985	NA	0.00000		-
286	Total	(sum Ins 281 to 285)	8,345,335	6,694,217	15,039,552	NA	0.00000		-
287	Transmission related amount		82,204,137	27,356,426	109,560,563			W/S=	0.07976
288	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
289			Long Term Interest (Worksheet M, In. 22, col. (D))						<u>118,777,528</u>
290			Preferred Stock Dividends (Worksheet M, In. 23, col. (D))						-
291	Development of Common Stock:								
292			Proprietary Capital (112.16.c)						2,169,212,700
293			Less Preferred Stock (In 299)						-
294			Less Account 216.1 (112.12.c)						27,601,852
295			Less Account 219.1 (112.15.c)						<u>(9,331,734)</u>
296			Common Stock (In 292 - In 293 - In 294 - In 295)						2,150,942,582
297				Capital Structure Percentages			Cost (Note T)		Weighted
298	Long Term Debt (Worksheet M, In. 22, col. (B))		\$	Actual	Cap Limit				
299	Preferred Stock (Worksheet M, In. 23, col. (B))		2,210,200,000	50.68%	0.00%		0.0537		0.0272
300	Common Stock (In 296) (Note U)		-	0.00%	0.00%		-		0.0000
301	Total (sum Ins 298 to 300)		<u>2,150,942,582</u>	49.32%	0.00%		<u>11.2%</u>		<u>0.0552</u>
302	Capital Structure Equity Limit (Note U)		4,361,142,582				WACC=		0.0825

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Historic Cost Data for 2015 with Year-End Rate Base Balances

SOUTHWESTERN ELECTRIC POWER COMPANY

Letter

Notes

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- 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= | 4.49% | (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.

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 with Average Ratebase Balances

SOUTHWESTERN ELECTRIC POWER COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 107)			\$142,642,474
2	REVENUE CREDITS	(Note A)			
3	Transmission Credits	(Worksheet H)	9,106,191	DA 1.00000	\$ 9,106,191
4	Assoc. Business Development	(Worksheet H)	240,824	DA 1.00000	\$ 240,824
5	Total Revenue Credits		9,347,015		\$ 9,347,015
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 2)			\$133,295,459

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)		55,504,307	DA 1.00000	\$ 55,504,307
8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)				
9	Annual Rate	(ln 1 / ln 39 x 100)			16.68%
10	Monthly Rate	(ln 9 / 12)			1.39%
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)			13.18%
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)			4.55%
15	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet G)				-

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 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)	4,115,150,903	NA	0.00000
17	Less: Production ARO (Enter Negative)	(Worksheet A In 2.E)	(46,100,069)	NA	0.00000
18	Transmission	(Worksheet A In 3.E & Ln 114)	1,344,277,173	DA	1,266,514,703
19	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E)	-	TP	0.94215
20	Distribution	(Worksheet A In 5.E)	1,924,462,100	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)	321,192,334	W/S	0.07962
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	(698,880)	W/S	0.07962
24	Intangible Plant	(Worksheet A In 9.E)	49,694,644	W/S	0.07962
25	TOTAL GROSS PLANT	(sum Ins 16 to 24)	7,707,978,205	GP(TU)=	0.16814
				GTD=	0.41125
26	ACCUMULATED DEPRECIATION AND AMORTIZATION				
27	Production	(Worksheet A In 12.E)	1,411,130,829	NA	0.00000
28	Less: Production ARO (Enter Negative)	(Worksheet A In 13.E)	(4,859,346)	NA	0.00000
29	Transmission	(Worksheet A In 14.E & 28.E)	446,488,163	TP1=	0.92084
30	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	0.92084
31	Distribution	(Worksheet A In 16.E)	685,582,745	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)	186,375,545	W/S	0.07962
34	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	(396,452)	W/S	0.07962
35	Intangible Plant	(Worksheet A In 20.E)	33,122,884	W/S	0.07962
36	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 27 to 35)	2,757,444,368		428,588,671
37	NET PLANT IN SERVICE				
38	Production	(In 16 + In 17 - In 27 - In 28)	2,662,779,351		-
39	Transmission	(In 18 + In 19 - In 29 - In 30)	897,789,010		855,371,047
40	Distribution	(In 20 + In 21 - In 31 - In 32)	1,238,879,355		-
41	General Plant	(In 22 + In 23 - In 33 - In 34)	134,514,361		10,710,104
42	Intangible Plant	(In 24 - In 35)	16,571,760		1,319,452
43	TOTAL NET PLANT IN SERVICE	(sum Ins 38 to 42)	4,950,533,837	NP(TU)=	0.17521
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)	(1,164,556,109)	DA	(194,925,344)
47	Account No. 283.1 (enter negative)	(Worksheet C, In 16.C & Ln 18.J)	(46,477,938)	DA	(2,749,095)
48	Account No. 190.1	(Worksheet C, In 25.C & Ln 27.J)	125,685,166	DA	1,473,792
49	Account No. 255 (enter negative)	(Worksheet C, In 34.C & Ln 36.J)	-	DA	-
50	TOTAL ADJUSTMENTS	(sum Ins 45 to 49)	(1,085,348,882)		(196,200,647)
51	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	1,471,023	DA	-
52	WORKING CAPITAL	(Note F)			
53	Cash Working Capital	(1/8 * In 68) (Note G)	2,420,488		2,280,470
54	Transmission Materials & Supplies	(Worksheet D, In 2.(F))	379,292	TP	0.94215
55	A&G Materials & Supplies	(Worksheet D, In 3.(F))	157,027	W/S	0.07962
56	Stores Expense	(Worksheet D, In 4.(F))	-	GP(TU)	0.16814
57	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 7.G)	109,705,758	W/S	0.07962
58	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 7.F)	2,205,273	GP(TU)	0.16814
59	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 7.E)	-	DA	1.00000
60	Prepayments (Account 165) - Unallocable	(Worksheet D, In 7.D)	(96,088,499)	NA	0.00000
61	TOTAL WORKING CAPITAL	(sum Ins 53 to 60)	18,779,338		11,755,939
62	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8.(B))	(51,667,071)	DA	1.00000
63	RATE BASE (sum Ins 43, 50, 51, 61, 62)		3,833,768,245		631,288,826

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 with Average Ratebase Balances

SOUTHWESTERN ELECTRIC POWER COMPANY

	(1)	(2)	(3)	(4)	(5)
	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION		TO Total	Allocator	Total Transmission
Line No.		Data Sources (See "General Notes")			
64	OPERATION & MAINTENANCE EXPENSE				
64	Transmission	321.112.b	96,781,200		
65	Less: Total Account 561	(Note I) 322.84-92.b	15,688,974		
66	Less: Account 565	(Note J) 322.96.b	61,728,320		
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)	19,363,906	TP	0.94215
69	Administrative and General	323.197.b (Note K)	70,385,819		
70	Less: Acct. 924, Property Insurance	323.185.b	2,538,763		
71	Acct. 928, Reg. Com. Exp.	322.189.b	1,923,339		
72	Acct. 930.1, Gen. Advert. Exp.	322.191.b	269,699		
73	Acct. 930.2, Misc. Gen. Exp.	322.192.b	1,117,978		
74	Balance of A & G	(In 69 - sum In 70 to In 73)	64,536,040	W/S	0.07962
75	Plus: Acct. 924, Property Insurance	(In 70)	2,538,763	GP(TU)	0.16814
76	Acct. 928 - Transmission Specific	Worksheet J In 32.(E) (Note L)	-	TP	0.94215
77	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 46.(E) (Note L)	-	GP(TU)	0.16814
78	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 49.(E) (Note L)	109,203	DA	1.00000
79	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet J In 10.C (Note M)	(13,645,949)	W/S	0.07962
80	A & G Subtotal	(sum Ins 74 to 78 less In 79)	80,829,955		
81	TOTAL O & M EXPENSE	(In 68 + In 80)	100,193,861		
82	DEPRECIATION AND AMORTIZATION EXPENSE				
83	Transmission	336.7.f	31,768,930	TP	0.94215
84	General	336.10.f	7,922,859	W/S	0.07962
85	Intangible	336.1.f	12,008,664	W/S	0.07962
86	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 83 to 85)	51,700,453		
87	TAXES OTHER THAN INCOME	(Note N)			
88	Labor Related				
89	Payroll	Worksheet L, Col. D	6,775,111	W/S	0.07962
90	Plant Related				
91	Property	Worksheet L, Col. C	51,940,176	GP(TU)	0.16814
92	Gross Receipts/Sales & Use	Worksheet L, Col. F	23,261,131	NA	0.00000
93	Other	Worksheet L, Col. E	6,063,521	GP(TU)	0.16814
94	TOTAL OTHER TAXES	(sum Ins 89 to 93)	88,039,939		
95	INCOME TAXES	(Note O)			
96	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		37.92%		
97	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		40.80%		
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)		1.6108		
101	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(1,351,985)		
102	Income Tax Calculation	(In 97 * In 105)	130,535,061		
103	ITC adjustment	(In 100 * In 101)	(2,177,792)	NP(TU)	0.17521
104	TOTAL INCOME TAXES	(sum Ins 102 to 103)	128,357,269		
105	RETURN ON RATE BASE (Rate Base*WACC)	(In 63 * In 137)	319,974,274		
106	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)		1,622,024	DA	1.00000
107	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		689,887,819		
108	(sum Ins 81, 86, 94, 104, 105, 106)				
109	TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)		1,959,163	DA	
110	REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX		691,846,982		

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 with Average Ratebase Balances

SOUTHWESTERN ELECTRIC POWER COMPANY

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF								
111	Total transmission plant	(In 18)							1,344,277,173
112	Less transmission plant excluded from SPP Tariff	(Worksheet A, In 23a Col. (E)) (Note Q)							41,270,184
113	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (E)) (Note R)							36,492,286
114	Transmission plant included in SPP Tariff	(In 111 - In 112 - In 113)							1,266,514,703
115	Percent of transmission plant in SPP Tariff	(In 114 / In 111)						TP=	0.94215
116	WAGES & SALARY ALLOCATOR (W/S)	(Note S)		Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
117	Production	354.20.b	41,842,715	13,325,443	55,168,158	NA	0.00000		-
118	Transmission	354.21.b	3,507,774	5,751,094	9,258,868	TP	0.94215		8,723,270
119	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000		-
120	Distribution	354.23.b	28,508,313	1,585,672	30,093,985	NA	0.00000		-
121	Other (Excludes A&G)		0	8,345,335	6,694,217	NA	0.00000		-
122	Total	(sum Ins 117 to 121)	82,204,137	27,356,426	109,560,563				8,723,270
123	Transmission related amount							W/S=	0.07962
124	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
125	Long Term Interest	Long Term Interest (Worksheet N, In. 19, col. (E))							117,829,681
126	Preferred Dividends	Preferred Stock Dividends (Worksheet N, In. 47, col. (E))							-
127	Development of Common Stock:								Average
128	Proprietary Capital	(Worksheet N, In. 1, col. (E))							2,132,999,583
129	Less Preferred Stock (In 135)	(Worksheet N, In. 2, col. (E))							-
130	Less Account 216.1	(Worksheet N, In. 3, col. (E))							25,668,744
131	Less Account 219	(Worksheet N, In. 4, col. (E))							(8,399,879)
132	Common Stock	(In 128 - In 129 - In 130 - In 131)							2,115,730,718
133		2015 Avg Balances							
134	Avg Long Term Debt (Worksheet N, In. 10, col. (E))		2,135,200,000		50.23%	0.00%	5.52%		0.0277
135	Avg Preferred Stock (Worksheet N, In. 46, col. (E))		-		0.00%	0.00%	0.00%		0.0000
136	Avg Common Stock (In 132) (Note U)		2,115,730,718		49.77%	0.00%	11.20%		0.0557
137	Total (sum Ins 134 to 136)		4,250,930,718					WACC=	0.0835
138	Capital Structure Equity Limit (Note U)		52.5%						

AEP West SPP Member Companies
 Transmission Cost of Service Formula Rate
 Utilizing Actual Cost Data for 2015 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.
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- 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 96) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
- | | | |
|------------------|-------|---|
| Inputs Required: | FIT = | 35.00% |
| | SIT= | 4.49% (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 125) / long term debt (ln 134). Preferred Stock cost rate = preferred dividends (ln 126) / preferred outstanding (ln 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
 2016 Cost of Service Formula Rate
Worksheet A - Detail Plant Balances
SOUTHWESTERN ELECTRIC POWER COMPANY

<u>Line Number</u>	<u>(A) Rate Base Item & Supporting Balance</u>	<u>(B) Source of Data</u>	<u>(C) Balances @ 12/31/2015</u>	<u>(D) Balances 12/31/2014</u>	<u>(E) Average Balance for 2015</u>
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
<u>Plant Investment Balances</u>					
1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 46	4,158,567,302	4,071,734,504	4,115,150,903
2	Production Asset Retirement Obligation (ARO)	FF1, page 205 & 204, Col.(g)&(b), Ins 15,24,34,44	61,153,921	31,046,217	46,100,069
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	1,387,776,696	1,300,777,651	1,344,277,173
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	1,955,712,964	1,893,211,237	1,924,462,100
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	324,056,692	318,327,976	321,192,334
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	713,958	683,803	698,880
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	40,695,821	58,693,466	49,694,644
10	Total Property Investment Balance	(Sum of Lines: 1, 3, 5, 7, 9)	7,866,809,475	7,642,744,834	7,754,777,154
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 2, 4, 6, 8)	61,867,879	31,730,020	46,798,949
<u>Accumulated Depreciation & Amortization Balances</u>					
12	Production Accumulated Depreciation	FF1, page 219, Ins 20-24, Col. (b)	1,444,419,377	1,377,842,281	1,411,130,829
13	Production ARO Accumulated Depreciation	Company Records	5,424,046	4,294,647	4,859,346
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	461,774,500	431,201,826	446,488,163
15	Transmission ARO Accumulated Depreciation	Company Records	-	-	-
16	Distribution Accumulated Depreciation	FF1, page 219, In 26, Col. (b)	690,329,575	680,835,915	685,582,745
17	Distribution ARO Accumulated Depreciation	Company Records	-	-	-
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	190,936,107	181,814,982	186,375,545
19	General ARO Accumulated Depreciation	Company Records	411,556	381,347	396,452
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	23,364,306	42,881,462	33,122,884
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 12, 14, 16, 18, 20)	2,810,823,865	2,714,576,466	2,762,700,166
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 13, 15, 17, 19)	5,835,602	4,675,994	5,255,798
<u>Generation Step-Up Units</u>					
23	GSU Investment Amount	Company Records	36,566,386	36,418,186	36,492,286
24	GSU Accumulated Depreciation	Company Records	17,597,388	15,411,831	16,504,609
25	GSU Net Balance	(Line 23 - Line 24)	18,968,998	21,006,356	19,987,677
<u>Transmission Plant Excluded from SPP Tariff (see TCOS Note Q)</u>					
23a	Excluded Facilities Investment Amount	Company Records	41,354,526	41,185,842	41,270,184
24a	Excluded Facilities Accumulated Depreciation	Company Records	19,932,198	17,747,597	18,839,898
25a	Excluded Facilities Net Balance	(Line 23a - Line 24a)	21,422,328	23,438,245	22,430,286
<u>Transmission Accumulated Depreciation Net of GSU/Excluded Facilities Accumulated Depreciation</u>					
26	Transmission Accumulated Depreciation	(Line 14 Above)	461,774,500	431,201,826	446,488,163
27	Less: GSU & Excl Facilities Acc Dep	(Line 24 + Line 24a Above)	37,529,586	33,159,428	35,344,507
28	Subtotal of Transmission Accumulated Depreciation	(Line 26 - Line 27)	424,244,914	398,042,398	411,143,656
<u>Plant Held For Future Use</u>					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	1,581,480	1,360,565	1,471,023
30	Transmission Plant Held For Future	Company Records	-	-	-

AEP West SPP Member Companies
 2016 Cost of Service Formula Rate Projected on 2015 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 (2015) (P.206, In 58,(b)):	1,300,777,651
2	Transmission Plant @ End of Historic Period (2015) (P.207, In 58,(g)):	<u>1,387,776,696</u>
3		2,688,554,347
4	Average Balance of Transmission Investment	1,344,277,173
5	Annual Depreciation Expense, Historic TCOS, In 246	31,768,930
6	Composite Depreciation Rate	2.36%
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	\$ 1,122,414	2.00%	\$ 22,448	\$ 1,871	11	\$ 20,581
10	February	\$ 1,024,466	2.00%	\$ 20,489	\$ 1,707	10	\$ 17,070
11	March	\$ 16,046,352	2.00%	\$ 320,927	\$ 26,744	9	\$ 240,696
12	April	\$ 3,374,656	2.00%	\$ 67,493	\$ 5,624	8	\$ 44,992
13	May	\$ 5,530,074	2.00%	\$ 110,601	\$ 9,217	7	\$ 64,519
14	June	\$ 2,807,955	2.00%	\$ 56,159	\$ 4,680	6	\$ 28,080
15	July	\$ 1,021,860	2.00%	\$ 20,437	\$ 1,703	5	\$ 8,515
16	August	\$ 37,031,916	2.00%	\$ 740,638	\$ 61,720	4	\$ 246,880
17	September	\$ 958,882	2.00%	\$ 19,178	\$ 1,598	3	\$ 4,794
18	October	\$ 1,405,538	2.00%	\$ 28,111	\$ 2,343	2	\$ 4,686
19	November	\$ 932,002	2.00%	\$ 18,640	\$ 1,553	1	\$ 1,553
20	December	\$ 33,768,919	2.00%	\$ 675,378	\$ 56,282	0	\$ -
21	Investment	\$ 105,025,030				Depreciation Expense	\$ 682,366

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
 2016 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	2015 Year End Tax Deferrals - Ws C-1	(1,185,711,001)	(15,823,711)	-	(1,169,899,454)	-	12,164	
2	282.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	17.1544%	41.5068%	7.9764%	
3	282.1	Allocated Total		0	0	(200,689,546)	0	970	(200,688,576)
282 Balance to Use in True-Up									
4	282.1	2015 Year End Tax Deferrals - Ws C-1	(1,185,711,001)	(15,823,711)	-	(1,169,899,454)	-	12,164	
5	282.1	2014 Year End Tax Deferrals - Ws C-2	(1,143,401,217)	7,638,717	-	(1,146,724,254)	-	(4,315,680)	
6		Subtotal	(2,329,112,218)	(8,184,994)	-	(2,316,623,708)	-	(4,303,516)	
7		Average Balance	(1,164,556,109)	(4,092,497)	0	(1,158,311,854)	0	(2,151,758)	
8		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	16.8136%	41.1252%	7.9621%	
9		Allocated Total		0	0	(194,754,020)	0	(171,324)	(194,925,344)
Account 283 - Form-1 page 276-277, Ln 9, Col (k)									
283 Balance to Use in Projection									
10	283.1	2015 Year End Tax Deferrals - Ws C-1	(46,919,466)	(13,793,756)	-	(1,979,641)	-	(31,146,069)	
11	283.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	17.1544%	41.5068%	7.9764%	
12	283.1	Allocated Total		0	0	(339,596)	0	(2,484,339)	(2,823,935)
283 Balance to Use in True-Up									
13	283.1	2015 Year End Tax Deferrals - Ws C-1	(46,919,466)	(13,793,756)	-	(1,979,641)	-	(31,146,069)	
14	283.1	2014 Year End Tax Deferrals - Ws C-2	(46,036,411)	(13,854,967)	-	(1,391,524)	-	(30,789,920)	
15		Subtotal	(92,955,877)	(27,648,722)	-	(3,371,166)	-	(61,935,989)	
16		Average Balance	(46,477,938)	(13,824,361)	0	(1,685,583)	0	(30,967,994)	
17		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	16.8136%	41.1252%	7.9621%	
18		Allocated Total		0	0	(283,407)	0	(2,465,688)	(2,749,095)
Account 190 - Form-1 page 234, Ln 8, Col. (c)									
190 Balance to Use in Projection									
19	190.1	2015 Year End Tax Deferrals - Ws C-1	127,491,877	112,643,004	-	1,810,410	-	13,038,464	
20	190.1	Transmission Allocator from Historic TCOS [GP or W/S]		0.0000%	100.0000%	17.1544%	41.5068%	7.9764%	
21	190.1	Allocated Total		0	0	310,565	0	1,040,001	1,350,567
190 Balance to Use in True-Up									
22	190.1	2015 Year End Tax Deferrals - Ws C-1	127,491,877	112,643,004	-	1,810,410	-	13,038,464	
23	190.1	2014 Year End Tax Deferrals - Ws C-2	123,878,454	107,838,439	-	3,704,951	-	12,335,064	
24		Subtotal	251,370,331	220,481,443	-	5,515,360	-	25,373,528	
25		Average Balance	125,685,166	110,240,722	0	2,757,680	0	12,686,764	
26		Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000%	100.0000%	16.8136%	41.1252%	7.9621%	
27		Allocated Total		0	0	463,666	0	1,010,127	1,473,792
Account 255 - Form-1 page 266-267									
255 Balance to Use in Projection									
28	255	Acc Defrd ITC - Federal - 12/31/2015 (FF1 p. 267, Ln 2.h)	-						
29	255	Transmission Allocator from Historic TCOS [GP or W/S]				17.1544%			
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 - 12/31/2015 (FF1 p. 267, Ln 2.h)	-						
32	255	Acc Defrd ITC - Federal - 12/31/2014 (FF1 p. 266, Ln 2.b)	-						
33		Subtotal	-						
34		Average Balance	0			0			
35		Transmission Allocator from True-Up TCOS [GP or W/S]				16.8136%			
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
 2016 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, 2015	Balance @ December 31, 2014	Average Balance for Rate Year 2015				
1								
2	Transmission Materials & Supplies	304,802	453,781	379,292				
3	General Materials & Supplies	192,087	121,966	157,027				
4	Stores Expense (Undistributed)	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, 2015	17,611,776	(95,981,338)	0	2,535,003	111,058,111	113,593,114
6 Totals as of December 31, 2014	14,033,288	(96,195,659)	0	1,875,542	108,353,405	110,228,947
7 Average Balance	15,822,532	(96,088,499)	0	2,205,273	109,705,758	111,911,030

Prepayments Account 165 - Balance @ 12/31/2015

Acc. No.	Description	2015 YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)	
8 1650001	Prepaid Insurance	1,695,543			1,023,216	672,327	1,695,543	Plant (Property) Ins., Cyber Risk Ins, Property Broker fees, Liability Ins and Broker's fees.
9 1650004	Prepaid Interest	249,500			249,500		249,500	
10 1650005	Prepaid Employee Benefits	0					0	
11 1650006	Other Prepayments	13,077,801	13,077,801				0	Prepaid Royalty Pmts to Coal Leaseholders, Stall Prepaid agreement fees & NERC Assessment fees.
12 1650009	Prepaid Carry Cost	104,301	104,301				0	
13 1650010	Prepaid Pension Benefits	96,315,992				96,315,992	96,315,992	Prefunded Pension Expense
14 165001115	Prepaid Sales Taxes	919,000			919,000		919,000	
15 165001215	Prepaid Use Taxes	404	404				0	
16 165001315	Prepaid Local Franchise Taxes	70,896	70,896				0	
17 1650014	FAS 158 Qual Contra Asset	(96,315,992)	(96,315,992)				0	
18 1650016	FAS 112 ASSETS	0					0	SFAS 158 Offset
19 1650021	Prepaid Insurance - EIS	850,684			343,287	507,397	850,684	EIS Excess Liability Ins and EIS Property Ins.
20 1650023	Prepaid Leases	165,728	165,728				0	
21 1650029	Future Wetland Credits - Long Term	300,000	300,000				0	Dolet Hills Future Wetlands Credit
22 1650031	Prepaid OCIP Work Comp	101,863				101,863	101,863	
23 1650032	Prepaid OCIP Work Comp-Long Term	0					0	
24 1650033	Prepaid OCIP Work Comp-Affiliated	76,056				76,056	76,056	
25 1650034	Prepaid OCIP Work Comp-Affiliated Long Term	0					0	
26 1650035	PRW Without MED-D Benefits	13,384,476				13,384,476	13,384,476	
27 1650036	PRW for Med-D Benefits	0					0	
28 1650037	FAS158 Contra-PRW Exclude Med-D	(13,384,476)	(13,384,476)				0	
29	Subtotal - Form 1, p 111.57.c	17,611,776	(95,981,338)	0	2,535,003	111,058,111	113,593,114	

Prepayments Account 165 - Balance @ 12/31/2014

Acc. No.	Description	2014 YE Balance	Excludable Balances	100% Transmission Related	Plant Related	Labor Related	Total Included in Rate Base (E)+(F)+(G)	
31 1650001	Prepaid Insurance	1,515,595			686,052	829,542	1,515,595	Plant: Property Ins, Labor Related: Gen Liability Ins, D&O Ins, Workers Comp Ins.
32 1650004	Prepaid Interest	0					0	
33 1650005	Prepaid Employee Benefits	0					0	
34 1650006	Other Prepayments	8,658,684	8,658,684				0	Prepaid Royalty Pmts to Coal Leaseholders, Stall Prepaid agreement fees & NERC Assessment fees.
35 1650009	Prepaid Carry Cost	91,699	91,699				0	
36 1650010	Prepaid Pension Benefits	98,464,008				98,464,008	98,464,008	Prefunded Pension Expense
37 165001114	Prepaid Sales Taxes	777,000			777,000		777,000	
38 165001214	Prepaid Use Taxes	646	646				0	
39 165001314	Prepaid Local Franchise Taxes	77,770	77,770				0	
40 1650014	FAS 158 Qual Contra Asset	(98,464,008)	(98,464,008)				0	
41 1650016	FAS 112 ASSETS	0					0	SFAS 158 Offset
42 1650021	Prepaid Insurance - EIS	911,253			412,490	498,763	911,253	Plant: EIS Property Ins, Labor Related: EIS Gen Liability Ins.
43 1650023	Prepaid Leases	116,981	116,981				0	
44 1650029	Future Wetland Credits - Long Term	300,000	300,000				0	Dolet Hills Future Wetlands Credit
45 1650031	Prepaid OCIP Work Comp	793,388				793,388	793,388	
46 1650032	Prepaid OCIP Work Comp-Long Term	100,740				100,740	100,740	
47 1650033	Prepaid OCIP Work Comp-Affiliated	613,476				613,476	613,476	
48 1650034	Prepaid OCIP Work Comp-Affiliated Long Term	76,056				76,056	76,056	
49 1650035	PRW Without MED-D Benefits	(2,924,279)				(2,924,279)	(2,924,279)	
50 1650036	PRW for Med-D Benefits	9,901,710				9,901,710	9,901,710	
51 1650037	FAS158 Contra-PRW Exclude Med-D	(6,977,431)	(6,977,431)				0	
52	Subtotal - Form 1, p 111.57.d	14,033,288	(96,195,659)	0	1,875,542	108,353,405	110,228,947	

AEP West SPP Member Companies
 2016 Cost of Service Formula Rate
Worksheet E - IPP Credits
SOUTHWESTERN ELECTRIC POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2015</u>
1	Net Funds from IPP Customers @ 12/31/2014 (2015 FORM 1, P269, (B))	56,994,522
2	Interest Accrual (company records)	1,622,024
3	Revenue Credits to Generators (company records)	(12,276,926)
4		
	<u>Other Adjustments (company records)</u>	
5	Accounting Adjustment	
6		
7	Net Funds from IPP Customers 12/31/2015 (2015 FORM 1, P269, (F))	46,339,620
8	Average Balance for 2015 ((ln 1 + ln 7)/2)	51,667,071

AEP West SPP Member Companies
2016 Cost of Service Formula Rate Projected on 2015 FF1 Balances
Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for BPU and Special-billed Projects
Based on a Carrying Charge Derived from Historic 2015 Data
SOUTHWESTERN ELECTRIC POWER COMPANY

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	50.68%	0.0537	0.0272
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	49.32%	0.1120	0.0552
		R =	0.0825

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

Rate Base (Projected TCOS, In 75)	734,624,004
R (from A. above)	0.0825
Return (Rate Base x R)	60,587,755

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

Return (from B. above)	60,587,755
Tax Rate (Projected TCOS, In 109)	37.92%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	40.91%
Income Tax Calculation (Return x EIT)	24,786,694
ITC Adjustment (Projected TCOS, In 116)	(390,955)
Income Taxes	24,395,738

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)	155,087,151
Return (Projected TCOS, In 118)	60,587,755
Income Taxes (Projected TCOS, In 117)	24,395,738
Gross Margin Taxes (Projected TCOS, In 122)	439,174
Net Revenue Requirement, Less Return and Taxes	69,664,484

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

Net Revenue Requirement, Less Return and Taxes	69,664,484
Return (from I.B. above)	60,587,755
Income Taxes (from I.C. above)	24,395,738
Net Revenue Requirement, with 0 Basis Point ROE increase	154,647,977
Gross Margin Tax with 0 Basis Point ROE Increase (II C. below)	439,174
Revenue Requirement w/ Gross Margin Taxes	155,087,151
Less: Depreciation (Projected TCOS, In 95)	30,110,663
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	124,976,488

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)	154,647,977
Apportionment Factor to Texas (Worksheet K, In 12)	40.45%
Apportioned Texas Revenues	62,560,154
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	43,792,108
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	437,921
Gross-up Required for Gross Margin Tax Expense	1,253
Total Additional Gross Margin Tax Revenue Requirement	439,174

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

Net Transmission Plant (Projected TCOS, Ins 46, 47, 48, 49, 51)	960,766,546
Net Revenue Requirement, with 0 Basis Point ROE increase	154,647,977
FCR with 0 Basis Point increase in ROE	16.10%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	124,976,488
FCR with 0 Basis Point ROE increase, less Depreciation	13.01%
FCR less Depreciation (Projected TCOS, In 12)	13.01%
	0.00%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	1,300,777,651	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	1,387,776,696	<==From Input on Worksheet B
	2,688,554,347	
Transmission Plant Average Balance for 2015	1,344,277,173	
Annual Depreciation Expense (Historic TCOS, In 246)	31,768,930	
Composite Depreciation Rate	2.36%	
Depreciable Life for Composite Depreciation Rate	42.31	
Round to nearest whole year	42	

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS				
		Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR	2016	63,756,965	63,756,965	\$ -

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
 2016 Cost of Service Formula Rate Projected on 2015 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 2015 Data
SOUTHWESTERN ELECTRIC POWER COMPANY

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

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

ROE w/o incentives (True-Up TCOS, In 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	50.23%	0.0552	0.0277
Preferred Stock	0.00%	0.0000	0.0000
Common Stock	49.77%	0.1120	<u>0.0557</u>
		R =	0.0835

SUMMARY OF TRUED-UP ANNUAL REV. REQ. FOR SPP BPU & NON-BPU PROJECTS				
TRUE-UP YEAR	2015	Rev Require	W Incentives	Incentive Amounts
Σ Prior Year Projected (WS-F)	\$	57,420,139	\$	57,420,139
Σ Prior Year True-Up (WS-G)	\$	55,504,307	\$	55,504,307
True-up Adjustment For 2015		(1,915,832)		(1,915,832)

Note: Review formulas in summary to ensure the proper year's revenue requirement is being accumulated for each project from the tables below.

NOTE: PART IV --- BPU Project Tables are contained in separate *.xls file

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

Rate Base (True-Up TCOS, In 63)	631,288,826
R (from A. above)	<u>0.0835</u>
Return (Rate Base x R)	52,688,679

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

Return (from B. above)	52,688,679
Tax Rate (True-Up TCOS, In 96)	37.92%
EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	40.80%
Income Tax Calculation (Return x EIT)	21,494,603
ITC Adjustment (True-Up TCOS, In 103)	<u>(381,579)</u>
Income Taxes	21,113,024

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)	142,642,474
Return (True-Up TCOS, In 105)	52,688,679
Income Taxes (True-Up TCOS, In 104)	21,113,024
Gross Margin Taxes (True-Up TCOS, In 109)	<u>403,933</u>
Net Revenue Requirement, Less Return and Taxes	68,436,838

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

Net Revenue Requirement, Less Return and Taxes	68,436,838
Return (from I.B. above)	52,688,679
Income Taxes (from I.C. above)	<u>21,113,024</u>
Net Revenue Requirement, with 0 Basis Point ROE increase	142,238,541
Gross Margin Tax with Basis Point ROE Increase (II C. below)	<u>403,933</u>
Revenue Requirement w/ Gross Margin Taxes	142,642,474
Less: Depreciation (True-Up TCOS, In 83)	<u>29,931,191</u>
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	112,711,283

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)	142,238,541
Apportionment Factor to Texas (Worksheet K, In 12)	40.45%
Apportioned Texas Revenues	<u>57,540,132</u>
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	<u>40,278,093</u>
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	<u>402,781</u>
Gross-up Required for Gross Margin Tax Expense	<u>1,152</u>
Total Additional Gross Margin Tax Revenue Requirement	403,933

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

Net Transmission Plant (True-Up TCOS, In 39)	855,371,047
Net Revenue Requirement, with 0 Basis Point ROE increase	<u>142,642,474</u>
FCR with 0 Basis Point increase in ROE	16.68%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	112,711,283
FCR with 0 Basis Point ROE increase, less Depreciation	13.18%
FCR less Depreciation (True-Up TCOS, In 12)	<u>13.18%</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)	1,300,777,651	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	<u>1,387,776,696</u>	<==From Input on Worksheet B
	2,688,554,347	
Transmission Plant Average Balance for 2015	1,344,277,173	
Annual Depreciation Expense (True-Up TCOS, In 83)	31,768,930	
Composite Depreciation Rate	2.36%	
Depreciable Life for Composite Depreciation Rate	42.31	
Round to nearest whole year	42	

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 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	4,782,909	4,782,909	-
II. Account 451, Miscellaneous Service Revenues	2,410,556	2,410,556	-
III. Account 454, Rent from Electric Property			
1 Account 4540001 - Rent from Elect Property-Aff	1,612,979	1,612,979	-
2 Account 4540002 - Rent from Elect Property - Non-Aff	3,011,662	2,967,568	44,094
3 Account 4540005 - Rent from Elect Property - Pole Attach	37,673	37,673	-
4 Account 4540004 - Rent from Elect Property - ABD - Non-Aff	4,886,029	4,886,029	-
5 Total Rents from Electirc Property	9,548,344		44,094

(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	803,087		196,730
V. Total Other Operating Revenues To Reduce Revenue Requirement			240,824
VI. Account 456.1, Revenues from Transmission of Electricity of Others			71,522,009
(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			76,752
4 Revenue for GFA's (Relative to SPP OATT) Associated with Load Included in the Divisor			-
5 Network Service Revenue (SPP Schedule 9) Associated with Load included in the Divisor			33,710,266
6 Revenue Associated with Transmission Plant Excluded From SPP Tariff			-
7 Distribution and Other Non-Transmission Revenue			521,472
8 Revenue from SPP Ancillary Services Provided			1,267,721
9 Base Plan Revenue (from SPP)			26,839,608
10 Flow Through of ERCOT Ancillary Charges			-
11 Other			-
Net Transmission Credits			\$9,106,191
VII. Total Worksheet A Revenue Credits			\$9,347,015

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 2015 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)	<u>\$0</u>

Adjustment to charges that are booked to transmission accounts that are the responsibility of the TO's LSE.

NOTE: Exclusion of Accounts 561 and 565 from O&M Expense in the TCOS templates eliminates the need to use this worksheet.

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet J - Allocation of Specific O&M or A&G Expenses
SOUTHWESTERN ELECTRIC POWER COMPANY

Line Number	(A) FERC Acct No.	(B) Description	(C) 2015 Expense	(D) 100% Non-Transmission	(E) 100% Transmission Specific	(F) Explanation
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	2015 Current Year Expense					
6	9260021	Postretirement Benefits - OPEB	(7,498,689)			
7	9260057	Postret Ben Medicare Subsidy	733,438			
8		OPEB Billed From Service Corporation	(707,624)			
9		Net 2015 Expense	(7,472,875)			
10		Net Increase (Decrease) in OPEB Expense	(13,645,949)	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	1,634	1,634		
12	9280001	Reg Commission Expense - OCC Annual Fees	32,373	32,373		FERC Annual Assessment
13	9280002	Reg Commission Exp - Labor Accruals	649	649		Labor accruals - for various depts
14	9280002	Reg Commission Exp - Case	31,323	31,323		EECRF Filing-SWEPCO Tx Distribution
15	9280002	Reg Commission Exp - Case	91,446	91,446		Misc Filing
16	9280002	Reg Commission Exp - Case	8,634	8,634		To accumulate costs to support an Arkansas rate case for SWEPCo. This case is likely to file in 2007 or 2008.
17	9280002	Reg Commission Exp - Case	1,264,936	1,264,936		Recovery of Rate Case Expenses in PUCT Docket No. 42370 - Amortization starting Aug 2015 - July 2018 (3
18	9280002	Reg Commission Exp - Case	4,232	4,232		To accumulate AEPSC costs in connection with the preparation and filing of the 2015 Louisiana Integrated Resource Plan IRP .
19	9280002	Reg Commission Exp - Case	337	337		Culture Train Power Up & Lead
20	9280002	Reg Commission Exp - Case	432	432		2009 SWEPCO EECRF Filing
21	9280002	Reg Commission Exp - Case	13,426	13,426		Rate Case Support - SWEPCO DCRF Filing
22	9280002	Reg Commission Exp - Case	3,020	3,020		2009 TX Filing - Fuel Rec
23	9280002	Reg Commission Exp - Case	24	24		2009 TX Rate Filing
24	9280002	Reg Commission Exp - Case	14,048	14,048		SWEPCO TX Rate Case filing - 2012
25	9280002	Reg Commission Exp - Case	2,230	2,230		To accumulate operating company costs in connection with preparation and filing of a 2015 SWEPCO Arkansas Base Rate Case.
26	9280002	Reg Commission Exp - Case	59,489	59,489		Rate Case Support - SWEPCO Trans- TCRF Filing
27	9280002	Reg Commission Exp - Case	127,856	127,856		Rate Case Support - SWEPCO 2015 Fuel Factor Filing.
28	9280002	Reg Commission Exp - Case	33,879	33,879		Rate Case Support -Gen Formula Rate Update
29	9280002	Reg Commission Exp - Case	64,396	64,396		SWEPCO Tx Rate Case Exp 2014
30	9280002	Reg Commission Exp - Case	1,179	1,179		SWEPCO Tx 2014 Filing - Fuel Rec
31	9280002	Reg Commission Exp - Case	167,798	167,798		SWEPCO Energy Efficiency Cost Recovery Factors
32		Total (FF1, pg. 323)	1,923,339	1,923,339	0	
Account 930.1						
33	9301000	General Advertising Expenses	124,531	124,531	0	
34	9301001	Newspaper Advertising Space	14,875	14,875	0	
35	9301002	Radio Station Advertising Time	9,909	9,909	0	
36	9301003	TV Station Advertising Time	3,475	3,475	0	
37	9301006	Spec Corporate Comm Info Proj	0	0	0	
38	9301008	Direct Mail and Handouts	0	0	0	
39	9301009	Fairs, Shows, and Exhibits	0	0	0	
40	9301010	Publicity	10,605	10,605	0	
41	9301011	Dedications, Tours, & Openings	0	0	0	
42	9301012	Public Opinion Surveys	32,891	32,891	0	
43	9301013	Movies Slide Films & Speeches	0	0	0	
44	9301014	Video Communications	0	0	0	
45	9301015	Other Corporate Comm Exp	73,412	73,412	0	
46		Total (FF1, pg. 323)	269,699	269,699	-	
Account 930.2						
47	9302000	Misc General Expenses	690,628	690,628	0	
48	9302003	Corporate & Fiscal Expenses	72,887	72,887	0	
49	9302004	Research, Develop&Demonstr Exp	5,531	5,531	0	
50	9302006	Assoc Bus Development - Materials Sold-Trans	(1)	0	(1)	
51	9302006	Assoc Bus Development - Materials Sold-Non Trans	31,124	31,124	0	
52	9302007	Assoc Business Development Exp - Transmission	109,204	0	109,204	
53	9302007	Assoc Business Development Exp - Non-Transmission	208,607	208,607	0	
54	9302458	AEPSC Non Affiliated expenses	0	0	0	
55	9270000	Franchise Requirements	0	0	0	
49		Total (FF1, pg. 323)	1,117,978	1,008,776	109,203	

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet K - Development of Composite State Income Tax Rate
SOUTHWESTERN ELECTRIC POWER COMPANY

I. DEVELOPMENT OF COMPOSITE STATE INCOME TAX RATES FOR 2015

State Income Tax Rate - Louisiana	8.00%	
Apportionment Factor	36.33%	
Effective Louisiana State Income Tax Rate		2.9064%
State Income Tax Rate - Arkansas	6.50%	
Apportionment Factor	24.22%	
Effective Arkansas State Income Tax Rate		1.5740%
State Income Tax Rate - Oklahoma	5.66%	Note 1
Apportionment Factor	0.20%	
Effective Oklahoma State Income Tax Rate		0.0111%
State Income Tax Rate - Texas	0.00%	
Apportionment Factor	0.00%	
Effective Texas State Income Tax Rate		0.0000%
State Income Tax Rate - Nebraska	0.00%	
Apportionment Factor	0.00%	
Effective Nebraska State Income Tax Rate		0.0000%
Total Effective State Income Tax Rate		4.4915%

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.

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
		695,999,430	154,647,977	689,199,241	145,168,521	689,887,819	142,238,541
1	Apportionment Factor to Texas (In 12)	40.45%	40.45%	40.45%	40.45%	40.45%	40.45%
2	Apportioned Texas Revenues	\$281,554,485	\$62,560,154	\$278,803,587	\$58,725,405	\$279,082,140	\$57,540,132
3	Taxable Percentage of Revenue (70%)	70%	70%	70%	70%	70%	70%
4	Taxable, Apportioned Margin	197,088,140	43,792,108	195,162,511	41,107,783	195,357,498	40,278,093
5	Texas Gross Margin Tax Rate (1%)	1%	1%	1%	1%	1%	1%
6	Texas Gross Margin Tax Expense	1,970,881	437,921	1,951,625	411,078	1,953,575	402,781
7	Gross-up Required for Texas Gross Margin Expense (In 6 * In 3 * In 1)/(1 - In 5) * In 5)	5,637	1,253	5,582	1,176	5,588	1,152
8	Total Additional Gross Margin Tax Revenue Requirement	1,976,518	439,174	1,957,207	412,254	1,959,163	403,933
9	WHOLESALE LOAD ALLOCATOR (For Use in Gross Margin Tax Allocator)						
10	Texas Jurisdictional Load	1,312,803	KW				
11	Total Load	3,245,234	KW				
12	Allocation Percentage (In 10 / In 11)	40.45%					

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet L - Taxes Other than Income
SOUTHWESTERN ELECTRIC POWER COMPANY

HISTORIC PERIOD EXPENSE (2015) - 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	5,832,635				5,832,635
3	Real Estate and Personal Property Taxes					
4	Oklahoma Ad Valorum	389,742	389,742			
5	Arkansas Ad Valorum	12,052,172	12,052,172			
6	Louisiana Ad Valorum	20,637,337	20,637,337			
7	Texas Ad Valorum	18,860,925	18,860,925			
8	Payroll Taxes					
9	Federal Insurance Contribution (FICA)	6,670,814		6,670,814		
10	Federal Unemployment Tax	48,268		48,268		
11	State Unemployment Insurance	56,029		56,029		
12	Production Taxes					
13		-				-
14		-				-
15	Miscellaneous Taxes					
16	Federal Excise Tax	8,140				8,140
17	LA State Franchise	-			-	
18	DE State Franchise	72,150			72,150	
19	AR State Franchise	122,393			122,393	
20	Ok State Franchise Tax	20,100			20,100	
21	Ok State License				-	
22	AR State License				-	
23	NE State License				-	
24	DE State License				-	
25	State Franchise	3,937,241			3,937,241	
26	AR Local Franchise				-	
27	TX Local Franchise	9,331,988				9,331,988
28	TX State Franchise					-
29	LA Local Franchise	8,058,095				8,058,095
30	AR Sales & Use Tax				-	
31	LA Sales & Use Tax	(651)				(651)
32	NE Sales & Use Tax					-
33	Ok Sales & Use Tax					-
34	TX Sales & Use Tax	30,924				30,924
35	TX PUC	863,033			863,033	
36	LA Insp & Cntrl Fees	484,929			484,929	
37	State Licence Registration	239			239	
38	LA PUC				-	
39	AR PUC	563,436			563,436	
40	DE Misc State and Local				-	
41	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	88,039,939 88,039,939	51,940,176	6,775,111	6,063,521	23,261,131

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2015
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				
2	TX Local Bank Facility FERC Auth ES 14-24-000	100,000,000	Var	1,807,385 p257.1 L17h)
3				-
<u>Pollution Control Bonds</u>				
4	PCRB - Parish of DeSoto, LA - Series 2010	53,500,000	1.60%	853,622 p257 L11(h)
5	PCRB - Sabine River - Series 2006 - 4.95%	81,700,000	4.95%	4,044,150 p257 L19(h)
6	PCRB - Parish of DeSoto, LA - Series 2010		3.25%	4,830 p257 L8(h)
7				
<u>Senior Unsecured Notes</u>				
8	Senior Unsecured Notes - Series C		5.375%	1,552,778 p257 L13(h)
9	Senior Unsecured Notes - Series D		4.90%	3,675,000 p257 L16(h)
10	Senior Unsecured Notes - Series E	250,000,000	5.55%	13,875,000 p257 L22(h)
11	Senior Unsecured Notes - Series F	300,000,000	5.875%	17,625,000 p257 L27(h)
12	Senior Unsecured Notes - Series G	400,000,000	6.45%	25,800,000 p257 L30(h)
13	Senior Unsecured Notes - Series H	350,000,000	6.20%	21,700,000 p257.1 L5(h)
14	Senior Unsecured Notes - Series I	275,000,000	3.55%	9,762,500 p257.1 L8(h)
15	Senior Unsecured Notes - Series J	400,000,000	3.90%	11,916,667 p257.1 L13(h)
16				
<u>Issuance Discount, Premium, & Expenses:</u>				
17	Financial Hedges & Auction Fees	FF1.p256 & 257.i Lines Described as Hedges or Fees		3,073,312 p257.1,Ln11 p257,Ln25
18	Amort of Debt Discount and Expenses	FF1.p. 117.63.c (or WS-N Ln 15)		2,144,123
19	Less: Amor of Debt Premiums	FF1.p. 117.65.c (or WS-N Ln 17)		-
<u>Reacquired Debt:</u>				
20	Amortization of Loss	FF1.p. 117.64.c (or WS-N Ln 16)		954,273
21	Less: Amortization of Gain	FF1.p. 117.66.c (or WS-N Ln 18)		11,112
22	Total Interest on Long Term Debt	2,210,200,000	5.37%	118,777,528
<u>Preferred Stock (FF1.p. 250-251)</u>				
		<u>Preferred Balance Outstanding</u>		-
				-
				-
23	Dividends on Preferred Stock	-	0.00%	-

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2015 FF1 Balances
 SOUTHWESTERN ELECTRIC POWER COMPANY

Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2014 and 12/31/2015

(A)	(B)	(C)	(D)	(E)
Line		Balances @ 12/31/2015	Balances @ 12/31/2014	Average
<u>Development of Average Balance of Common Equity</u>				
1	Total Proprietary Capital (p. 112.16.c&d)	2,169,212,700	2,096,786,466	2,132,999,583
2	Less Preferred Stock from Ln 46 below	0	0	-
3	Less Account 216.1 (p. 112.12.c&d)	27,601,852	23,735,635	25,668,744
4	Less Account 219.1 (p. 112.15.c&d)	(9,331,734)	(7,468,023)	(8,399,879)
5	Average Balance of Common Equity	2,150,942,582	2,080,518,854	2,115,730,718

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

6	Bonds (221) (p. 112.18.c&d)	-	-	-
7	Less: Reacquired Bonds (222) (p. 112.19.c&d)	-	-	-
8	Advances from Assoc. Companies (223) (p112.20.c&d)	-	-	-
9	Senior Unsecured Notes (224) (p. 112.21.c&d)	2,210,200,000	2,060,200,000	2,135,200,000
10	Total Average Debt	2,210,200,000	2,060,200,000	2,135,200,000

11 Annual Interest Expense for 2015

12	Coupon Interest on Long Term Debt (256-257.33.i)			115,690,244
13	Less: Financial Hedge (Gain)/Expense from Ln 26 Included in Ln 12			3,073,312
14	Plus: Allowed Hedge Recovery from Ln 30 below			2,125,465
15	Amort of Debt Discount & Expense (428) (p. 117.63.c)			2,144,123
16	Amort of Loss on Reacquired Debt (428.1) (p. 117.64.c)			954,273
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)			11,112
19	Total Interest Expense (Ln 12 - Ln 13 + Ln 14 + Ln 15 + Ln 16 - Ln 17 - Ln 18)			117,829,681

20 Average Cost of Debt for 2016 (Ln 19/Ln 10)

5.52%

21 Financial Hedge Amortization Reported in Column (i) on Page 256-257

22	SUN Series I 3.55% Financial Hedge (p257.1/Ln11)			2,212,653
23	SUN Series 5.55% Financial Hedge (p257/Ln25)			860,659
24				
25				
26	Total Hedge Amortization			3,073,312
27	Total Average Capital Balance for 2015 (Actual TCOS, Ln 137)			4,250,930,718
28	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005
29	Limit of Recoverable (Gain)/Expense Amount			2,125,465
30	Recoverable Hedge Amortization			2,125,465

(lesser of 5 basis point Cap or Actual (Gain)/Expense based on magnitude as indicated on Ln 26 or Ln 29)

Development of Cost of Preferred Stock

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