

October 31, 2017

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

Re: Southwest Power Pool, Inc., Docket No. ER18-____-000
Revisions to Formula Rate of American Electric Power Service Corporation's
Operating Companies

Dear Secretary Bose:

Southwest Power Pool, Inc. ("SPP"), on behalf of American Electric Power Service Corporation ("AEPSC") and its affiliates, Public Service Company of Oklahoma ("PSO") and Southwestern Electric Power Company ("SWEPCO") (collectively referred to herein as "AEP West Operating Companies" or "AEP Companies") (AEPSC and the AEP West Operating Companies are collectively referred to herein as "AEP"), submits this filing to revise the transmission formula rates and protocols of the AEP West Operating Companies contained in Addendum 4 to Attachment H of the SPP Open Access Transmission Tariff ("Tariff").¹

Pursuant to the SPP Membership Agreement, SPP Members retain the right to submit changes to rates for transmission service over the Member's transmission facilities, and "[n]o approval from SPP is required for such filings."² AEP has requested that SPP submit the Tariff changes proposed herein under AEP's letterhead with supporting materials supplied by AEP. With this filing, SPP is not independently supporting or justifying the revision proposed by AEP; but rather, as administrator of the Tariff, SPP makes the eTariff filings necessary to incorporate such changes to rates and revenue requirements.³

¹ Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1.

² Southwest Power Pool, Inc., Membership Agreement, First Revised Volume No. 3 at Section 3.10.

³ See *Westar Energy, Inc.*, 122 FERC ¶ 61,268, at P 105 (2008) (requiring SPP to include each transmission owner's rate formula in the Tariff).

In addition to the individuals designated for service in AEP's filing, SPP requests that all correspondence and communications with respect to this filing be sent to, and SPP requests that the Secretary include on the official service list, the following:⁴

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Respectfully submitted,

/s/ **Matthew Harward**

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**Attorney for
Southwest Power Pool, Inc.**

⁴ Pursuant to Commission Rule 101(e), 18 C.F.R. § 385.101(e), SPP requests waiver of Rule 203(b)(3), 18 C.F.R. § 385.203(b)(3), in order to permit more than two persons to be included on the service list.



American Electric Power
1 Riverside Plaza
Columbus, OH 43215
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Honorable Kimberly D Bose
Secretary
Federal Energy Regulatory Commission
888 First St., N.E.
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Re: American Electric Power Service Corporation
Docket No. ER18-____-000
Revisions to Formula Rate of American Electric Power Service
Corporation's Operating Companies

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. Section 824(d), and Section 35.13 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations, American Electric Power Service Corporation ("AEPSC"), on behalf of its affiliates, Public Service Company of Oklahoma ("PSO") and Southwestern Electric Power Company ("SWEPCO") (collectively referred to herein as "AEP West Operating Companies" or "AEP Companies") (AEPSC and the AEP West Operating Companies are collectively referred to herein as "AEP") submits for filing proposed revisions to the transmission formula rates and protocols of the AEP West Operating Companies contained in Attachment H, Addendum 4 of the Southwest Power Pool, Inc. ("SPP") Open Access Transmission Tariff ("SPP Tariff").¹

Through these proposed revisions, AEP seeks to: (1) transition its transmission formula rates from "historic" to "forward looking;" (2) add line items to pro-rate property-related accumulated deferred income tax ("ADIT") in the projected test year, and provide recovery of flow-through and permanent income tax differences of deferred tax liability items, (3) remove non-transmission related securitization from the cost-of-capital calculation, (4) add modifications to appropriately remove directly assignable transmission costs related to generation, such as the Wind Catcher project,² from formula

¹ Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1.

² Information regarding the Wind Catcher project can be located at:
<https://swepco.com/info/projects/WindCatcher/>.

rate calculation; and (5) add other revisions to its protocols and formula rate template to conform to recent Commission guidance and existing SPP Tariff provisions.

In addition to the overall changes to the formula rate protocols necessary to implement a forward-looking rate, AEP also proposes to update its formula rate protocols to reflect those recently accepted by the Commission.

Revised tariff sheets implementing the proposed changes are included in this filing. AEP respectfully requests that the Commission grant waiver of its prior notice requirements as necessary to accept the revised tariff sheets, effective January 1, 2018.

I. Background

AEP's transmission facilities are available on an open access basis under the SPP Tariff. In Docket No. ER07-1069, AEP submitted for filing a formula rate and implementation protocols for the AEP pricing zone under Attachment H, Addendum 4 of the SPP Tariff. The Commission accepted AEP's rate filing subject to hearing and settlement judge procedures.³ AEP and the intervening parties in Docket No. ER07-1069 ultimately settled all issues raised with respect to the formula rate, and the settlement was approved by the Commission on June 24, 2009 ("Settlement").⁴ Attachment H, Addendum 4 contains a formula rate for transmission service over AEP's facilities, which is updated annually.

Pursuant to the formula rate protocols set forth in Attachment H, Addendum 4 of the SPP Tariff, on or before May 25 of each year, AEP is required to recalculate its annual transmission revenue requirements, producing the "Annual Updates" for the upcoming rate year, which AEP then submits as an informational filing with the Commission. Each of the Annual Updates produces transmission revenue requirements used to calculate the Network Integration Transmission Service, Point-to-Point, Base Plan charges, and Scheduling, System Control and Dispatch Service rates under the SPP Tariff for transmission service in the AEP transmission zone. Each of the formula rates relies largely on prior year cost of service data as reported in the FERC Form No. 1 to develop the transmission revenue requirements. Thus, except for an end of year projection of net plant, the current formula rates are "historic looking" in that costs incurred during the previous year serve as a proxy for AEP's cost of providing transmission service during the rate year.

The use of historic data results in a significant recovery lag for transmission costs. For example, under the current formula rate, during the first six months of 2017, AEP's transmission rates were based on its plant balances projected for the end of 2016 and other rate components based upon costs it incurred in 2015. In July 2017, the

³ *American Electric Power Service Corp.*, 120 FERC ¶ 61,205 (2007).

⁴ *American Electric Power Service Corp.*, 127 FERC ¶ 61,292 (2009).

transmission rate was updated utilizing a projected plant balance for the end of 2017, but the other cost components were based upon calendar year 2016 financial and operational data. Thus, the recovery of costs incurred during the year did not begin for as many as 18 months after they were incurred. Cost recovery for a given rate year are not completed for as long as 30 months. This lag is particularly problematic given that AEP is continuing to make significant investments in its transmission system, yet the transmission revenue requirements and resulting rates do not accurately reflect that investment. To alleviate this problem, and to ensure that transmission rates more accurately reflect the costs of transmission, AEP proposes revisions to Attachment H, Addendum 4 of the SPP Tariff to implement forward-looking formula rates.

In addition to the overall change to convert AEP's formula rates from primarily historic looking to forward looking, AEP proposes other changes to its formula rates that are designed to bring AEP's formula rates in line with recent guidance and address the proposed Wind Catcher project, which includes a long generation tie line.

II. Description and Justification of Proposed Changes

A. Revisions to Effectuate Forward-Looking Rate

Through this filing, AEP proposes revisions to each of its formula rate templates and protocols to transition the currently-effective historic looking formula rate to a forward-looking formula rate. Under the proposed revised formula, AEP will fully project its cost of service for the next calendar year. Each year, AEP proposes to finalize its projection annually by October 31 with rates effective the following January 1. AEP will also calculate a true-up of its annual rates no later than May 25, consistent with its current true-up process. Additionally, the true-up charge or credit will be included, with interest, in the rates effective January 1 of the following year.

The revisions will enable AEP to recover major transmission expenditures closer in time to their incurrence, improving cash flow, income recognition, and enabling AEP's rates to better match its costs of providing transmission service. At the same time, the current and continuing true-up will ensure that customers pay no more and no less than AEP's actual revenue requirement based on data reported in its annual FERC Form No. 1 reports. AEP proposes revisions to its formula rate template and protocols to effectuate these changes.

The Commission has previously accepted revisions to existing formula rates to convert them from historic to forward-looking. As the Commission has explained, "a forward-looking formula rate, if properly designed and supported . . . is a reasonable means to avoid lag in cost recovery."⁵ The Commission has also explicitly

⁵ *Midwest Indep. Transmission Sys. Operator, Inc.*, 141 FERC ¶ 61,121, at P 77 (2012) (approving forward looking formula rate for Ameren Services Co.).

acknowledged the value of a forward-looking rate where companies are undertaking significant transmission investment. According to the Commission, using forward-looking estimated costs is not a departure from ratemaking practice, and, even if rates may initially increase under a forward-looking approach, “customers will ultimately only pay the cost of service they would have paid on the lagging basis.”⁶

Additionally, other transmission owners in SPP currently have forward-looking formula rates. These transmission owners include: ITC Great Plains, LLC, Oklahoma Gas and Electric Company, and Transource Missouri, LLC. By transitioning to a forward-looking formula rate, AEP’s revenue requirement methodology would be consistent with those of other SPP transmission owners.

To implement this change AEP respectfully requests that FERC accept the revised tariff sheets by December 29, 2017 with an effective date of January 1, 2018 and to grant any waivers necessary to permit this request. AEP has filed an updated projected 2018 transmission revenue requirement and proposes that SPP begin billing the new projected revenues January 1, 2018. The actual tariff and rates would be effective January 1, 2018, and AEP will continue collecting the remainder of the 2016 true-up throughout the 2018 calendar year. For the following rate year, 2019, AEP would file projected 2019 rates by October 31, 2018 to go into effect January 1, 2019. These 2017 true-up with interest will be charged or credited throughout the 2019 rate year. Subsequent rate years would continue on that calendar timeline.

For the true-up of the 2017 rate year that occurred prior to the effective date of the revised tariff sheets (January 1, 2018), AEP will compute its 2017 true-up during 2018 using the existing formula rate and include that true up in the revised rates that go into effect January 1, 2019.

B. Revisions to Effectuate Tax-Related Changes

1. ADIT Adjustment Calculation

AEP also proposes changes to its formula rates to allow for the inclusion of an ADIT adjustment calculation that is similar to what other utilities have been granted,⁷ and

⁶ *International Transmission Company*, 116 FERC ¶ 61,036, at P 19 (2006) (citing *Boston Edison Co.*, 91 FERC ¶ 61,198 (2000)).

⁷ *See, e.g., Midcontinent Independent System Operator, Inc.*, 153 FERC ¶ 61,371 (2015); *Midcontinent Independent System Operator, Inc.*, 153 FERC ¶ 61,374 (2015); *MidAmerican Energy Co.*, Letter Order, Docket No. ER16-16-000 (Dec. 30, 2015). AEP notes that the Commission recently granted, in part, a petition for declaratory order requesting that the Commission allow single-issue ratemaking to address this issue. *Indicated RTO Transmission Owners*, 161 FERC ¶ 61,018 (2017). While AEP acknowledges that it is presenting changes to its formula rate to allow for inclusion of an ADIT adjustment as part of a package of changes (and, thus, not as a single issue), AEP notes that the petition for declaratory order submitted in that

which are necessary in order to avoid any types of normalization violations which could end up significantly increasing rates in the future. A critical aspect of this proposed change allows for the inclusion of a proration calculation.

These changes are necessary in order to harmonize the current template with the specific computations the Internal Revenue Code requires in connection with projected test years. Specifically these changes are required to enable the correct determination of the maximum amount of ADIT that can be treated as a rate base reduction as it relates to utility property. These computations only apply to property, since only the deferred taxes on property are governed by the Internal Revenue Service (“IRS”) normalization rules. Additionally, the proposed changes would enable these computations to recognize proration, in order to appropriately take into account the timing implications of the projected test year. Without proration, a calculation of deferred taxes would inappropriately result in what could be analogized to flowing-through a pending interest free loan to ratepayers. To prevent this result, the IRS issued a number of Private Letter Rulings (“PLRs”) on this issue in the early 1990’s, and more recently a number of similar PLRs have been issued specifically in connection with formula rate requests where a projected test period was used, as is requested here. The IRS’s recent guidance mirrors the previous PLRs, and is consistent with the proposed changes to the formula rate plan.

The consequences of violating IRS normalization rules would be severe. AEP would no longer be able to claim accelerated depreciation (including bonus depreciation) on tax returns. This would result in a significant loss of cash liquidity resulting from a significant reduction in the amount of ADIT that is recorded on its books. Without this cash liquidity, AEP would have to secure new loans as the ADIT balance unwinds and the current taxes are paid to the government. More importantly, the higher financing costs associated with the new loans combined with the reduction in ADIT (which would result in a much higher rate base) would result in higher electric utility rates for customers. In other words, AEP customers would no longer benefit from the reduced rate base caused by ADIT, resulting in increased revenue requirements and higher rates.

Consistent with recent Commission precedent, the proposed revisions are necessary to comport AEP’s formula rate to recent IRS guidance which, in turn, ensures that AEP can continue to claim accelerated depreciation, which ultimately benefits customers.

2. Flow-Through and Permanent Book/Tax Differences and Excess Deferred Income Taxes

Additionally, AEP proposes revisions to the formula rate to include a mechanism to allow the recovery of income taxes related to certain flow-through and permanent

proceeding, Docket No. EL16-63, on April 26, 2016, provides a helpful background concerning the need for the formula rate change related to ADIT.

differences, as well as the recovery of excess deferred income taxes. Flow-Through and Permanent Schedule M's include differences between Tax and Book depreciation related to Allowance for Other Funds Used During Construction ("AOFUDC" or "AFUDC-Equity") and Pre-1981 property as well as other permanent differences between book and tax. AOFUDC is a permanent difference between what is capitalized for book vs. tax purposes. Pre-1981 property was not fully normalized between book and tax basis and previous flow-thru benefits were passed thru to customers in rates.

This change is appropriate because both flow-through and permanent book/tax differences and excess deferred income taxes are components of a utility's income tax expense. There is no principled reason to exclude these items from the costs recovered in rates. Both of these items are included and recovered in all base rate case proceedings that the AEP West Operating Companies currently file in various state jurisdictions.

Currently, the formula rate template does not include a mechanism to allow the recovery of income taxes related to either flow-through and permanent differences or excess deferred income taxes. The proposed changes to the template correct this defect. Inclusion of these items in the template is appropriate, given that these items are no different from the amortization of investment tax credits (which are already included in the formula rate template), or from depreciation and operating expenses recoverable through rates.

In this regard, permanent Schedule M differences merit special mention. Unlike temporary differences (i.e., differences between the treatment of a particular amount on the company's books and the treatment of the same particular amount in the company's income tax return that are temporary in nature, and which, over time, disappear once the same amount is eventually included on the financial statements and tax returns), there are certain items of revenue and expense that are, over time, in fact treated differently for financial reporting purposes than for income tax purposes. These are referred to as permanent differences. Some examples of permanent differences include AFUDC-Equity and the cost of meals and entertainment.

Deferred income taxes are not recorded on permanent differences. In the case of the book depreciation related to AFUDC-Equity that has been capitalized in the property accounts, in the period reported, current income taxes will be adjusted to reflect the non-deductibility of these costs and there will be no deferred income taxes as such amounts will not "ever" be deducted on the tax return.

Of special note, excess deferred income taxes occur as the result of a change in the corporate tax law or tax rates which would increase or decrease the future tax liability of the company. GAAP requires that deferred income tax liabilities be recorded at the currently enacted regular income tax rate. If it is likely, as a result of action by a regulator, that the future increase or decrease in taxes payable due to the change in tax law or rates will be recovered from or returned to customers, the impact of the rate

change is essentially “reserved” on the books to be returned to or recovered from the customers through rates as the temporary book/tax differences reverse.

Flow-through and permanent book/tax differences and excess deferred income taxes are a component of a company’s income tax expense, and therefore are appropriately included and recovered in rates. Accordingly, AEP proposes changes to the formula rate template to provide a mechanism to allow the recovery of income taxes related to flow-through and permanent differences or excess deferred income taxes. Notably, the Commission has accepted revisions to the formula rate templates of other transmission owners to address the recovery of deferred tax liability.⁸

C. Removal of Securitization from Cost-of-Capital Calculation

AEP also proposes changes to its formula rates to allow for the removal of non-transmission related securitization debt and interest expense from the cost-of-capital calculation. This allows for the proper assignment of this debt to the securitized non-formula rate asset it is financing. The Commission has previously accepted the removal of non-transmission related securitization balances from formula rate components.⁹

D. Removal of transmission costs related to generation from the Formula Rate Calculation

AEP proposes changes to its formula rates to allow for the removal of certain transmission costs that are considered generation related. For example, PSO and SWEPCO are currently developing a 2,000 MW wind farm in the Oklahoma panhandle. The project will include an approximately 350-mile dedicated generation tie-line to deliver the power to the Tulsa, Oklahoma area. The generation tie-line will be considered generation-related and therefore removed from inclusion in the formula rate. The proposed revisions provide a mechanism for excluding the costs of the tie-line. This is similar in concept to the mechanism in the existing formula rates to remove costs associated with generation step-up transformers (“GSUs”) from the cost of service. GSUs, while recorded to transmission based on FERC’s Uniform System of Accounts, support the generation function. As a result, the costs associated with GSUs are currently removed from the transmission cost of service calculated in the formula rates.

⁸ See also *Midcontinent Independent System Operator, Inc.*, 153 FERC ¶ 61,374 (2015); *DATC Midwest Holdings, LLC*, 144 FERC ¶ 61,015 (2013); see also *See Duquesne Light Co.*, Letter Order, Docket No. ER13-1220-000 (Apr. 26, 2013); *PPL Electric Utilities Corp.*, Letter Order, Docket No. ER12-1397-000 (May 23, 2012).

⁹ See *PPL Electric Utilities Corporation*, 128 FERC ¶ 61,178 (2009) (order approving uncontested settlement regarding formula rate which included removal of balances related to securitization bonds from total long-term debt).

E. Other Conforming Revisions

In addition to updating the formula rate implementation protocols to reflect the transition from historic looking to forward looking, AEP proposes to overhaul the protocols to conform to recent Commission guidance in this area. In particular, the revised protocols are consistent with the Commission's guidance in the Midcontinent Independent System Operator, Inc. ("MISO") formula rate protocols proceedings.¹⁰ Consistent with the Commission's instructions to other entities with forward-looking formula rates, the proposed revised protocols satisfy the Commission's concerns with respect to (i) scope of participation in the information exchange process; (ii) the transparency of the information exchange; and (iii) the ability of interested parties to challenge implementation of the formula rate as a result of the information exchange.¹¹

Except as modified in this filing, the provisions of the settlement in FERC Docket No. ER07-1069 continue to apply to the implementation of the formula rate. AEP has added and edited certain template notes to reflect existing provisions.

AEP also proposes updates to its formula rate template to conform to the SPP Tariff, and redline versions showing the changes are submitted herewith.

F. Projected Transmission Revenue Requirement and Special Review Procedures for Rate Year 2018

As discussed above, AEP is requesting an effective date of January 1, 2018 for its proposed formula rate changes. Thus, AEP has prepared a projection of its transmission revenue requirement for the rate year 2018 (2018 PTRR), which it will implement beginning January 1, 2018. The 2018 PTRR has been provided with this filing. The projection, which includes the projected 2018 costs as well as a return on investment, results in a net revenue requirement of approximately \$280 million. In future years, AEP will arrange for SPP to post on its Open Access Same-Time Information System ("OASIS") the same information for following years, and will review the information with interested parties as specified in the revised protocols.

¹⁰ The implementation protocols of the MISO transmission owners were the subject of a recent investigation by the Commission in Docket No. ER13-2379-000. The proposed revised protocols herein are consistent with the protocols filed by MISO and the MISO transmission owners in that docket as a part of their most recent February 13, 2015 compliance filing, which was accepted via letter order by the Commission on August 21, 2015. *See Midcontinent Indep. Sys. Operator, Inc.*, Letter Order, Docket No. ER13-2379-004 (Aug. 21, 2015) (letter order accepting MISO compliance filing); *see also Midcontinent Indep. Sys. Operator, Inc.*, Compliance Filing Revising Attachment O Formula Rate Protocols, Docket No. ER13-2379-000 (Feb. 13, 2015).

¹¹ *See, e.g., Empire Dist. Elec. Co.*, 148 FERC ¶ 61,030 at P 6 (2014), *order on compliance filing*, 150 FERC ¶ 61,200 (2015).

AEP is proposing special procedures to review the 2018 PTRR. Because the proposed protocol revisions are not yet in effect, rather than simply posting the 2018 PTRR to SPP's OASIS, AEP is providing the 2018 PTRR with this filing on an informational basis. In addition, AEP will post the 2018 PTRR to SPP's OASIS. AEP will hold an open meeting to discuss the 2018 PTRR with interested parties, as it will do under the proposed revisions for subsequent rate years. AEP proposes to implement its now proposed review period beginning on the date of a Commission order accepting the new rate.

III. Effective Date and Waiver Request

AEP seeks an effective date of January 1, 2018 for the proposed revisions to Attachment H, Addendum 4, the same date upon which the new rates would go into effect. AEP respectfully requests that the Commission grant any waivers necessary to permit this request.

IV. Contents of this Filing

This filing consists of the following documents:

- a. This transmittal letter;
- b. Revised Attachment H, Addendum 4 in clean form;¹²
- c. Revised Attachment H, Addendum 4 in redlined form; and
- d. Exhibit No. AEP-1: Populated version of the revised formula rate template in excel format with formulas intact.¹³

Pursuant to Section 35.7 of the Commission's regulations, the contents of this filing are being submitted as part of an XML filing package that conforms to the Commission's eTariff instructions.

V. Additional 35.13 Filing Requirements and Requests for Waivers

This filing is primarily intended to change the timing of the recovery of AEP's transmission costs and to conform AEP's formula rates to current guidance regarding treatment of tax assets and to existing provisions of the SPP Tariff. Consequently, to the

¹² Given the substantial revisions to the protocols contained in Attachment H, Addendum 4, AEP does not believe a version redlined against the existing protocols would be meaningful. Consequently, to the extent necessary, AEP requests for waiver of the requirement to submit a redlined version of that document.

¹³ Upon submittal of this filing, SPP will also make available the working formula rate template on the Member Related Postings section of SPP's website at the following link:
<http://sppoasis.spp.org/documents/SWPP/MemberRelatedPostings/MemberRelatedPostings.asp>.

extent necessary, AEP seeks waiver of the cost support information required by 18 C.F.R. §§ 35.13(b) and 35.13(c). However, AEP provides the following general information addressed by the Commission's rules.

A. A list of documents submitted with the filing:

See Section IV.

B. The date on which the utility proposes to make the rate change effective:

AEP requests that the revised tariff provisions become effective January 1, 2018, with the rates going into effect January 1, 2018.

C. The names and addresses of persons to whom a copy of the rate change has been posted:

SPP has electronically served a copy of this filing on all its Members, Transmission Customers, and Market Participants. A complete copy of this filing will be posted on the SPP web site, www.spp.org, and is also being served on all affected state commissions.

Additionally, copies of this filing are also being made available on AEP's website at: <http://www.aep.com/about/codeofconduct/OASIS/TariffFilings/>

D. A brief description of the rate change:

See Section II.

E. A statement of the reasons for the rate change:

See Sections I and II.

F. A showing that all requisite agreement to the rate change, or to the filing of the rate change, including any agreement required by contract, has in fact been obtained:

No agreement to the rate change, or to the filing of the rate change, is required.

G. A statement showing any expenses or costs that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices:

No such expenses or costs exist.

VI. Correspondence

Correspondence relating to this filing should be addressed to:

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VII. Conclusion

Wherefore, AEP respectfully requests that the Commission accept these revised tariff sheets, effective January 1, 2018 and grant any applicable waivers.

Respectfully submitted,

/s/ Amanda Riggs Conner

Amanda Riggs Conner
Senior Counsel
American Electric Power Service
Corporation

Addendum 4 to Attachment H – Part 1

AEP Formula Rate Implementation Protocols

The formula rate template (“Template”), and these formula rate implementation protocols (“Protocols”) together comprise the filed rate (“Formula Rate”) of Public Service Company of Oklahoma and Southwestern Electric Power Company (collectively “AEP West Companies” or “AEP”) for transmission revenue requirement determinations under the Southwest Power Pool (“SPP”) Open Access Transmission Tariff (“SPP Tariff”). AEP shall follow the instructions specified in the Formula Rate to calculate annually its net annual transmission revenue requirement, as set forth in the Template (“Net Revenue Requirement”). The Net Revenue Requirement shall be determined for January 1 to December 31 of a given calendar year (the “Rate Year”). The Formula Rate shall become effective for recovery of AEP’s Net Revenue Requirement upon the effective date for incorporation into the SPP Tariff through a filing with the Federal Energy Regulatory Commission (“FERC” or “Commission”) under Section 205 of the Federal Power Act (“FPA”), 16 U.S.C. § 824d.

Section 1. Annual Projection

- a. No later than October 31 preceding a Rate Year, and each subsequent Rate Year, AEP shall determine its projected Net Revenue Requirement for the upcoming Rate Year in accordance with the Formula Rate (“Annual Projection”). The Annual Projection shall include the True-Up Adjustment described and defined in Section 2 below, if applicable. AEP shall cause an electronic version of the Annual Projection to be posted in both a Portable Document Format (“PDF”) and fully-functioning Excel file

at a publicly accessible location on SPP's internet website and OASIS. The date on which the posting occurs shall be that year's "True-Up Publication Date."

- b. The posting of the Annual Projection shall:
 - (i) Provide the Formula Rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the projected Net Revenue Requirement;
 - (ii) Include all inputs in sufficient detail to identify the components of AEP's projected Net Revenue Requirement, explanations of the bases for the projections and input data, and sufficient detail and explanation to enable Interested Parties¹ to replicate the calculation of the projected Net Revenue Requirement;
 - (iii) With respect to any Accounting Changes (as that term is defined in Section 3.e.iii)
 - A. Identify any Accounting Changes including:
 - i. The initial implementation of an accounting standard or policy;
 - ii. The initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
 - iii. Correction of errors and prior period adjustments that impact the projected Net Revenue Requirement calculation;
 - iv. The implementation of new estimation methods or policies that change prior estimates; and
 - v. Changes to income tax elections;

- B. Identify items included in the projected Net Revenue Requirement at an amount other than on a historic cost basis (e.g., fair value adjustments);
 - C. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the projected Net Revenue Requirement; and
 - D. Provide, for each item identified pursuant to Section 1.b.iii.A - C of these Protocols, a narrative explanation of the individual impact of such changes on the projected Net Revenue Requirement.
- c. If the date for making the posting of the Annual Projection should fall on a weekend or a holiday recognized by FERC, then the posting shall be made no later than the next business day.² Within five (5) calendar days of the posting, AEP shall notify interested parties via the SPP email exploder.
- d. Together with the posting of the Annual Projection, AEP shall cause to be posted on the SPP internet website and OASIS, and distributed to the SPP Exploder List, the time, date, location, and remote-access information for a stakeholder meeting with Interested Parties in order for AEP to explain its Annual Projection and to provide Interested Parties an opportunity to seek information and clarifications regarding the Annual Projection (“Annual Projection Meeting”). The Annual Projection Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after the posting of the Annual Projection. Notice of the Annual Projection Meeting shall be provided via the SPP Exploder List no less than seven (7) calendar days prior to the meeting. AEP will provide remote access to the

Annual Projection Meeting in order to ease burdens (e.g. travel costs) to ensure all Interested Parties have the opportunity to participate.

- e. To the extent AEP agrees to make changes in the Annual Projection for a given Rate Year, such revised Annual Projection shall be promptly posted at a publicly accessible location on SPP's internet website and OASIS, and e-mailed to the SPP Exploder List. Changes posted prior to November 30 preceding the Rate Year, or the next business day if November 30 is not a business day (or such later date as can be accommodated under SPP's billing practices), shall be reflected in the Annual Projection for the Rate Year; changes posted after that date will be reflected, as appropriate, in the True-Up Adjustment for the Rate Year.
- f. The Annual Projection, including the True-Up Adjustment, for each Rate Year shall be subject to review, challenge, true-up, and refunds or surcharges with interest, to the extent and in the manner provided in these Protocols.

1 As used in these Protocols, "Interested Parties" shall include but not be limited to: (i) any Eligible Customer under the SPP Tariff; (ii) any regulatory agency with rate jurisdiction over a public utility located within the SPP footprint; (iii) any consumer advocate authorized by state law to review and contest the rates for any such public utility; and (iv) any party with standing under FPA section 205 or section 206.

2 For the purposes of these Protocols, if any deadline included in these Protocols should fall on a weekend or a holiday recognized by FERC, then the deadline shall be extended to no later than the next business day.

Section 2. True-Up Adjustment

AEP will calculate the amount of under- or over-collection of its actual Net Revenue Requirement during the preceding Rate Year ("True-Up Adjustment") after the FERC Form

No. 1 data for that Rate Year has been filed with the Commission. The True-Up Adjustment shall be the sum of the True-Up Adjustment Over/Under Recovery as determined in Section 2(a) and the Interest on the True-Up Adjustment Over/Under Recovery as determined in Section 2(b):

- a. AEP's projected Net Revenue Requirement collected during the previous Rate Year³ will be compared to AEP's actual Net Revenue Requirement for the previous Rate Year calculated in accordance with AEP's Formula Rate and based upon (i) AEP's FERC Form No. 1 for that same Rate Year, (ii) any FERC orders specifically applicable to AEP's calculation of its annual revenue requirement, (iii) the books and records of AEP (which shall be maintained consistent with the FERC Uniform System of Accounts ("USofA")), (iv) FERC accounting policies and practices applicable to the calculation of annual revenue requirements under formula rates, and (v) any aspects of the SPP Tariff Governing Documents that apply to the calculation of annual revenue requirements under individual transmission owner formula rates,⁴ to determine any over- or under-recovery ("True-Up Adjustment Over/Under Recovery").
- b. Interest on any True-Up Adjustment Over/Under Recovery shall be calculated for the thirty-six (36) months during which the over or under recovery in the revenue requirement exists, i.e., January 1 of the Rate Year being trued-up through December 31 of the year in which the true-up is collected. The interest rate to be applied to the over-recovery or under-recovery amounts will be determined using the average monthly FERC Interest Rate (as determined pursuant to 18 C.F.R. § 35.19a) for the

twenty (20) months from the beginning of the Rate Year being trued-up through August 31 of the following year.

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- 3 If the initial use of this Formula Rate covers only part of a calendar year, the initial projected annual Net Revenue Requirement will be divided by 12 to calculate the monthly projected cost of service to be collected each month, or portion thereof, it is effective that first year. Similarly, the actual Net Revenue Requirement will be divided by 12 to calculate the actual cost of service to be collected during those same months of that year. Similar calculations of projected Net Revenue Requirement and actual Net Revenue Requirement will be made for the months prior to the effective date of this Formula Rate using the previous formula rate in effect during those months. The actual Net Revenue Requirements computed under each of the two formula rate periods that initial Rate Year will be added together to obtain the total actual Net Revenue Requirement. The first True-up Adjustment will compare this total actual Net Revenue Requirement to the Net Revenue Requirement collected under the two formulas for that initial Rate Year.
- 4 SPP Tariff Governing Documents include the SPP Tariff, Bylaws, Criteria, and Membership Agreements.

Section 3. Annual Update

- a. On or before May 25 following each Rate Year, AEP shall calculate its actual Net Revenue Requirement and the True-Up Adjustment as described in Section 2 (“Annual Update”) for such Rate Year and, together with such other information described in this Section 3, shall cause such Annual Update to be posted, in both a PDF and fully-functioning Excel format, at a publicly accessible location on SPP’s internet website and OASIS. Within five (5) calendar days of such posting, SPP shall provide notice of such posting via the SPP Exploder List.
- b. If the date for making the Annual Update posting should fall on a weekend or a holiday recognized by the FERC, then the posting shall be due on the next business day.

- c. The date on which the posting occurs shall be that year's "Annual Update Publication Date."
- d. Together with the posting of the Annual Update, AEP shall cause to be posted on the SPP website and OASIS the time, date, location, and remote-access information for a stakeholder meeting with Interested Parties in order for AEP to explain its Annual Update and to provide Interested Parties an opportunity to seek information and clarifications regarding the Annual Update ("Annual Update Meeting"). Notice of the Annual Update Meeting shall be provided via the SPP Exploder List no less than seven (7) calendar days prior to the meeting. The Annual Update Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after the Annual Update Publication Date. SPP will provide remote access to the Annual Update Meeting in order to ease burdens (e.g. travel costs) to ensure all Interested Parties have the opportunity to participate.
- e. The Annual Update posting for the Rate Year:
 - (i) Shall provide, via the Formula Rate worksheets, sufficiently detailed supporting documentation for data (and all adjustments thereto or allocations thereof) used in the Formula Rate that are not stated in the FERC Form No. 1;⁵
 - (ii) Shall provide sufficient detail and sufficient explanation to enable Interested Parties to replicate the calculation of the Annual Update results from the FERC Form No. 1 and verify that each input to the Template is consistent with the requirements of the Formula Rate;
 - (iii) Shall identify:

- A. Any change in accounting that affects inputs to the Template or the resulting charges billed under the Formula Rate (“Accounting Change”), including:
 - i. The initial implementation of an accounting standard or policy;
 - ii. The initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
 - iii. Correction of errors and prior period adjustments that impact the True-Up Adjustment calculation;
 - iv. The implementation of new estimation methods or policies that change prior estimates; and
 - v. Changes to income tax elections;
 - B. Any items included in the Annual Update at an amount other than on a historic cost basis (e.g., fair value adjustments);
 - C. Any reorganization or merger transaction during the previous year and an explanation of the effect of the accounting for such transaction(s) on inputs to the Annual Update;
 - D. For each item identified pursuant to Sections 3.e.iii.A – C of these Protocols, the individual impact (in narrative format) of such changes on the Annual Update.
- (iv) Shall be subject to review and challenge in accordance with the procedures set forth in Sections 4, 5, and 6 of these Protocols.

- (v) Shall be subject to review and challenge in accordance with the procedures set forth in these Protocols with respect to the prudence of any costs and expenditures included for recovery in the Annual Update; provided, however, that nothing in these Protocols is intended to modify the Commission's applicable precedent with respect to the burden of going forward or burden of proof under formula rates in such prudence challenges; and
 - (vi) Shall not seek to modify the Formula Rate and shall not be subject to challenge by any Interested Party seeking to modify the Formula Rate (i.e., any modifications to the Formula Rate will require, as applicable, an FPA section 205 or section 206 filing or initiation of a section 206 investigation).
- f. The following Formula Rate inputs shall be stated values to be used in the Formula Rate until changed pursuant to an FPA section 205 or section 206 proceeding: (i) rate of return on common equity ("ROE"); and (ii) the depreciation and/or amortization rates as set forth in Attachment 10 to the Formula Rate template.
- g. Example – Timelines for 2018 Annual Projection and 2019 Annual Update:
On or before October 31, 2017, AEP will determine the projected Net Revenue Requirement for the 2018 Rate Year. AEP will post the Annual Projection for the 2018 Rate Year in accordance with Section 1 above. On or before May 25, 2019, AEP will post its Annual Update, consisting of the actual Net Revenue Requirement and True-Up Adjustment for the 2018 Rate Year determined pursuant to Section 2 above. Such True-Up Adjustment will be reflected in the Annual Projection of the

Net Revenue Requirement for the 2020 Rate Year posted on or before October 31, 2019.

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- 5 It is the intent of the Formula Rate, including the supporting explanations and allocations described therein, that each input to the Formula Rate for purposes of determining the actual Net Revenue Requirement for a given Rate Year will be either taken directly from the FERC Form No. 1 or reconcilable to the FERC Form No. 1 by the application of clearly identified and supported information. If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form is discontinued, equivalent information as that provided in the discontinued form shall be utilized.

Section 4. Annual Review Procedures

Each Annual Update and Annual Projection shall be subject to the following review procedures (“Annual Review Procedures”):

- a. Interested Parties shall have up to the later of two-hundred-ten (210) calendar days after the applicable Publication Date, or thirty (30) calendar days after the receipt of all responses to timely submitted information requests (unless such period is extended with the written consent of AEP or by FERC order) (“Review Period”), to review the calculations and to notify AEP in writing of any specific challenges to the Annual Update or Annual Projection (“Preliminary Challenge”), including challenges related to Accounting Changes. An Interested Party submitting a Preliminary Challenge must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. AEP shall cause to be posted all Preliminary Challenges at a publicly accessible location on SPP’s internet website and OASIS, and a link to the website will be e-mailed to the SPP Exploder List.
- b. In the event of a Preliminary Challenge, AEP will appoint a senior representative to work with the Interested Party (or its representatives) toward a resolution of the dispute.
- c. AEP shall respond in writing to a Preliminary Challenge within twenty (20) business days of receipt, and its response shall notify the challenging party of the extent to which AEP agrees or disagrees with the challenge. If AEP disagrees with the Preliminary Challenge, it will provide the Interested Party with an explanation

supporting the challenged inputs, explanations, allocations, calculations, or other information. AEP shall promptly cause to be posted its responses to all Preliminary Challenges at a publicly accessible location on SPP's internet website and OASIS, and a link to the website will be e-mailed to the SPP Exploder List. Provided however, that Preliminary Challenges and responses to Preliminary Challenges that include material deemed by AEP to be confidential information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by AEP and the requesting party.

- d. AEP shall respond to all Preliminary Challenges submitted during the Review Period by no later than thirty (30) calendar days after the end of the Review Period.
- e. Interested Parties shall have up to one-hundred-fifty (150) calendar days after each annual Publication Date (unless such period is extended with the written consent of AEP or by FERC order) to serve reasonable information requests on AEP ("Discovery Period").
- f. Information requests shall be limited to what is necessary to determine: (i) the extent, effect, or impact of an Accounting Change; (ii) whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with the Protocols; (iii) the proper application of the Template and procedures in the Protocols; (iv) the accuracy of data and consistency with the Formula Rate of the charges shown in the Annual Update or Annual Projection; (v) the prudence of the actual costs and expenditures, including procurement methods and cost control methodologies; (vi) the effect of any change to the underlying USofA or FERC Form No. 1; and (vii) any other information that may reasonably have substantive

effect on the calculation of the charge pursuant to the Formula Rate. The information requests shall not otherwise be directed to ascertaining whether the Formula Rate is just and reasonable. Information requests shall not solicit information concerning costs or allocations where the costs or allocation methods have been determined to be appropriate by FERC in the context of prior AEP Annual Updates, except that such information requests shall be permitted if they (i) seek to determine if there has been a change in circumstances, (ii) are in connection with corrections pursuant to Section 6 of these Protocols, or (iii) relate to costs or allocations that have not previously been challenged and adjudicated by FERC.

- g. AEP shall make a good faith effort to respond to reasonable information requests pertaining to the Annual Update or Annual Projection within fifteen (15) business days of receipt of such requests. AEP shall respond to all reasonable information requests no later than thirty (30) calendar days after the end of the Discovery Period. AEP will cause to be posted on the SPP website and OASIS all information requests from Interested Parties and AEP's response(s) to such requests, and a link to the website will be e-mailed to the SPP Exploder List. Provided however, that information and document requests and responses to information and document requests that include material deemed by AEP to be confidential information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by AEP and the requesting party. Voluminous materials will be made available at a physical AEP site.

- h. AEP shall not claim that responses to information and document requests provided pursuant to these Protocols are subject to any settlement privilege in any subsequent FERC proceeding addressing AEP's Annual Update or Annual Projection.
- i. To the extent AEP and any Interested Party(ies) are unable to resolve disputes related to information requests submitted in accordance with these Annual Review Procedures, AEP or the Interested Party may petition the FERC to appoint an Administrative Law Judge as a discovery master to resolve the discovery dispute(s) in accordance with these Protocols and consistent with the FERC's discovery rules.
- j. Preliminary Challenges or Formal Challenges (as described in Sections 4 and 5) related to Accounting Changes shall be treated in the same manner under these Protocols as other challenges to the Annual Update or Annual Projection. Failure to make a Preliminary Challenge with respect to an Accounting Change in an Annual Update or Annual Projection shall not act as a bar with respect to a Formal Challenge with respect to that Annual Update or Annual Projection provided that the Interested Party submitted a Preliminary Challenge with respect to one or more other issues. Nor shall such failure bar a subsequent Preliminary Challenge related to a subsequent Annual Update or Annual Projection to the extent such Accounting Change affects the subsequent Annual Update or Annual Projection.
- k. If a change made by AEP to its accounting policies, practices, or procedures, or the application of the Formula Rate, is found by the FERC to be unjust, unreasonable, or unduly discriminatory or preferential, then the calculation of the charges to be assessed during the Rate Year then under review, and the charges to be assessed during any subsequent Rate Years, including any True-up Adjustments, shall not

include such change, but shall include any remedy that may be prescribed by FERC in the exercise of its discretion as of the effective date of such remedy, to ensure that the Formula Rate continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential.

Section 5. Resolution of Challenges

- a. Interested Parties shall have up to two-hundred-seventy (270) days following the applicable Publication Date (unless such period is extended with the written consent of AEP or by FERC order), to file a challenge with the FERC (“Formal Challenge”). Such Formal Challenge shall be submitted in the same docket as the AEP informational filing and shall be served on AEP by electronic service on the date of such filing in accordance with Section 385.2010(f)(3) of the Commission’s regulations. Subject to any applicable confidentiality and Critical Energy Infrastructure Information restrictions, all information and correspondence produced by AEP pursuant to these Protocols may be included in any Formal Challenge or other FERC proceeding relating to the Formula Rate. This Section 5.a in no way shall affect a party’s rights under section 206 of the Federal Power Act as set forth in Section 5.g of these Protocols.
- b. Formal Challenges are to be filed pursuant to these Protocols, rather than under rule 206, and shall:
 - (i) Clearly identify the action or inaction which is alleged to violate the Formula Rate Template or Protocols;
 - (ii) Explain how the action or inaction violates the filed rate Template or Protocols;

- (iii) Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including
 - A. The extent or effect of an Accounting Change;
 - B. Whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with these Protocols;
 - C. The proper application of the Template and procedures in these Protocols;
 - D. The accuracy of the data and consistency with the Formula Rate of the charges shown in the Annual Update or Annual Projection;
 - E. The prudence of actual costs and expenditures;
 - F. The effect of any change to the underlying Uniform System of Accounts or the FERC Form No. 1; or
 - G. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Template.
- (iv) Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;
- (v) State whether the issues presented are pending in an existing Commission proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;

- (vi) State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;
 - (vii) Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and
 - (viii) State whether the filing party utilized the Preliminary Challenge procedures described in these Protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.
- c. Preliminary and Formal Challenges shall be limited to issues that may be necessary to determine: (i) the extent or effect of an Accounting Change; (ii) whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with these Protocols; (iii) the proper application of the Formula Rate and procedures in these Protocols; (iv) the accuracy of data and consistency with the Formula Rate of the calculations shown in the Annual Update and Annual Projection; (v) the prudence of actual costs and expenditures; (vi) the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or (vii) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.
- d. Failure to raise an issue in a Preliminary Challenge shall not bar an Interested Party from raising that issue in a Formal Challenge, provided the Interested Party submitted a Preliminary Challenge during the Review Period with respect to one or more other issues. Failure to pursue an issue through a Preliminary Challenge or to lodge a Formal Challenge regarding any issue as to a given Annual Update shall bar

pursuit of such issue with respect to that Annual Update, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual Update.

- e. Any response by AEP to a Formal Challenge must be submitted to the FERC within thirty (30) calendar days of the date of the filing of the Formal Challenge, and shall be served on the filing party(ies) and the SPP Exploder List on the date of such filing.
- f. In any Formal Challenge proceeding concerning a given year's Annual Update (including corrections), Annual Projection, or Accounting Change(s), AEP shall demonstrate the justness and reasonableness of the rate resulting from its application of the Formula Rate by demonstrating that it has reasonably and accurately calculated the Annual Update or Annual Projection and/or reasonably adopted and applied the Accounting Change. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.
- g. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of AEP to file unilaterally, pursuant to section 205 of the FPA and the regulations thereunder, an application seeking changes to the Formula Rate or to any of the stated value inputs requiring a section 205 filing under these Protocols (including, but not limited to, ROE and depreciation and amortization rates), or the right of any other party or the Commission to seek such changes pursuant to section 206 of the FPA and the regulations thereunder.
- h. AEP may, at its discretion and at a time of its choosing, make a limited filing pursuant to section 205 to modify stated values in the Formula Rate (i) for

amortization and depreciation rates, or (ii) to correct obvious errors or omissions in the Formula Rate such as would result from changes to the FERC Form No. 1. The sole issue in any such limited section 205 proceeding shall be whether such proposed change(s) is just and reasonable, and it shall not address other aspects of the Formula Rate or impose upon AEP any burden with respect to such other aspects of the Formula Rate.

Section 6. Changes to Annual Updates

If AEP determines or concedes that corrections to the Annual Update are required, whether under Sections 4 or 5 of these Protocols, including but not limited to those requiring corrections to its FERC Form No. 1, or input data used for a Rate Year that would have affected the Annual Update for that Rate Year, such corrections shall be reflected as adjustments in the Annual Update for the next Rate Year, with interest calculated in accordance with the FERC Interest Rate (as determined pursuant to 18 C.F.R. § 35.19a). This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments.

AEP West SPP Member Operating Companies
Calculation of Actual/ Projected Zonal Rate For Schedule 9
..
For the 2XXX Rate Year

SPP Zone 1 Actual / Projected AEP Revenue Requirements

Line <u>No.</u>			AEP Annual Revenue Requirement	PSO Annual Revenue Requirem ent	SWEPC O Annual Revenue Require ment
A. <u>Network Service</u>					
1	RATE YEAR REVENUE REQUIREMENT (w/o incentives)	(TCOS Line 1)	-	-	-
2	LESS: REVENUE CREDITS	(TCOS Line 2)	-	-	-
3	NETWORK CUSTOMER OWNED FACILITY CREDITS	(TCOS Line 3)			
4	RATE YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(TCOS Line 4)	\$0	\$0	\$0
5	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:				
6	BASE PLAN UPGRADES (W/O INCENTIVES)	(TCOS Line 5)	-	-	-
7	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet F/G)	-	-	-
8	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet F/G)	-	-	-
9	SUBTOTAL		-	-	-
10	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 4- Line 9)	-	-	-
11	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(TCOS Line 13)	-	-	-

12	RATE YEAR ZONAL ATRR (W/ INCENTIVES)	(Ln 10 + Ln 11)	-			
13	Actual/Projected Rate Year AEP West Zone Average 12-Mo. Peak Demand, MW	(Load WS, In 33)	-			
14	Monthly NITS Rate in \$/MW - Month	(Line 12 / Line 13) / 12	-	-	-	

AEP West SPP Member Operating Companies
Utilizing FERC Form 1 Data
For rates effective January 1, 2XXX

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 2XXX Rate Year

1	Total Load Dispatch & Scheduling (Account 561) (TCOS Line 65)		\$0	
2	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)		\$0	
3	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)		\$0	
4	Total 561 Internally Developed Costs (Line 1 - Line 2 - Line 3)		\$0	
5	Less: PTP Service Credit (prior year Schedule 1 revenue from PTP transactions)		\$0	

6

ZONAL ARR FOR RATE YEAR

(Line 4 - Line 5)

\$0

B

Schedule 1 2XXX Rate Year Calculations

7	Rate Year AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 20)	M W
8	Annual Point-to-Point Rate in \$/MW - Year	(Line 6 / Line 7)	
9	Monthly Point-to-Point Rate (In 8 / 12) \$/MW - Month	(Line 8 / 12)	
10	Weekly Point-to-Point Rate (In 8 / 52) \$/MW - Weekly	(Line 8 / 52)	
11	Daily Off-Peak Point-to-Point Rate (In 8 / 365) \$/MW - Day	(Line 8 / 365)	
12	Hourly Off-Peak Point-to-Point Rate (In 8 / 8760) \$/MW - Hour	(Line 8 / 8760)	

AEP West SPP Member
 Operating Companies
 Calculation of Schedule 11
 Revenue Requirements For
 AEP Transmission Projects
 For the 2XXX Rate Year

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

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)
**ARR From Rate Year
Projection WS-F**

(H) (I) (J) (K)=
(I)-
(J) (L) (M) (N)
= (L)
-
(M) (O) (P) =
(H)+(K)+(N)+(O) (R)=(
G)+(P)
**True-Up ARR From Worksheet G (includes adjustment for SPP
Collections)**

Notes:

- (1) Amounts are 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] PSO Native load includes PSO load on GRDA
- (5) SWEPCO Native Load includes Valley

2XXX Rate
Year

AEP West SPP Member Operating
Companies
Transmission Cost of Service Formula
Rate
Utilizing Actual / Projected Cost Data
for the 2XXX Rate Year

Company Name

Line No.					Transmission Amount
			<u>Total</u>	<u>Allocator</u>	<u>Amount</u>
1	REVENUE REQUIREMENT (w/o incentives)	(In 115)			\$0
2	REVENUE CREDITS	(Note A) (Worksheet H)		D 1.00 A 000	
3	Network Customer Owned Facility Credits	(Worksheet B) (In 1 less In 2 plus In 3)	-		\$ -
4	REVENUE REQUIREMENT For All Company Facilities				<u>\$0</u>

MEMO: The Carrying Charge Calculations on lines 7 to 12 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 5 is included in the total on line 4.

5	Trued-Up Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet F/G)	-	D A	1.00 000	\$ -
6	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)				
7	Annual Rate	(ln 1/ ln 37) x 100%			0.00%
8	Monthly Rate	(ln 7 / 12)			0.00%
9	NET PLANT CARRYING CHARGE ON LINE 7 , W/O DEPRECIATION (w/o incentives) (Note B)				
10	Annual Rate	(ln 1 - ln 84) / ln 37 x 100%			0.00%
11	NET PLANT CARRYING CHARGE ON LINE 9, W/O INCOME TAXES, RETURN (Note B)				
12	Annual Rate	((ln 1 - ln 84 - ln 109 - ln 110) / ln 37 x 100%)			0.00%
13	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F/G)				-

AEP West SPP Member Operating
Companies
Transmission Cost of Service Formula Rate
Utilizing Actual / Projected Cost Data for the
2XXX Rate Year

Company Name

	(1)	(2)	(3)	(4)	(5)
	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>
Li ne			<u>NOTE D</u>		

No							
	GROSS PLANT IN SERVICE					0.000	
14	Production	(Worksheet A In 3.E)	-	NA	00	-	
					0.000		
15	Less: Production ARO (Enter Negative)	(Worksheet A In 6.E)	-	NA	00	-	
	Transmission	(Worksheet A In 9.E & Hist. Template Ln 119)	-	DA		-	
16	Less: Transmission ARO (Enter Negative)	(Worksheet A In 12.E)	-	TP	0.000		
17					00	-	
					0.000		
18	Distribution	(Worksheet A In 13.E)	-	NA	00	-	
					0.000		
19	Less: Distribution ARO (Enter Negative)	(Worksheet A In 14.E)	-	NA	00	-	
	General Plant	(Worksheet A In 15.E)	-	W/S	00	-	
20	Less: General Plant ARO (Enter Negative)	(Worksheet A In 16.E)	-	W/S	00	-	
21					0.000		
22	Intangible Plant	(Worksheet A In 17.E)	-	W/S	00	-	
23	TOTAL GROSS PLANT	(sum Ins 14 to 22)	-	GP	0.000	-	
				=	00		
				GT	0.000		
				D=	00		
24	ACCUMULATED DEPRECIATION AND AMORTIZATION					0.000	
25	Production	(Worksheet A In 22.E)	-	NA	00	-	
					0.000		
26	Less: Production ARO (Enter Negative)	(Worksheet A In 25.E)	-	NA	00	-	
	Transmission	(Worksheet A In 28.E & 47.E)	-	TP1	0.000		
27	Less: Transmission ARO (Enter Negative)	(Worksheet A In 31.E)	-	=	00	-	
28				TP1	0.000		
				=	00	-	
					0.000		
29	Distribution	(Worksheet A In 32.E)	-	NA	00	-	
					0.000		
30	Less: Distribution ARO (Enter Negative)	(Worksheet A In 33.E)	-	NA	00	-	
	General Plant	(Worksheet A In 34.E)	-	W/S	00	-	
31	Less: General Plant ARO (Enter Negative)	(Worksheet A In 35.E)	-	W/S	00	-	
32					0.000		
33	Intangible Plant	(Worksheet A In 36.E)	-	W/S	00	-	
34	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 25 to 33)	-			-	

35	NET PLANT IN SERVICE				
36	Production	(In 14 + In 15 - In 25 - In 26)	-		-
37	Transmission	(In 16 + In 17 - In 27 - In 28)	-		-
38	Distribution	(In 18 + In 19 - In 29 - In 30)	-		-
39	General Plant	(In 20 + In 21 - In 31 - In 32)	-		-
40	Intangible Plant	(In 22 - In 33)	-		-
41	TOTAL NET PLANT IN SERVICE	(sum Ins 36 to 40)	-	NP=	-
42	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)			
43	Account No. 281.1 (enter negative)	272-273.8.k (Worksheet C, In 4.C & In 8.J)	-	NA	-
44	Account No. 282.1 (enter negative)	(Worksheet C, In 12.C & In 14.J)	-	DA	-
45	Account No. 283.1 (enter negative)	(Worksheet C, In 18.C & In 22.J)	-	DA	-
46	Account No. 190.1	(Worksheet C, In 26.C & In 28.J)	-	DA	-
47	Account No. 255 (enter negative)		-	DA	-
48	TOTAL ADJUSTMENTS	(sum Ins 43 to 47)	-		-
49	PLANT HELD FOR FUTURE USE	(Worksheet A In 48.E & In 49.E)	-	DA	-
50	REGULATORY ASSETS	(Worksheet A In 55.E)	-	DA	-
51	WORKING CAPITAL	(Note F)			
52	Cash Working Capital	(1/8 * In 68) (Note G)	-		-
53	Transmission Materials & Supplies	(Worksheet D, In 3.F)	-	TP	0.000 00
54	A&G Materials & Supplies	(Worksheet D, In 4.F)	-	W/S	0.000 00
55	Stores Expense	(Worksheet D, In 5.F)	-	GP	0.000 00
56	Prepayments (Account 165) - Labor Allocated	(Worksheet D, In 8.G)	-	W/S	0.000 00

57	Prepayments (Account 165) - Gross Plant	(Worksheet D, In 8.F)	-	GP	0.0000	-
58	Prepayments (Account 165) - Transmission Only	(Worksheet D, In 8.E)	-	DA	1.0000	-
59	Prepayments (Account 165) - Unallocable	(Worksheet D, In 8.D)	-	NA	0.0000	-
60	TOTAL WORKING CAPITAL	(sum Ins 52 to 69)	-			-
61	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note H) (Worksheet E, In 8 B)	-	DA	1.0000	-
62	RATE BASE (sum Ins 41, 48, 49, 60, 61)		-			-

AEP West SPP Member Operating
Companies
Transmission Cost of Service Formula
Rate
Utilizing Actual / Projected Cost Data for
the 2XXX Rate Year

Company Name

Line No	(1)	(2)	(3)	(4)	(5)
	EXPENSE, TAXES, RETURN & REVENUE	Data Sources			Total
	<u>REQUIREMENTS CALCULATION</u>	<u>(See "General Notes")</u>	<u>TO Total</u>	<u>Allocator</u>	<u>Transmission</u>
	OPERATION & MAINTENANCE EXPENSE				
63	Transmission	321.112.b	-		
64	Less: Transmission Serving Generation	(Note U) Company Records			
65	Less: Total Account 561	(Note I) 321.84-92.b	-		
66	Less: Account 565	(Note J) 321.96.b	-		
67	Plus: Includable 561 and 565 Expenses	Worksheet I In 10			
68	Total O&M Allocable to Transmission	(Ins 63 – 64 - 65 – 66 +67)	-	TP	0.0000

69	Administrative and General	323.197.b (Note K, M)	-			
70	Less: Acct. 924, Property Insurance	323.185.b	-			
71	Acct. 928, Reg. Com. Exp.	323.189.b	-			
72	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-			
73	Acct. 930.2, Misc. Gen. Exp.	323.192.b	-			
74	Balance of A & G	(In 69 - sum In 70 to In 73)	-	W/	0.00	
75	Plus: Acct. 924, Property Insurance	(In 70)	-	S	000	-
76	Acct. 928 - Transmission Specific	Worksheet J In 16.(E) (Note L)	-	GP	000	-
77	Acct 930.1 - Only safety related ads -Direct	Worksheet J In 22.(E) (Note L)	-	TP	000	-
78	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet J In 28.(E) (Note L)	-	GP	000	-
79	A & G Subtotal	(sum Ins 74 to 78)	-	DA	000	-
80	TOTAL O & M EXPENSE	(In 68 + In 79)	-			-
81	DEPRECIATION AND AMORTIZATION EXPENSE					
82	Transmission	336.7.b	-			-
83	Less: Transmission Serving Generation	(Note U) Company Records	-			
84	Includable Transmission	(In 82 - In 83)	-	TP	0.00	
85	General	336.10.b	-	W/	0.00	
86	Intangible	336.1.d	-	S	000	-
87	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 84 to 86)	-			-
88	TAXES OTHER THAN INCOME	(Note N)				
89	Labor Related					
90	Payroll	Worksheet L, Col. D	-	W/	0.00	
91	Plant Related			S	000	-

92	Property	Worksheet L, Col. C	-	GP(h)	0.0000	-
93	Non-Allocable Taxes, incl. Transmission Serving Gen.	Worksheet L, Col. F	-	NA	0.0000	-
94	Other	Worksheet L, Col. E	-	GP	0.0000	-
95	TOTAL OTHER TAXES	(sum Ins 90 to 94)	-			-
96	INCOME TAXES	(Note O)				
97	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		0.00%			
98	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		0.00%			
99	where WCLTD=(ln 139) and WACC = (ln 142)					
10						
0	and FIT, SIT & p are as given in Note O.					
10						
1	$GRCF=1 / (1 - T) =$ (from ln 97)		-			
10						
2	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-			
10		Company Records				
3	Excess / (Deficit) Deferred Income Tax	(Note O)	-	DA		-
10	Tax Effect of Permanent and Flow Through	Company Records				
4	Differences	(Note O)	-	DA		-
10						
5	Income Tax Prior to Adjustments	(ln 98 * ln -110)	-			-
10					0.0000	
6	ITC adjustment	(ln 101 * ln 102)	-	NP		-
10	Excess / (Deficit) Deferred Income Tax	(ln 101 * ln 103)				
7				DA		
10	Tax Effect of Permanent and Flow Through	(ln 101 * ln 104)				
8	Differences			DA		
10						
9	TOTAL INCOME TAXES	(sum Ins 105 to 108)	-			-
11						
0	RETURN ON RATE BASE (Rate Base*WACC)	(ln 62 * ln 142)	-			-
11						
1	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)		-	DA	1.0000	-
11						
2	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX		-			-
11						
3	(sum Ins 85, 87, 95, 109, 110, 111)					

11	TEXAS GROSS MARGIN TAX (Note P) (Worksheet				
4	K)		-	DA	-
11	REVENUE REQUIREMENT INCLUDING GROSS		<u> </u>		<u> </u>
5	MARGIN TAX	(In 112 + 114)	<u> </u>		<u> </u>

AEP West SPP Member Operating Companies
Transmission Cost of Service Formula Rate
Utilizing Actual / Projected Cost Data for the 2XXX Rate
Year

Company Name

SUPPORTING CALCULATIONS

<u>In</u>	TRANSMISSION PLANT INCLUDED				
<u>N</u>	IN SPP TARIFF				
<u>o.</u>					
11	6	Total transmission plant	(In 16)		-
		Less transmission plant excluded			
11	7	from SPP Tariff (Worksheet A, In 42			
		Col. (E)) (Note Q)			-
11	8	Less transmission plant included in OATT Ancillary			
		Services (Worksheet A, In 39, Col. (E)) (Note R)			-
11	9	Transmission plant included in SPP	(In 116- In 117- In -		<u> </u>
		Tariff	118)		-
12	0	Percent of transmission plant in SPP			TP
		Tariff	(In 119 / In116)		= 0.0000

12	1	WAGES & SALARY ALLOCATOR	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
		(W/S)							
12	2	Production	354.20.b		0	0	-	N	0.0000
								A	0
12	3	Transmission	354.21.b		0	0	-	T	0.0000
								P	0
12		Regional Market Expenses	354.22.b		0	0		N	0.0000

4						-	A	0	-
12							N	0.0000	
5	Distribution	354.23.b		0	0	-	A	0	-
12							N	0.0000	
6	Other (Excludes A&G)	354.24,25,26.b		0	0	-	A	0	-
12		(sum Ins 122 to							
7	Total	126)		0	0	0			-
12									
8	Transmission related amount							W/ S=	0.00000
12	WEIGHTED AVERAGE COST OF								
9	CAPITAL (WACC)								<u>\$</u>
13		Long Term Interest							
0	Long Term Interest	(Worksheet M, In. 21, col. (E))							-
13		Preferred Stock							
1	Preferred Dividends	Dividends (Worksheet M, In. 44, col. (E))							-
13									
2	<u>Development of Common Stock:</u>								<u>Average</u>
13		(Worksheet M, In. 1, col. (E))							-
3	Proprietary Capital	(Worksheet M, In. 2, col. (E))							-
13		(Worksheet M, In. 3, col. (E))							-
4	Less Preferred Stock (In 140)	(Worksheet M, In. 4, col. (E))							-
13		(In133 – In 134 – In 135 – In 136)							-
5	Less Account 216.1								-
13									-
6	Less Account 219								-
13									-
7	Common Stock								-
13									
8									
13		<u>\$</u>							
9	Avg Long Term Debt (Worksheet M, In. 11, col. (E))	-				0.00%		Cost (Note T)	Weighted
14	Avg Preferred Stock (Worksheet M, In. 43, col. (E))	-				0.00%		-	0.0000
0		-				0.00%		-	0.0000
14		-				0.00%		11.20%	0.0000
1	Common Stock (In 137) (Note U)	-							
14									
2	Total (sum Ins 139 to 141)	-						W AC C=	0.0000

AEP West SPP Member
Operating Companies
Transmission Cost of Service
Formula Rate
Utilizing Actual / Projected Cost
Data for the 2XXX Rate Year

Company Name

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te
r

Notes

General Note: True Up References to data from FERC Form 1 are indicated as:
page#.line#.col.# Rate Year Projections from Company forecasts.

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 H 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 13 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 and depreciation expense are reduced by the removal of amounts 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 to Transmission. 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 111.

I Line 65 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 J 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 H.

M Recoverable PBOP expense is based on actual annual PBOP costs, including charges from the AEP Service Corporation. The PBOP amounts are included in the Administrative and General total, and are based on current year expenses. The annual actuarial valuation report supporting the derivation of the PBOP expense, along with an explanation of PBOP derivation process, is submitted during the formula rate annual update.

N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, local franchise 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 97) multiplied by $(1/1-T)$. If the applicable tax rates are zero enter 0.

Inputs Required:	FI T = SI T= p =	35.00% 0.00% 0.00%	(State Income Tax Rate or Composite SIT. Worksheet K)) (percent of federal income tax deductible for state purposes)
------------------	-------------------------------------	----------------------------------	---

Excess / (Deficit) Deferred Income Taxes will be amortized over the average remaining life of the assets to which it relates, unless the Commission requires a different amortization period. The Tax Effect of Permanent Differences captures the differences in the income taxes due under the Federal and State tax calculations that are not the result of a timing difference, including but not limited to depreciation related to capitalized AFUDC equity and meals and entertainment deductions. The Tax effect of Flow-Through differences captures current tax expense related to timing differences on items for which tax deductions were used to reduce customer rates through the use of flow-through accounting in a prior period.

- P The Texas Gross Margin 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 OAT T, other than Transmission Serving Generation which is removed at Worksheet A. See Note U.
- 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 130) / long term debt (ln 139). Preferred Stock cost rate = preferred dividends (ln 131) / preferred outstanding (ln 140).
Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket No. ER07-1069. It includes an additional 50 basis points for remaining a member of the SPP RTO.
The amount of eligible hedging gains or losses included in total interest expense is limited to five basis points of the capital structure. Details and calculations of the weighted average cost of capital are shown on Worksheet M. Eligible Hedging Gains and Losses are computed on Worksheet M. The unamortized balance of eligible hedge gains/losses and related ADIT amounts shall not flow through the formula rate.
- U Costs specifically incurred to build, operate, maintain, or depreciate assets which are dedicated to the interconnection of individual generation resources to the SPP transmission network, including generation tie-lines, are deemed to be production-related will be removed from the transmission cost of service. Such costs, referred to herein as Transmission Serving Generation, will be reported in the FERC Form 1 in Transmission functional accounts, and thus adjustments are needed to remove those costs from line items which include them.

Addendum 4 to Attachment H – Part 2

AEP West SPP Member Operating Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet A - Detail Plant Balances and Accumulated Depreciation Balances
Company Name

<u>Line Number</u>	(A) <u>Rate Base Item & Supporting Balance</u>	(B) <u>Source of Data</u>	(C) <u>Balances @</u> <u>12/31/2XXX</u>	(D) <u>Balances</u> <u>12/31/2XXX-1</u>	(E) <u>Average</u> <u>Balance for</u> <u>2XXX</u>
Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
See Note U at the TCOS worksheet for a description of Transmission Serving Generation.					
<u>Plant Investment Balances</u>					
1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 46	-	-	-
	Add: Transmission Serving Generation	Company Records	-	-	-
2			-	-	-
3	Formula Production Plant In Service		-	-	-
4	Production Asset Retirement Obligation (ARO)	FF1, page 205&204, Col.(g)&(b), Ins 15,24,34,44	-	-	-
5	Add: Transmission Serving Generation ARO	Company Records	-	-	-
6	Formula Production ARO		-	-	-
7	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	-	-	-
8	Less: Transmission Serving Generation	Company Records	-	-	-
9	Formula Transmission Plant In Service		-	-	-
10	Transmission Asset Retirement Obligation (Acct. 399.1)	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	-	-	-
11	Less: Transmission Serving Generation ARO	Company Records	-	-	-
12	Formula Transmission ARO		-	-	-
13	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 75	-	-	-

14	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 74	-	-	-
15	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	-	-	-
16	General Asset Retirement Obligation (Acct. 399.1)	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	-	-	-
17	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	-	-	-
18	Total Property Investment Balance	(Sum of Lines: 3, 9, 13, 15, 17)	-	-	-
19	Total ARO Balance (included in total on line 18)	(Sum of Lines: 6, 12, 14, 16)	-	-	-
<u>Accumulated Depreciation & Amortization Balances</u>					
20	Production Accumulated Depreciation	FF1, page 219, Ins 20-24, Col. (b)	-	-	-
21	Add: Transmission Serving Generation	Company Records	-	-	-
22	Formula Production Plant In Service		-	-	-
23	Production ARO Accumulated Depreciation (included in total on line 20)	Company Records – Note 1	-	-	-
24	Add: Transmission Serving Generation ARO	Company Records	-	-	-
25	Formula Production ARO		-	-	-
26	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	-	-	-
27	Less: Transmission Serving Generation	Company Records	-	-	-
28	Formula Transmission Plant In Service		-	-	-
29	Transmission ARO Accumulated Depreciation (included in total on line 26)	Company Records – Note 1	-	-	-
30	Less: Transmission Serving Generation ARO	Company Records	-	-	-
31	Formula Transmission ARO		-	-	-
32	Distribution Accumulated Depreciation	FF1, page 219, In 26, Col. (b)	-	-	-

33	Distribution ARO Accumulated Depreciation (included in total on line 32)	Company Records – Note 1	-	-	-
34	General Accumulated Depreciation	FF1, page 219, ln 28, Col. (b)	-	-	-
35	General ARO Accumulated Depreciation (included in total on line 34)	Company Records – Note 1	-	-	-
36	Intangible Accumulated Amortization	FF1, page 200, ln 21, Col. (b)	-	-	-
37	Total Accumulated Depreciation or Amortization	(Sum of Lines: 22, 28, 32, 34, 36) FF1, page 200, ln 22, Col (b)	-	-	-
38	Total ARO Balance (included in total on line 37)	(Sum of Lines: 25, 31, 33, 35)	-	-	-
<u>Generation Step-Up Units</u>					
39	GSU Investment Amount (included in the total on line 7)	Company Records – Note 1	-	-	-
40	GSU Accumulated Depreciation (included in the total on line 26)	Company Records = Note 1	-	-	-
41	GSU Net Balance	(Line 39 - Line 40)	-	-	-
<u>Transmission Plant Excluded from SPP Tariff (see TCOS Note Q)</u>					
42	Excluded Facilities Investment Amount	Company Records - Note 1	-	-	-
43	Excluded Facilities Accumulated Depreciation	Company Records - Note 1	-	-	-
44	Excluded Facilities Net Balance	(Line 42 - Line 43)	-	-	-
<u>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</u>					
45	Transmission Accumulated Depreciation	(Line 28 Above)	-	-	-
46	Less: GSU & Excl Facilities Accumulated Depreciation	(Line 40 + Line 43 Above)	-	-	-

47	Subtotal of Transmission Accumulated Depreciation Net of GSU/Excluded Facilities	(Line 45 - Line 46)	-	-	-
----	---	---------------------	---	---	---

Plant Held For Future Use

48	<u>Plant Held For Future Use</u>	FF1, page 214, ln 47, Col. (d)	-	-	-
49	<u>Transmission Plant Held For Future (Included in total on line 48)</u>	Company Records – Note 1	-	-	-

Note 1 On this worksheet, "Company Records" refers to AEP's property accounting ledger.

Regulatory Assets and Liabilities Approved for Recovery In Ratebase

Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with FERC.

50					-
51					-
52					-
53					-
54					-
55	Total Regulatory Deferrals Included in Ratebase		-	-	-

AEP West SPP Member Operating Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet B - Third Party Facility Credits

Company Name

Line No.	Source	Amount
1	Facility Credits under the SPP OATT	-

4		Average Balance before Proration	0	0	0	0	0	-
5		Proration Adjustment - WS C-3			<u>0</u>			
6		Prorated Average balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7		Transmission Allocator from TCOS		<u>0.0000%</u>	<u>100.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>
8		Allocated Total		0	0	0	0	0

Account 283 - Form-1 page 276.9.b and 277.9.k

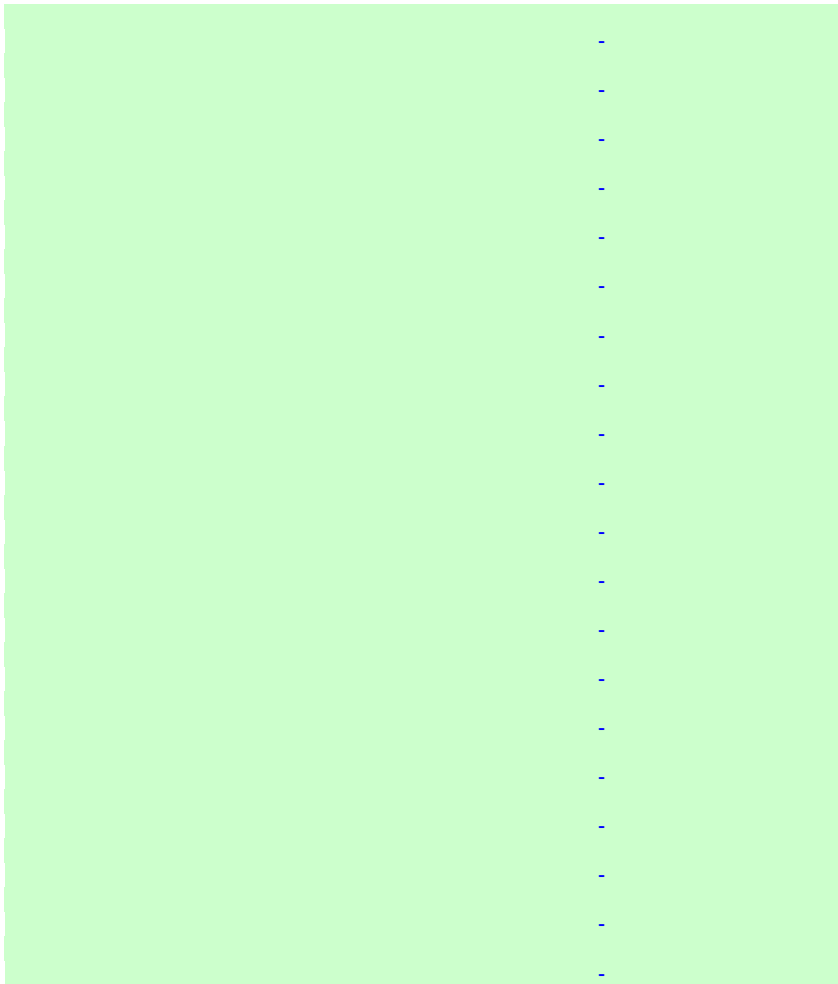
9	283.1	2XXX Year End Tax Deferrals - WS C-1	-	-	-	-	-	-
10	283.1	2XXX-1 Year End Tax Deferrals - WS C-2		=	=	=	=	=
11		Subtotal	-	-	-	-	-	-
12		Average Balance	0	0	0	0	0	0
13		Transmission Allocator from TCOS		<u>0.0000%</u>	<u>100.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>
14		Allocated Total		0	0	0	0	0

Account 190 - Form-1 page 234, Ln 8, Col. (b) & (c)

15	190.1	2XXX Year End Tax Deferrals - WS C-1	-	-	-	-	-	-
16	190.1	2XXX-1 Year End Tax Deferrals - WS C-2	-	-	-	-	-	-
17		Subtotal	-	-	-	-	-	-
18		Average Balance before Proration	0	0	0	0	0	0
19		Proration Adjustment - WS C-3			<u>0</u>			
20		Prorated Average balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
21		Transmission Allocator from TCOS		<u>0.0000%</u>	<u>100.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0000%</u>
22		Allocated Total		0	0	0	0	0

Account 255 - Form-1 page 266-267

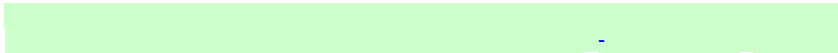
23	255.0	Acc Defrd ITC - Federal - 12/31/2XXX (FF1 p. 267, Ln 2.h)	-	-	-	-	-	-
24	255.0	Acc Defrd ITC - Federal - 12/31/2XXX-						



282.
1

TOTAL ELECTRIC ACCOUNT SUBTOTAL
(absolute value Total Company Amount Ties to
FF1 p.275(k) -- Acct 282 Electric)

- - - - -



-

190.
1

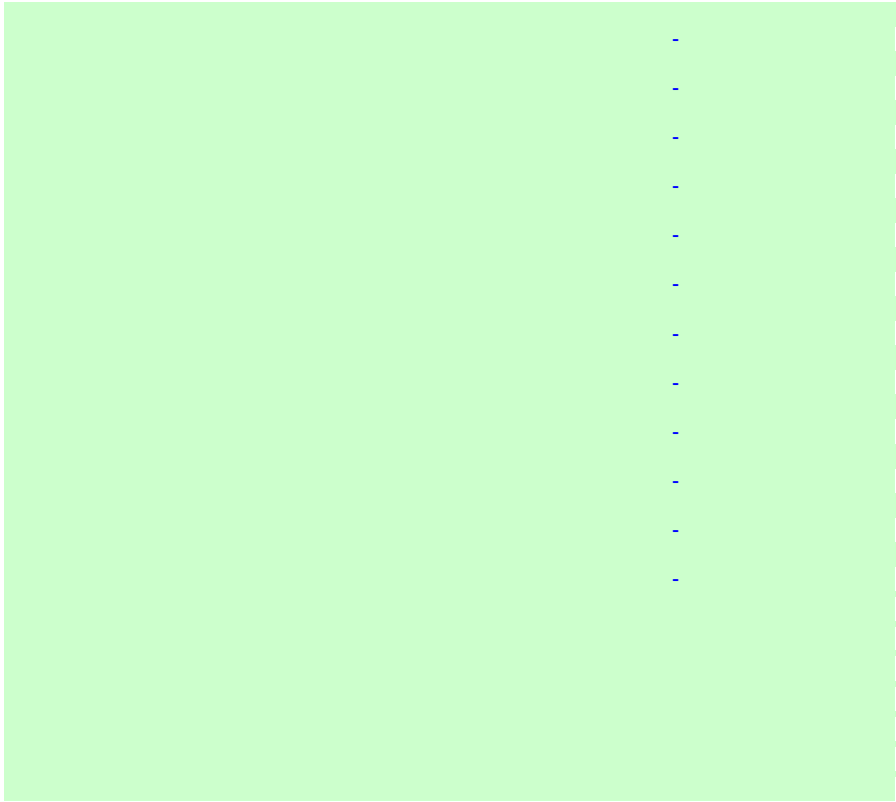
TOTAL ELECTRIC ACCOUNT SUBTOTAL
(Total Company Amount Ties to FF1 p.234(c) --
Electric)

- - - - -

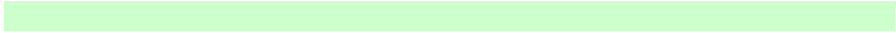
AEP West SPP Member Operating Companies
Company Name
Worksheet C-2 - BEGINNING OF YEAR DETAIL OF DEFERRED
INCOME TAX BALANCES
AS OF DECEMBER 31, 2XXX-1

Account	Line #	Description	Balance	Allocation Basis	Exclusions	Allocation Method			
						100% Transmission	PTD Plant	T&D	Labor

-
-
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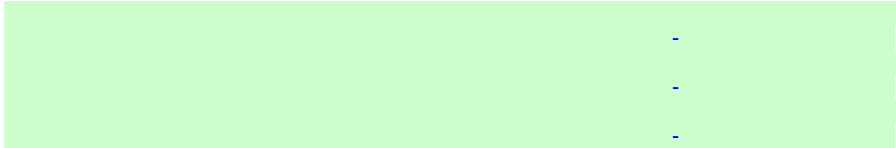


283.1

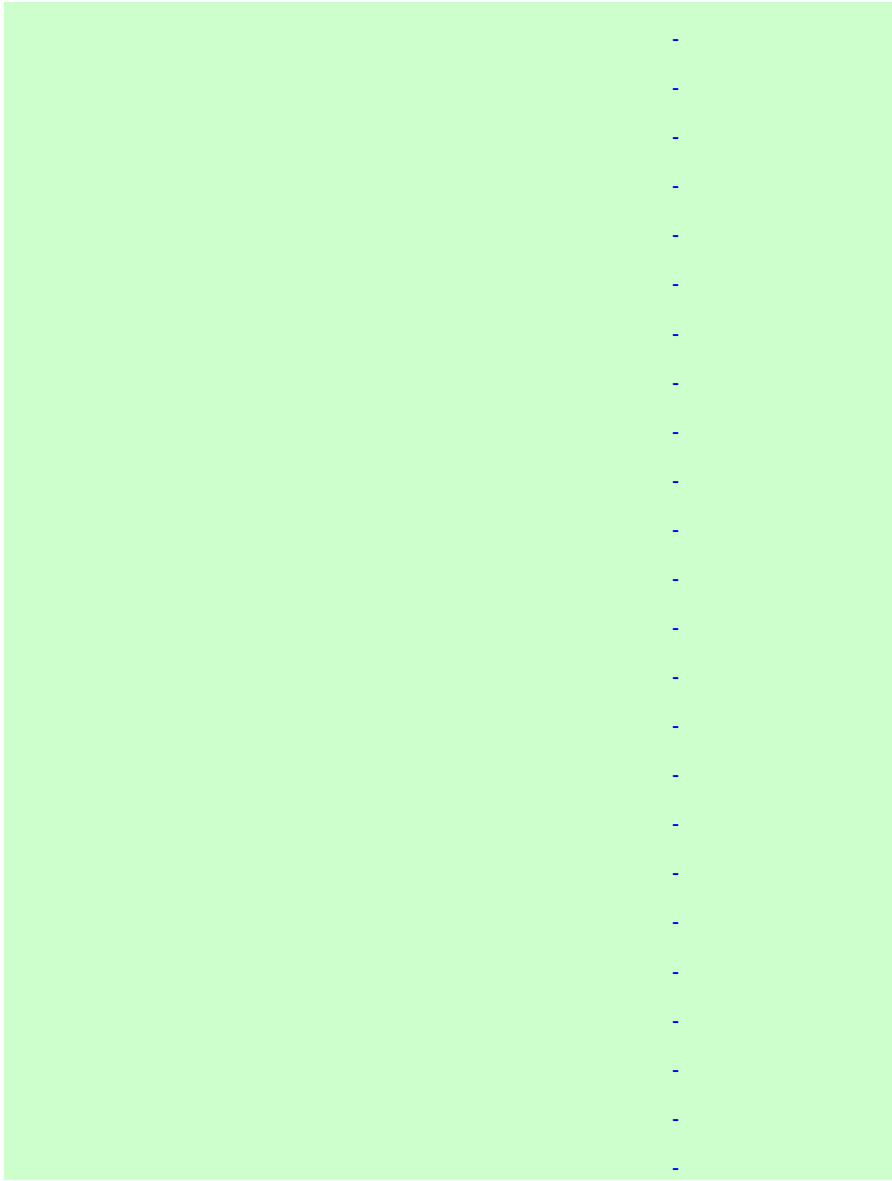
TOTAL ELECTRIC ACCOUNT SUBTOTAL
(absolute value Total Company Amount Ties to FF1
p.277(k) -- Acct 283 Electric)

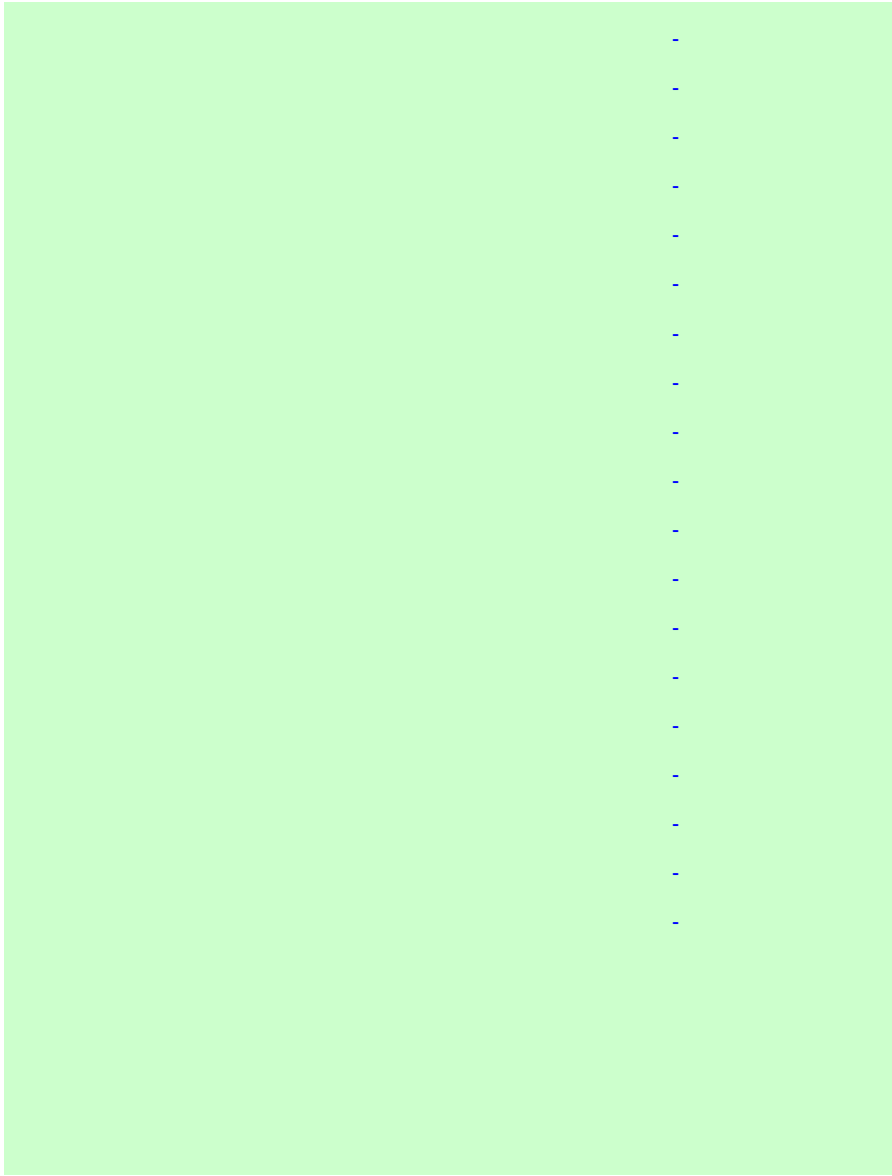
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TOTAL ELECTRIC ACCOUNT SUBTOTAL
 (Total Company Amount Ties to FF1 p.234(c) --
 Electric)

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AEP West SPP Member Operating Companies

SOUTHWESTERN ELECTRIC POWER COMPANY

WORKSHEET C-3 -PRORATION OF PROPERTY-RELATED DEFERRED INCOME TAX BALANCES

AS OF DECEMBER 31, 2XXX

Note: This workpaper documents the calculation of the rate base adjustment to prorate forecasted activity in ADIT required by IRS regulation Section 1.167(l)-l(h)(6)(ii) when preparing forecasted rates. This worksheet is not used during Annual True-Ups. Prorable activity in Account 282 results from the use of accelerated tax depreciation on additions to plant in service. The adjustment on line 19 is included on Worksheet C as a reduction to the ending forecasted ADIT balance of account 282. A proration adjustment for account 190, if any, will be calculated beginning on line 20.

Account 282 Proration Adjustment

				Source				
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1	Transmission Functional Rate Year ending balance			WS C-1			-	
2	Transmission Functional Rate Year beginning balance			WS C-2			-	
3	Annual forecasted change			Line 1 less Line 2			0	
4	Monthly forecasted change			Line 3 / 12			0	

Line	Future Test Period	Prorable Deferred Tax Activity	Deferred Tax Balance	Days in Month	Number of Days Left in Period	Proration Amount	Prorated Item	Prorated Balance
5	Beginning Balance	-	-		365	100.00%	-	-
6	January (line 4)	-	-	31	335	91.78%	-	-
7	February	-	-	28	307	84.11%	-	-
8	March	-	-	31	276	75.62%	-	-

9	April	-	-	30	246	67.40%	-	-	
10	May	-	-	31	215	58.90%	-	-	
11	June	-	-	30	185	50.68%	-	-	
12	July	-	-	31	154	42.19%	-	-	
13	August	-	-	31	123	33.70%	-	-	
14	September	-	-	30	93	25.48%	-	-	
15	October	-	-	31	62	16.99%	-	-	
16	November	-	-	30	32	8.77%	-	-	
17	December	-	-	31	1	0.27%	-	-	
18	Ending Balance		-					-	
19	Proration Adjustment - Line 18 Col. (H) less Col. (C)							\$	-

Account 190 Proration Adjustment

		Source	
20	Transmission Functional Rate Year ending balance	WS C-1	-
21	Transmission Functional Rate Year beginning balance	WS C-2	-
22	Annual forecasted change	Line 20 less Line 21	0
23	Monthly forecasted change	Line 22 / 12	0

(A) (B) (C) (D) (E) (F) (G) (H)

Line	Future Test Period	Prorable Deferred Tax Activity	Deferred Tax Balance	Days in Month	Number of Days Left in Period	Proration Amount	Prorated Item	Prorated Balance
24	Beginning Balance	-	-		365	100.00%	-	-
25	January (line 4)	-	-	31	335	91.78%	-	-
26	February	-	-	28	307	84.11%	-	-
27	March	-	-	31	276	75.62%	-	-
28	April	-	-	30	246	67.40%	-	-
29	May	-	-	31	215	58.90%	-	-
30	June	-	-	30	185	50.68%	-	-
31	July	-	-	31	154	42.19%	-	-
32	August	-	-	31	123	33.70%	-	-

33	September	-	-	30	93	25.48%	-	-	
34	October	-	-	31	62	16.99%	-	-	
35	November	-	-	30	32	8.77%	-	-	
36	December	-	-	31	1	0.27%	-	-	
37	Ending Balance		-					-	
38	Proration Adjustment - Line 37 Col. (H) less Col. (C)							\$	-

AEP West SPP Member Operating Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet D - Working Capital Rate Base Adjustments
Company Name

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	<u>Materials & Supplies</u>								
<u>Line Number</u>		<u>Source</u>	<u>Balance @ December 31, 2XXX</u> FF1, p. 227, Col. (c)	<u>Balance @ December 31, 2XXX-1</u> FF1, p. 227, Col. (b)	<u>Average Balance for Rate Year 2XXX</u>				
1	Transmission Materials & Supplies	FF1, p. 227, In 8, Col. (c & b)	0	0	-				
2	Less: Transmission Serving Generation	Company Records			-				
3	Transmission M&S, Excl Trans Serving Gen		-	-	-				
4	General Materials & Supplies	FF1, p. 227, In 11, Col. (c & b)	0	0	-				
5	Stores Expense (Undistributed) - Account 163	FF1, p. 227, In 16, Col. (c & b)	0	0	-				

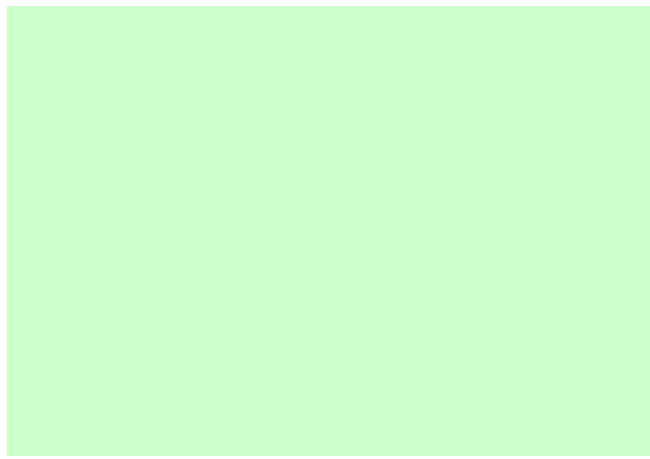
Prepayment Balance Summary

	<u>Average of</u>	<u>Excludable</u>	<u>100%</u>	<u>Transmission</u>	<u>Transmiss</u>	<u>Total</u>	
	<u>YE Balance</u>	<u>Balances</u>	<u>Transmission</u>	<u>Plant</u>	<u>ion</u>	<u>Included</u>	
			<u>Related</u>	<u>Related</u>	<u>Labor</u>	<u>in Rate</u>	
					<u>Related</u>	<u>Base</u>	
						<u>(E)+(F)+(G)</u>	
6	Totals as of December 31, 2XXX	0	0	0	0	0	0
7	Totals as of December 31, 2XXX-1						
8	Average Balance	-	-	-	-	-	-

Prepayments Account 165 - Balance @ 12/31/2XXX

	<u>2XXX</u>	<u>Excludable</u>	<u>100%</u>	<u>Plant</u>	<u>Labor</u>	<u>Total</u>
<u>Acc.</u>	<u>YE Balance</u>	<u>Balances</u>	<u>Transmission</u>	<u>Related</u>	<u>Related</u>	<u>Included</u>
<u>No.</u>	<u>Description</u>		<u>Related</u>	<u>Related</u>	<u>Related</u>	<u>in Rate</u>
						<u>Base</u>
						<u>(E)+(F)+(G)</u>
9						-
10						-
11						-
12						-
13						-
14						-
15						-
16						-
17						-
18						-
19						-
20						-
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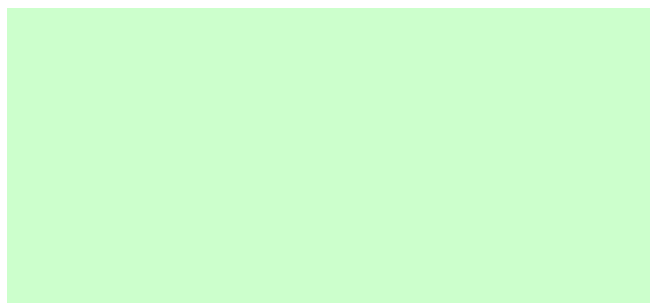
40

Subtotal - Form 1, p 111.57.c

	0	0	0	0	0	0
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Prepayments Account 165 - Balance @ 12/31/2XXX-1

	<u>Acc. No.</u>	<u>Description</u>	<u>2XXX-1 YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Plant Related</u>	<u>Labor Related</u>	<u>Total Included in Rate Base (E)+(F)+(G)</u>
41								
42								-
43						0		-
44						0		-
45								-
46							0	-
47				0				-



48		0	-
49			0 -
50		0	-
51			-
52			
53			
54			
55			
56			
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60			
61			
62			
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72			
73			

74 **Subtotal - Form 1, p 111.57.d**

AEP West SPP Member Operating Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet E - IPP Credits
Company Name

Line (A) (B)

<u>Number</u>	<u>Description</u>	<u>2XXX</u>
1	Net Funds from IPP Customers @ 12/31/2XXX-1 (2XXX FORM 1, P269, (B))	-
2	Interest Accrual (Company Records)	-
3	Revenue Credits to Generators (Company Records)	-
4	<u>Other Adjustments (Company Records)</u>	
5	Accounting Adjustment	-
6		-
7	Net Funds from IPP Customers 12/31/2XXX(2XXX-1 FORM 1, P269, (F))	-
8	Average Balance for 2XXX ((In 1 + In 7)/2)	-

AEP West SPP Member Operating Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for
 Base Plan and Special-billed Projects
Company Name

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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

1	ROE w/o incentives (TCOS, In 141)	11.20 %	
2	Project ROE Incentive Adder (Enter as whole)		basis points

Note: Worksheets F and G are both populated from the TCOS worksheet every update. Worksheet F is only used in Projections. Worksheet G is used only in True-Ups. These worksheets add up all of the individual SPP Base Plan projects, Requested Upgrades, Economic Upgrades, or any other projects billed by SPP through other than the NITS rate.

number)

3 ROE with additional 0 basis point incentive 11.20 % <==Incentive ROE

4 Determine R (cost of long term debt, cost of preferred stock and percent is from TCOS, lns 139 through 141)

	%	Cost	Weighted cost
	0		
	.		
	0	0.000	0.000
6 Long Term Debt	%	0	0
	0		
	.		
	0	0.000	0.000
7 Preferred Stock	%	0	0
	0		
	.		
	0	0.112	0.000
8 Common Stock	%	0	0
			0.000
9	R =		0

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

1	Rate Base (Attachment H, ln 62)	-
1	R (fom A. above)	-
1		
2	Return (Rate Base x R)	-

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

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS				
	Rev Require	W Incentives	Incentive Amounts	
ΣPROJECTED YEAR	2XXX	-	-	\$ -

Note: PART IV ---Projected Base Plan Project Tables

are contained in a separate file

1			
3	Return (from B. above)	-	
1		35.00	
4	Tax Rate (TCOS, In 97)	%	
1	EIT=(T/(1-T)) * (1-		
5	(WCLTD/WACC)) =	0.00%	
1	Income Tax Calculation		
6	(Return x EIT)	-	
1			
7	ITC Adjustment (TCO, In 106)	-	
1	Excess DFIT Adjustment		
8	(TCOS, In 107)	-	
	Tax Effect of Permanent and		
1	Flow Through Differences		
9	(TCOS, In 108)	-	
2			
0	Income Taxes	-	

**Calculate Net Plant
Carrying Charge Rate**

**I (Fixed Charge Rate or FCR)
I with hypothetical 0 basis
point**

ROE increase.

**A. Determine Net Revenue
Requirement less return
and Income Taxes.**

2	Net Revenue Requirement		
1	(TCOS, In 115)	-	
2			
2	Return (TCOS, In 110)	-	
2			
3	Income Taxes (TCOS, In 109)	-	
2	Gross Margin Taxes (TCOS, In		
4	114)	-	
2	Net Revenue Requirement,		
5	Less Return and Taxes	-	

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

2 Net Revenue Requirement,

6	Less Return and Taxes	-
2		
7	Return (from I.B. above)	-
2		
8	Income Taxes (from I.C. above)	=
2	Net Revenue Requirement, with Basis	
9	Point ROE increase	-
	Gross Margin Tax with	
3	Basis Point ROE Increase (II	
0	C. below)	-
3	Revenue Requirement w/ Gross	
1	Margin Taxes	-
3	Less: Depreciation (TCOS,	
2	In 84)	=
3	Net Rev. Req, w/ Basis Point ROE	
3	increase, less Depreciation	-

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

3	Net Revenue Requirement before Gross	
4	Margin Taxes, with 0	-
3	Basis Point ROE increase (II	
5	B. above)	
3	Apportionment Factor to	0.00
6	Texas (Worksheet K, In 12)	%
3		
7	Apportioned Texas Revenues	-
3	Taxable Percentage of	
8	Revenue	
3		
9	Taxable, Apportioned Margin	-
4	Texas Gross Margin Tax	
0	Rate	
4	Texas Gross Margin Tax	
1	Expense	-
4	Gross-up Required for Gross	
2	Margin Tax Expense	-
4	Total Additional Gross Margin Tax	
3	Revenue Requirement	-

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

4	Net Transmission Plant	
4	(TCOS, In 37)	-
4	Net Revenue Requirement, with 0 Basis	
5	Point ROE increase	-

4	FCR with 0 Basis Point increase	0.00
6	in ROE	%
4	Net Rev. Req, w / 0 Basis Point	
7	ROE increase, less Dep.	-
4	FCR with 0 Basis Point ROE	0.00
8	increase, less Depreciation	%
4	FCR less Depreciation	<u>0.00</u>
9	(TCOS, In 10)	%
5		0.00
0	Incremental FCR with 0 Basis Point ROE	%
	increase, less Depreciation	

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**Calculation of Composite
Depreciation Rate**

5	Transmission Plant @ Beginning		<==From
1	of Period (Worksheet A In 9 col.		Input on
	((D))	-	Workshee
			t B
			<==From
5	Transmission Plant @ End of		Input on
2	Period (Worksheet A In 9 col.		Workshee
	((C))	-	t B
		-	
5	Transmission Plant Average		
3	Balance for 2XXX	-	
5	Annual Depreciation Expense		
4	(TCOS, In 84)	-	
5		0.00	
5	Composite Depreciation Rate	%	
5	Depreciable Life for Composite		
6	Depreciation Rate	-	
5			
7	Round to nearest whole year	-	

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

1	ROE w/o incentives (TCOS, ln 141)		11.20%	
2	Project ROE Incentive Adder (Enter as whole number)		0	basis points ≤ Incentive ROE
3	ROE with additional 0 basis point incentive		11.20%	
4	Determine R (cost of long term debt, cost of preferred stock and percent is from TCOS, lns 139 through 141)			
5		<u>%</u>	<u>Cost</u>	<u>Weighted cost</u>
		0.0000		
6	Long Term Debt	%	0.0000	0.0000
		0.0000		
7	Preferred Stock	%	0.0000	0.0000
		0.0000		
8	Common Stock	%	0.1120	<u>0.0000</u>
9			R =	0.0000

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

10	Rate Base (TCOS, ln 62)	-
11	R (fom A. above)	-
12	Return (Rate Base x R)	-

every update. Worksheet F is only used in Projections. Worksheet G is used only in True-Ups. These worksheets add up all of the individual SPP Base Plan projects, Requested Upgrades, Economic Upgrades, or any other projects billed by SPP through other than the NITS rate.

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR SPP BPU & NON-BPU PROJECTS				
	2XX	Rev Require	W Incentives	Incentive Amounts
True-Up Rate Year	X			
Σ True Up Year Projected WS-F		\$ -	\$ -	\$ -
Σ True-Up Year True-Up WS-G		\$ -	\$ -	\$ -
True-up Adjustment For 2XXX		-	-	-

Note: 'PART IV --- True-Up Base Plan Project Tables are contained in separate tables

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

13	Return (from B. above)	-
14	Tax Rate (TCOS, ln 97)	0.00%
15	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$	0.00%
16	Income Tax Calculation (Return x EIT)	-
17	ITC Adjustment (TCOS, ln 106)	-
18	Excess DFIT Adjustment (TCOS, ln 107)	-
19	Tax Effect of Permanent and Flow Through Differences (TCOS, ln 108)	-
20	Income Taxes	-

**I Calculate Net Plant Carrying Charge
I Rate (Fixed Charge Rate or FCR) with
hypothetical 0 basis point**

ROE increase.

**A. Determine Net Revenue
Requirement less return and Income
Taxes.**

21	Net Revenue Requirement (TCOS, ln 115)	-
22	Return (TCOS, ln 110)	-
23	Income Taxes (TCOS, ln 109)	-
24	Gross Margin Taxes (TCOS, ln 114)	-
25	Net Revenue Requirement, Less Return and Taxes	-

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

26	Net Revenue Requirement, Less Return and Taxes	-
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27	Return (from I.B. above)	-
28	Income Taxes (from I.C. above)	-
	Net Revenue Requirement, with 0 Basis Point ROE	-
29	increase	-
30	Gross Margin Tax with Basis Point ROE Increase (II C. below)	-
31	Revenue Requirement w/ Gross Margin Taxes	-
32	Less: Depreciation (TCOS, In 84)	-
33	Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	-

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

34	Net Revenue Requirement before Gross Margin Taxes, with 0	-
35	Basis Point ROE increase (II B. above)	-
36	Apportionment Factor to Texas (TCOS, In 12)	0.00%
37	Apportioned Texas Revenues	-
38	Taxable Percentage of Revenue	-
39	Taxable, Apportioned Margin	-
40	Texas Gross Margin Tax Rate	-
41	Texas Gross Margin Tax Expense	-
42	Gross-up Required for Gross Margin Tax Expense	-
43	Total Additional Gross Margin Tax Revenue Requirement	-

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

44	Net Transmission Plant (TCOS, In 37)	-
45	Net Revenue Requirement, with 0 Basis Point ROE increase	-
46	FCR with 0 Basis Point increase in ROE	0.00%
47	Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	-
48	FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

49	FCR less Depreciation (TCOS, In 10)	<u>0.00%</u>
50	Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

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Calculation of Composite Depreciation Rate

51	Transmission Plant @ Beginning of Period (Worksheet A In 9 col. (D))	-
52	Transmission Plant @ End of Period (Worksheet A In 9 col. (C))	-
		-
53	Transmission Plant Average Balance for 2XXX Annual Depreciation Expense (TCOS, In 84)	-
54		-
55	Composite Depreciation Rate	0.00%
56	Depreciable Life for Composite Depreciation Rate	-
57	Round to nearest whole year	-

Worksheet G - Company Name - Calculation of Trued-Up ARR for SPP Base Plan Upgrade Projects

IV. Determine the Revenue Requirement, and Additional Revenue Requirement for facilities receiving incentives.

A. Facilities receiving incentives accepted by FERC in Docket No.

Project Description :

2XXX Rate Year Projected (WS-F)	Rev Require	W Incentives	Incentive Amounts
-	-	-	-
Rate Year True-Up (WS-G)	-	-	-
True-Up Adjustment	-	-	-

DETAIL	Project Number	2XXX
LS	Investment	True-Up Year

CUMULATIVE HISTORY OF TRUED-UP ANNUAL

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-	-	-	-	-	-	\$	-	\$	-	\$	\$
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Project
Totals

** This is the calculation of additional incentive revenue on projects deemed by the FERC to be eligible for an incentive return. This additional incentive requirement is applicable for the life of this specific project. Each year the revenue requirement calculated for SPP

AEP West SPP Member Operating Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet H - Revenue Credits
Company Name

Line:	Company Name	Total Company	Non- Transmissi on	Transmission
1	Account 450, Forfeited Discounts (FF1 p.300.16.(b); Company Records - Note 1)	-	-	-
2	Account 451, Misc. Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	-	-	-
	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)			
	Account 4540001 - Rent from Elect Property-Aff	-	-	-
	Account 4540002 - Rent from Elect Property - Non-Aff	-	-	-
	Account 4540003 - Rent from Elect Property – Pole Attach	-	-	-
	Account 4540004 - Rent from Elect Property - ABD - Non-Aff	-	-	-
	Other 454 Accounts	-	-	-
3	Total Rents from Electric Property	-	-	-
	Account 456.0 Other Operating Revenues (FF1 p.300.21.(b); Company Records - Note 1)			

	Account 4560015, Revenues from Associated Business Development	-	
1		-	-
2	All Other 456.0 Revenues	-	-
4	Total 456.0 Other Operating Revenues	-	-

Account 456.1, Revenues from Transmission of Electricity of Others (FF1 p.300.22.(b); Company Records - Note 1)

(Provide data sources and any detailed explanations necessary in Section VIII Notes below)

Less:

	Transmission Direct Assignment Revenue (if costs not in the ARR)		
	Sponsored Upgrade Revenue		
	Credits against Transmission Service Revenue related to Generation Interconnections		
	Revenue for GFA's (Relative to SPP OATT) Associated with Load Included in the Divisor		
	Network Service Revenue (SPP Schedule 9) Associated with Load included in the Divisor		
	Revenue Associated with Transmission Plant Excluded From SPP Tariff		
	Distribution and Other Non-Transmission Revenue		
	Revenue from SPP Ancillary Services Provided		
	Base Plan Revenue (from SPP)		
	Flow Through of ERCOT Ancillary Charges		
	Other		
5		Net 456.1 Transmission Credits	<u>\$0</u>

	Account 457.1, Regional Control Service Revenues (FF1 p.300.23.(b); Company Records - Note 1)		
6			\$0

	Account 457.2, Miscellaneous Revenues (FF1 p.300.24.(b); Company Records - Note 1)		
7			

8 Total Revenue Credits - Sum lines 1 through 7

\$0

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

AEP West SPP Member Operating Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet I - Supporting Transmission Expense Adjustments

Company Name

Note: This worksheet is used to include any FERC jurisdictional transmission-related (i.e. non-retail) expenses recorded in Accounts 561 or 565 which are includable in the formula on TCOS line 66, and make any other necessary FERC jurisdictional adjustments to Transmission O&M.

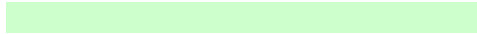
Line Number	(A) Description	(B) 2XXX
1		
2		
3		
4		
5		
6		
7		
8		
9		
10	Total (sum of lines 2 through 9)	<u>\$0</u>

AEP West SPP Member Operating Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet J - Allocation of Specific O&M or A&G Expenses

Company Name

<u>Line Number</u>	<u>(A)</u> <u>FERC Acct No.</u>	<u>(B)</u> <u>Description</u>	<u>(C)</u> <u>2XXX Expense</u>	<u>(D)</u> <u>100% Non-Transmission</u>	<u>(E)</u> <u>100% Transmission Specific</u>	<u>(F)</u> <u>Explanation of Transmission Specific Items</u>
		<u>Account 928</u>				
1	928	Regulatory Commission Expense			-	
2					-	
3					-	
4						
5						
6						
7					-	
8					-	
9					-	
10						
11						
12						
13						
14						
15						
16		Total (FERC Form 1 p.323.189.b)	<u>0</u>	<u>-</u>	<u>-</u>	
		<u>Account 930.1</u>				
17	9301000	General Advertising Expenses			-	
18					-	
19					-	
20					-	
21					-	
22		Total (FERC Form 1 p.323.191.b)	<u>0</u>	<u>-</u>	<u>-</u>	
		<u>Account 930.2</u>				
23	93020000	Misc General Expenses				
24						
25						
26						

27



28

Total (FERC Form 1 p.323.192.b)	0	-	-
--	---	---	---

AEP West SPP Member Operating Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet K - Development of Composite State Income Tax Rate
Company Name

I. DEVELOPMENT OF COMPOSITE STATE INCOME TAX RATES FOR 2XXX

State Income Tax Rate - Oklahoma	Note 1	0.00%	
Apportionment Factor		0.0000%	
Effective State Income Tax Rate			0.0000 %
State Income Tax Rate - Texas		0.0000%	
Apportionment Factor		0.00%	
Effective State Income Tax Rate			0.0000 %
State Income Tax Rate - Louisiana		0.0000%	
Apportionment Factor		0.00%	
Effective State Income Tax Rate			0.0000 %
State Income Tax Rate - Arkansas		0.0000%	
Apportionment Factor		0.00%	
Effective State Income Tax Rate			0.0000 %
State Income Tax Rate -		0.0000%	
Apportionment Factor		0.00%	
Effective State Income Tax Rate			0.0000 %
Total Effective State Income Tax Rate			0.0000 %

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

		<u>Projected / Actual</u>	
		Total Company	Trans. Only
Line #	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX (TCOS In 114)	-	-
1	Apportionment Factor to Texas (In12)	<u>0.00%</u>	<u>0.00%</u>
2	Apportioned Texas Revenues	\$0	\$0
3	Taxable Percentage of Revenue	<u>-</u>	<u>-</u>
4	Taxable, Apportioned Margin	-	-
5	Texas Gross Margin Tax Rate	<u>-</u>	<u>-</u>
6	Texas Gross Margin Tax Expense	-	-
7	Gross-up Required for Texas Gross Margin Expense $\frac{((\text{In } 6 * \text{In } 3 * \text{In } 1) / (1 - \text{In } 5)) * \text{In } 5}{\text{In } 5}$	-	-
8	Total Additional Gross Margin Tax Revenue Requirement	<u>-</u>	<u>-</u>
9	WHOLESALE LOAD ALLOCATOR (For Use in Gross Margin Tax Allocator)		
10	Texas Jurisdictional Load	-	KW
11	Total Load	-	KW
12	Allocation Percentage (In 10 / In 11)	<u>0.00%</u>	

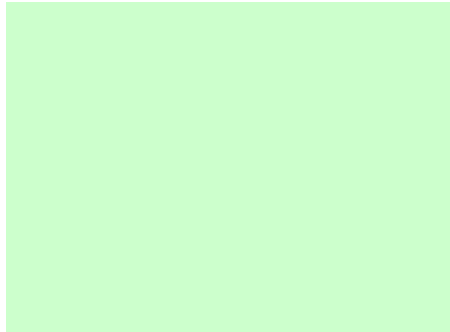
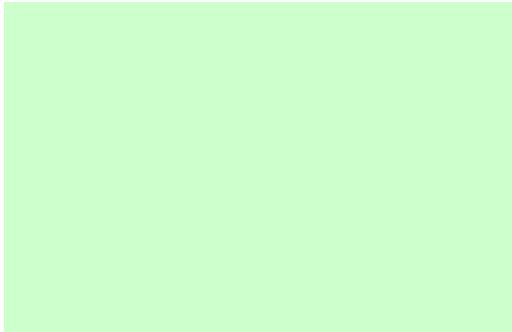
AEP West SPP Member Operating Companies

Actual / Projected 2XXX Rate Year Cost of Service Formula Rate

Worksheet L - Taxes Other than Income

Company Name						
	(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Account	Total Company	Property	Labor	Other	Non-Allocable
1	<u>Revenue Taxes</u>					
2						
3						
4	<u>Real Estate and Personal Property Taxes</u>					
5						
6						
7						
8						
9						
10	<u>Payroll Taxes</u>					
11						
12						
13						
14						
15	<u>Production Taxes</u>					
16						
17						
18						
19	<u>Miscellaneous Taxes</u>					
20						
21						
22						
23						

24
25
26
27
28
29
30
31
32
33
34



35	Total Taxes by Allocable Basis	-	-	-	-
----	--------------------------------	---	---	---	---

(Total Company Amount Ties to FF1 p.114, Ln 14,(c))

NOTE: As a check, the difference between the total from Ln 35 above and the total on FF1 p.263 line 41(i) should equal the sum of the 'income' tax line items within FF1 p262.x-263.x

AEP West SPP Member Operating Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet M
Company Name

Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2XXX-1 and 12/31/2XXX

(A)	(B)	(C)	(D)	(E)
<u>Line</u>		<u>Balances @</u>	<u>Balances @</u>	<u>Average</u>
		<u>12/31/2XXX</u>	<u>12/31/2XXX-1</u>	
<u>Development of Average Balance of Common Equity</u>				
1	Total Proprietary Capital (p. 112.16.c&d)	-	-	-
2	Less Preferred Stock from Ln 43 below	0	0	-

3	Less Account 216.1 (p. 112.12.c&d)	-	-	-
4	Less Account 219.1 (p. 112.15.c&d)	-	-	-
5	Average Balance of Common Equity	-	-	-

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

6	Account 121 Bonds (p. 112.18.c&d)	-	-	-
7	Less: Account 222 Reacquired Bonds (p. 112.19.c&d)	-	-	-
8	Account 223 Advances from Assoc. Companies (p112.20.c&d)	-	-	-
9	Account 224 Senior Unsecured Notes (p. 112.21.c&d)	-	-	-
10	Less: Non-Transmission Securitization (Co. Records)	-	-	-
11	Total Long-Term Debt	-	-	-

12 Annual Interest Expense

13	Interest on Long Term Debt – Accts 221-224 (256-257.33.i)	-	-	-
14	Less: Financial Hedge Gain/Expense from Ln 28 Included in Ln 13	-	-	-
15	Plus: Allowed Hedge Recovery from Ln 32 below	-	-	-
16	Amort of Debt Discount & Expense – Acct 428 (p. 117.63.c)	-	-	-
17	Amort of Loss on Reacquired Debt – Acct 428.1 (p. 117.64.c)	-	-	-
18	Less: Amort of Premium on Debt – Acct 429 (p. 117.65.c)	-	-	-
19	Less: Amort of Gain on Reacquired Debt – Acct 429.1 (p. 117.66.c)	-	-	-
20	Less: Non-Trans. Securitization (Company Records)	-	-	-
21	Total Interest Expense (Ln 13 + Ln 14 + Ln 15 + Ln 16 + Ln 17 - Ln 18 - Ln 19 – Ln 20)	-	-	-

22 Average Cost of Debt (Ln 21/Ln 11)

0.00%

23 Financial Hedge Amortization Reported in Column (i) on Page 256-257 (Enter Gains as a Negative Number)

24		
25		
26		
27		

28	Total Hedge Amortization	-
29	Total Average Capital Balance (TCOS, Ln 142)	
30	Financial Hedge Recovery Limit - Five Basis Points of Total Capital	0.0005
31	Limit of Recoverable Amount	-
32	Recoverable Hedge Amortization (Lesser of Ln 28 or Ln 31) <i>(lesser of 5 basis point Cap or Actual (Gain)/Expense based on magnitude as indicated on Ln 28 or Ln 31)</i>	-

Development of Cost of Preferred Stock

				<u>Average</u>
33	Preferred Stock __% Series - 0 - Dividend Rate (p. 250-251. __a)	0.00%	0.00%	
34	__% Series - 0 - Par Value (p. 250-251. __c)	\$ -	\$ -	
35	__% Series - 0 - Shares O/S (p.250-251. __e)	-	-	
36	__% Series - 0 - Monetary Value (Ln 34 * Ln 35)	-	-	
37	__% Series - 0 - Dividend Amount (Ln 33 * Ln 36)	-	-	
38	__% Series - 0 - Dividend Rate (p. 250-251. __a)	0.00%	0.00%	
39	__% Series - 0 - Par Value (p. 250-251. __c)	\$ -	\$ -	
40	__% Series - 0 - Shares O/S (p.250-251. __e)	-	-	
41	__% Series - 0 - Monetary Value (Ln 39 * Ln 40)	-	-	
42	__% Series - 0 - Dividend Amount (Ln 38 * Ln 41)	-	-	
43	Balance of Preferred Stock (Lns 36, 41)	-	-	-
44	Dividends on Preferred Stock (Lns 37, 42)	-	-	-
45	Average Cost of Preferred Stock (Ln 44/43)	0.00%	0.00%	0.00%

Addendum 4 to Attachment H – Part 1

AEP Formula Rate Implementation Protocols

~~I. Annual Update~~

- ~~1. The formula rate template (“Template”) and these Formula Rate Implementation Protocols (“Protocols”) together comprise the filed rate (“Formula Rate”) of Public Service Company of Oklahoma and Southwestern Electric Power Company (collectively, “AEP”) for transmission service under the Southwest Power Pool (“SPP”) OATT. AEP must follow the instructions specified in the Formula Rate to calculate annually its Zonal Annual Transmission Revenue Requirements (“Zonal ATRR”), the monthly rate for Network Integration Transmission Service (“NITS Rate”), the rate for point-to-point transmission service (“PTP”) over AEP facilities in SPP Zone 1 (“PTP Rate”), the ATRR for Base Plan Upgrades (“BPU ATRR”), and the ATRR and rates for Scheduling System Control and Dispatch Service (“Schedule 1 Rates”) based on the populated Template (collectively, the “Annual Update”). Recovery of costs associated with new facilities, e.g., Base Plan Upgrades, shall be consistent with Attachment J of the SPP OATT.~~
- ~~2. The Formula Rate and the Annual Update produced by application of the Formula Rate shall initially be effective for service on and after February 1, 2008. The Formula Rate shall be recalculated each year, with the resulting Annual Update to become effective for service on and after July 1 of each year through June 30 of the subsequent year (“Rate Year”). The Annual Update implemented each July 1 shall be subject to review, challenge, true-up and refunds or surcharges with interest, to the extent provided in these Protocols.~~
- ~~3. On or before May 25 of each calendar year, AEP shall: prepare the Annual Update to be effective during the next Rate Year; provide an electronic version of the Annual Update to SPP for concurrent posting on the publicly accessible portion of the SPP website; and submit the Annual Update to the Commission in an informational filing. Each Annual Update, so posted and filed, shall include the following:
 - ~~(a) a notice to all interested parties that an open stakeholder meeting will be held, on a date specified in the notice that shall be no earlier than ten (10) business days from the date of posting of the Annual Update and no later than June 25, to discuss the Annual Update (“Stakeholder Meeting”);~~
 - ~~(b) a recalculation of the Zonal ATRR, NITS Rate, PTP Rate, BPU ATRR and the Schedule 1 Rates for the new Rate Year;~~
 - ~~(c) supporting information including a data-populated Template showing all calculations as well as supporting calculations and workpapers that demonstrate and explain information not otherwise set out in AEP’s FERC Forms No. 1;~~~~

~~(d) disclosure of any changes in (i) FERC's Uniform System of Accounts ("USoA"), (ii) FERC Form No. 1 reporting requirements as applicable,¹ (iii) FERC's orders establishing generally applicable transmission ratemaking policies, (iv) AEP accounting policies, practices or procedures or (v) SPP policies and the SPP OATT, to the extent that the changes in (i) through (v) that have occurred since February 1, 2008, or since the posting of the most recent Annual Update, impact the Formula Rate or calculation of the Annual Update, as applicable; and~~

~~(e) notice to transmission customers and affected regulatory commissions of the availability of the Annual Update posting. To expedite review, the Annual Update posting shall include fully functioning spreadsheet files or, as applicable, other native format data.~~

~~1. If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form(s) is (are) discontinued, equivalent information as that provided in the discontinued form(s) shall be utilized.~~

- ~~4. The informational filing with the Commission is not intended to be subject to the Commission's notice requirements, but any such lack of notice does not limit the Commission's authority to initiate a proceeding on its own motion.~~
- ~~5. The Annual Update for the Rate Year shall:
 - ~~(a) be based upon AEP's FERC Forms No. 1 for the most recently completed calendar year, FERC's orders establishing generally applicable transmission ratemaking policies, and, to the extent specified in the Formula Rate, upon the books and records of AEP consistent with the USoA, FERC accounting policies and practices, and SPP policies and the SPP OATT;~~
 - ~~(b) include adjustments reflecting the additional transmission plant in service, and related depreciation, accumulated depreciation, return, and income taxes that are reasonably projected to be recorded upon the books and records of AEP consistent with the Formula Rate and FERC accounting policies and practices, so as to create a projected cost-of-service study ("Projected TCOS") and thereby to estimate the Zonal ATRR, the NITS Rate, the PTP Rate and the BPU ATRR as of the end of the calendar year in which the Annual Update is produced, while the Schedule 1 Rates will be estimated based on the prior year actual transmission dispatch costs (collectively the "Projected Rates");~~
 - ~~(c) as and to the extent specified in the Formula Rate, provide sufficiently detailed supporting documentation for data (and all adjustments thereto or allocations thereof) that are used to develop the Formula Rate and are not otherwise available directly from the FERC Form No. 1; and~~
 - ~~(d) beginning with the second Annual Update (2009), compute a true-up cost-of-service for the most recent prior year ("True-Up TCOS") to establish the actual Zonal ATRR and NITS Rate, BPU ATRR and Schedule 1 Rates ("True-Up Rates") to be applied as described in section I.7 below.~~~~
- ~~6. The Projected Rates billed for service each month starting July (except the first year which started February of 2008) and running through June of the next year will be based on an end of year rate base style annual transmission revenue requirement calculation pursuant to the Projected TCOS section of the Template. This means there will be two sets of Projected Rates billed during each calendar year. The initial Projected Rates billed February 1, 2008 through June, 30 2008, will be based on a Projected TCOS reflecting the 2006 FERC Form No. 1 plus the projected 2007 plant in service additions. The first Annual Update will be posted in May 2008, and the charges calculated in such Annual Update will apply July 1, 2008 through June 30, 2009, based on the Projected TCOS reflecting the 2007 FERC Form No. 1 plus the projected 2008 plant in service additions.~~

- ~~7. — By way of example, the NITS Rate and associated Schedule 1 Rates billed pursuant to the Formula Rate during 2008 will be trued-up in 2009 using rates calculated in the manner specified in the True Up TCOS section of the Template, including rate base components, other than Cash Working Capital, and a capital structure that each reflects the average of the true-up year's opening and closing balances, according to the Formula Rate, and actual expenses for such true-up year. The monthly charges that each SPP Zone 1 NITS Customer should have paid during the true-up year under the True Up Rates based on its actual monthly Network Loads will be computed ("True Up Bills"). The difference between the actual charges paid during the true-up calendar year and the True Up Bills, including interest as provided in Section III.6 below ("Interest"), will be credited or charged in billings for July service in the current Rate Year (or as soon thereafter as is practicable). A true-up adjustment shall also be calculated for the BPU ATRR collected during the prior calendar year, and such adjustment will be rolled together with the Projected BPU ATRR and collected or refunded over the ensuing Rate Year, including Interest applicable during the prior Rate Year. The PTP and associated PTP Schedule 1 Rates shall not require true-up. Price certainty is important in transactions that utilize PTP service. Further, the revenues from PTP service are included as credits in the calculation of the NITS Rates and associated NITS Schedule 1 Rates, both of which will be trued-up.~~
- ~~8. — A change to the Formula Rate inputs related to revised return on equity ("ROE") or depreciation rates and amortization periods may not be made absent an appropriate filing with the FERC pursuant to Federal Power Act Section 205 or Section 206.~~
- ~~9. — AEP may not propose any changes to the Formula Rate in conjunction with the Annual Update. Any changes to the Formula Rate may not be made absent an appropriate filing with FERC pursuant to Federal Power Act Section 205 or 206; however, AEP may be required by FERC to modify the Formula Rate in response to a Formal Challenge if the circumstances set forth in Section II.1.(e) apply.~~

~~II. — Review Procedures for Annual Update~~

- ~~1. — Each Annual Update shall be subject to the following review procedures ("Annual Review Procedures"):~~
 - ~~(a) — Interested parties will have one hundred and thirty-five (135) days after the Posting Date to serve reasonable information requests on AEP for information and workpapers supporting an Annual Update. Such information requests shall be limited to that which is necessary to determine if AEP has properly calculated the Annual Update under review (including any corrections pursuant to Section IV), and whether the costs included in the Annual Update are properly recordable, recorded and prudently incurred, and otherwise consistent with AEP accounting policies, practices or procedures, and that the Formula Rate has been applied~~

~~according to its terms including the procedures in these Protocols. Further, such information requests shall not include requests for information related to Annual Updates from prior years except (i) to determine whether a prior year's approach on a given matter was the same or different from the current year's approach, or (ii) in connection with corrections pursuant to Section IV.~~

- ~~(b) — AEP shall make a good faith effort to respond to information requests pertaining to an Annual Update within fifteen (15) business days of receipt of such requests. Information requests received after 4 p.m. CPT shall be considered received the next business day.~~
- ~~(c) — To the extent AEP and any interested party(ies) are unable to resolve disputes related to information requests submitted in accordance with these Annual Review Procedures, AEP or any interested party may petition the FERC to appoint an Administrative Law Judge as a discovery master. The discovery master shall have the power to issue binding orders to resolve discovery disputes and compel the production of discovery, as appropriate, in accordance with the Annual Review Procedures and consistent with the FERC's discovery rules.~~
- ~~(d) — Any interested party shall have until the later of one hundred and sixty-five (165) days after the Posting Date or fifteen (15) days after AEP's last response to reasonable information requests submitted and responded to pursuant to Section II.1 (a) and (b) above, to review the calculation of the Annual Update ("Review Period") and to notify AEP in writing of any specific challenges to the Annual Update or any specific challenges based on changes in items (i) through (v) set forth in Section I.3.(d) that may produce consequences from the application of the Formula Rate subsequent to such change ("Issues"). Challenges to the Formula Rate itself shall not be considered "Issues" for purposes of these Annual Review Procedures.~~
- ~~(e) — If a change by AEP to its accounting policies, practices or procedures, or the application of the Formula Rate in light of any change that occurs to items (i) through (v) set forth in Section I.3(d), is found by FERC to be unjust, unreasonable, and/or unduly discriminatory or preferential, then the calculation for the Rate Year then under review, and any subsequent Rate Years or True Ups, shall not include such change, and shall include any such other remedy prescribed by FERC, including adjustments to the Formula Rate, to restore the intent of the Formula Rate as of February 1, 2008, or as may be subsequently modified by FERC or through settlement, and to ensure that the Formula Rate continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential.~~

~~III.—Resolution of Challenges~~

~~For each Annual Update:~~

- ~~1.—AEP shall provide a written response to any Issues submitted to it within fifteen (15) days of receipt. Its written response shall notify the interested party of the extent to which AEP agrees or disagrees with the position raised by the interested party, and what, if any, modifications to the Annual Update will result. If AEP disagrees with the Issue, it shall provide supporting documentation with its response.~~
- ~~2.—If any Issue identified pursuant to Section II.1(d) is not fully resolved to all interested party(ies)' satisfaction within thirty (30) days after receipt of AEP's response to an Issue, any interested party may file a challenge to the Annual Update with regard to such Issue(s) in a proceeding at the FERC ("Formal Challenge") within 30 days after receipt of AEP's response to an Issue or sixty (60) days after the Review Period for a given Update, whichever is later.~~
 - ~~(a)—Failure to notify AEP of an Issue shall not bar pursuit of such Issue in the filing of a Formal Challenge.~~
 - ~~(b)—Failure to notify AEP of an Issue shall not bar pursuit of such Issue in a subsequent Annual Update review.~~
 - ~~(c)—Failure to file a Formal Challenge regarding an Issue(s) as to a given Annual Update shall not bar pursuit of such Issue(s) or the filing of a Formal Challenge as to such Issue(s) as relates to a subsequent Annual Update review.~~
- ~~3.—All information and correspondence produced pursuant to these Protocols may be included in any Formal Challenge, in any other proceeding concerning the Formula Rate initiated at FERC pursuant to the Federal Power Act, or in any proceeding before the U.S. Court of Appeals to review a FERC decision.~~
- ~~4.—Any response by AEP to a Formal Challenge must be submitted to the FERC within thirty (30) days of the date of the filing of the Formal Challenge and shall be served on the filing party(ies) by electronic service on the date of such filing.~~
- ~~5.—In any proceeding ordered by the FERC in response to a Formal Challenge properly raised under the timeline set out above, AEP will bear the burden of demonstrating the justness and reasonableness of the rate resulting from its application of the Formula Rate and of proving that it has properly calculated the challenged Annual Update pursuant to the Formula Rate, reasonably adopted and applied a change in AEP's accounting policies, practices or procedures, a change~~

~~in FERC's accounting policies, practices, or procedures, and/or a change in SPP policies or the SPP OATT.~~

- ~~6. Any refunds or surcharges resulting from a Preliminary Challenge, a Formal Challenge or a correction to an Annual Update or True Up shall be calculated, with Interest, in accordance with 18 C.F.R. § 35.19a, and consistent with the methodology illustrated in Attachment D of the Settlement Agreement filed in Docket No. ER07-1069-000, from January 1 of the calendar year being trued up until the date of billing for such refund or surcharge, and shall, unless otherwise agreed by the parties, be reflected in the billing for July service in the next effective Rate Year, or as soon thereafter as practicable when such refund or surcharge is not resolved prior to such July service billing, consistent with the procedure described in Section I.7.~~
- ~~7. These Protocols in no way limit the rights of AEP or any interested party to initiate a proceeding at FERC at any time with respect to the Formula Rate or any Annual Update consistent with the party's full rights under the Federal Power Act, including Sections 205, 206, and 306, and FERC's regulations.
 - ~~(a) Neither failure to notify AEP of an Issue nor failure to file a Formal Challenge nor failure to exercise any rights under FPA Sections 205, 206, and 306 and FERC's regulations in any given year shall be construed as a bar to raising any issue in any proceeding initiated at FERC; however, neither AEP nor any interested party shall be precluded from raising any such failure or the reason for such failure as a factor(s) to be considered by the Commission in resolving such issue.~~~~

~~IV. Corrections to Annual Update~~

- ~~1. If AEP determines or concedes that corrections to the Annual Update pursuant to the Formula Rate, whether under Sections I, II or III of these Protocols and including but not limited to those requiring corrections to its FERC Form No. 1, or input data used for a Rate Year or calendar year that would have affected the Annual Update for that Rate Year or calendar year, AEP shall promptly notify the transmission customers and affected regulatory commissions, file a correction to the Annual Update with FERC as an amended informational filing and provide a copy to the SPP for prompt posting by SPP. Such corrections shall be reflected in the next Annual Update affected by such corrections. Any resulting refunds or surcharges for corrected past charges, with Interest, shall be reflected in billing adjustments made for NITS and long term firm PTPS as soon as reasonably practicable. Notice of needed corrections to any Annual Update provided hereunder must be made within three years of the Posting Date of the Annual Update.~~

~~A corrected posting shall reset the performance dates under Sections II and III of these Protocols for interested party review, and the revised dates shall run from the posting~~

~~date(s) for each of the corrections. The scope of review shall be limited to the aspects of the Formula Rate affected by the corrections.~~

The formula rate template (“Template”), and these formula rate implementation protocols (“Protocols”) together comprise the filed rate (“Formula Rate”) of Public Service Company of Oklahoma and Southwestern Electric Power Company (collectively “AEP West Companies” or “AEP”) for transmission revenue requirement determinations under the Southwest Power Pool (“SPP”) Open Access Transmission Tariff (“SPP Tariff”). AEP shall follow the instructions specified in the Formula Rate to calculate annually its net annual transmission revenue requirement, as set forth in the Template (“Net Revenue Requirement”). The Net Revenue Requirement shall be determined for January 1 to December 31 of a given calendar year (the “Rate Year”). The Formula Rate shall become effective for recovery of AEP’s Net Revenue Requirement upon the effective date for incorporation into the SPP Tariff through a filing with the Federal Energy Regulatory Commission (“FERC” or “Commission”) under Section 205 of the Federal Power Act (“FPA”), 16 U.S.C. § 824d.

Section 1. Annual Projection

- a. No later than October 31 preceding a Rate Year, and each subsequent Rate Year, AEP shall determine its projected Net Revenue Requirement for the upcoming Rate Year in accordance with the Formula Rate (“Annual Projection”). The Annual Projection shall include the True-Up Adjustment described and defined in Section 2 below, if applicable. AEP shall cause an electronic version of the Annual Projection to be posted in both a Portable Document Format (“PDF”) and fully-functioning Excel file at a publicly accessible location on SPP’s internet

website and OASIS. The date on which the posting occurs shall be that year's "True-Up Publication Date."

b. The posting of the Annual Projection shall:

(i) Provide the Formula Rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the projected Net Revenue Requirement;

(ii) Include all inputs in sufficient detail to identify the components of AEP's projected Net Revenue Requirement, explanations of the bases for the projections and input data, and sufficient detail and explanation to enable Interested Parties¹ to replicate the calculation of the projected Net Revenue Requirement;

(iii) With respect to any Accounting Changes (as that term is defined in Section 3.e.iii)

A. Identify any Accounting Changes including:

i. The initial implementation of an accounting standard or policy;

ii. The initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;

iii. Correction of errors and prior period adjustments that impact the projected Net Revenue Requirement calculation;

iv. The implementation of new estimation methods or policies that change prior estimates; and

v. Changes to income tax elections;

B. Identify items included in the projected Net Revenue Requirement at an amount other than on a historic cost basis (e.g., fair value adjustments);

C. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the projected Net Revenue Requirement; and

D. Provide, for each item identified pursuant to Section 1.b.iii.A - C of these Protocols, a narrative explanation of the individual impact of such changes on the projected Net Revenue Requirement.

c. If the date for making the posting of the Annual Projection should fall on a weekend or a holiday recognized by FERC, then the posting shall be made no later than the next business day.² Within five (5) calendar days of the posting, AEP shall notify interested parties via the SPP email exploder.

d. Together with the posting of the Annual Projection, AEP shall cause to be posted on the SPP internet website and OASIS, and distributed to the SPP Exploder List, the time, date, location, and remote-access information for a stakeholder meeting with Interested Parties in order for AEP to explain its Annual Projection and to provide Interested Parties an opportunity to seek information and clarifications regarding the Annual Projection (“Annual Projection Meeting”). The Annual Projection Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after the posting of the Annual

- Projection. Notice of the Annual Projection Meeting shall be provided via the SPP Exploder List no less than seven (7) calendar days prior to the meeting. AEP will provide remote access to the Annual Projection Meeting in order to ease burdens (e.g. travel costs) to ensure all Interested Parties have the opportunity to participate.
- e. To the extent AEP agrees to make changes in the Annual Projection for a given Rate Year, such revised Annual Projection shall be promptly posted at a publicly accessible location on SPP’s internet website and OASIS, and e-mailed to the SPP Exploder List. Changes posted prior to November 30 preceding the Rate Year, or the next business day if November 30 is not a business day (or such later date as can be accommodated under SPP’s billing practices), shall be reflected in the Annual Projection for the Rate Year; changes posted after that date will be reflected, as appropriate, in the True-Up Adjustment for the Rate Year.
- f. The Annual Projection, including the True-Up Adjustment, for each Rate Year shall be subject to review, challenge, true-up, and refunds or surcharges with interest, to the extent and in the manner provided in these Protocols.

1 As used in these Protocols, “Interested Parties” shall include but not be limited to: (i) any Eligible Customer under the SPP Tariff; (ii) any regulatory agency with rate jurisdiction over a public utility located within the SPP footprint; (iii) any consumer advocate authorized by state law to review and contest the rates for any such public utility; and (iv) any party with standing under FPA section 205 or section 206.

2 For the purposes of these Protocols, if any deadline included in these Protocols should fall on a weekend or a holiday recognized by FERC, then the deadline shall be extended to no later than the next business day.

Section 2. True-Up Adjustment

AEP will calculate the amount of under- or over-collection of its actual Net Revenue Requirement during the preceding Rate Year (“True-Up Adjustment”) after the FERC Form No. 1 data for that Rate Year has been filed with the Commission. The True-Up Adjustment shall be the sum of the True-Up Adjustment Over/Under Recovery as determined in Section 2(a) and the Interest on the True-Up Adjustment Over/Under Recovery as determined in Section 2(b):

- a. AEP’s projected Net Revenue Requirement collected during the previous Rate Year³ will be compared to AEP’s actual Net Revenue Requirement for the previous Rate Year calculated in accordance with AEP’s Formula Rate and based upon (i) AEP’s FERC Form No. 1 for that same Rate Year, (ii) any FERC orders specifically applicable to AEP’s calculation of its annual revenue requirement, (iii) the books and records of AEP (which shall be maintained consistent with the FERC Uniform System of Accounts (“USofA”)), (iv) FERC accounting policies and practices applicable to the calculation of annual revenue requirements under formula rates, and (v) any aspects of the SPP Tariff Governing Documents that apply to the calculation of annual revenue requirements under individual transmission owner formula rates,⁴ to determine any over- or under-recovery (“True-Up Adjustment Over/Under Recovery”).
- b. Interest on any True-Up Adjustment Over/Under Recovery shall be calculated for the thirty-six (36) months during which the over or under recovery in the revenue requirement exists, i.e., January 1 of the Rate Year being trued-up through December 31 of the year in which the true-up is collected. The interest rate to be

applied to the over-recovery or under-recovery amounts will be determined using the average monthly FERC Interest Rate (as determined pursuant to 18 C.F.R. § 35.19a) for the twenty (20) months from the beginning of the Rate Year being trued-up through August 31 of the following year.

-
- 3 If the initial use of this Formula Rate covers only part of a calendar year, the initial projected annual Net Revenue Requirement will be divided by 12 to calculate the monthly projected cost of service to be collected each month, or portion thereof, it is effective that first year. Similarly, the actual Net Revenue Requirement will be divided by 12 to calculate the actual cost of service to be collected during those same months of that year. Similar calculations of projected Net Revenue Requirement and actual Net Revenue Requirement will be made for the months prior to the effective date of this Formula Rate using the previous formula rate in effect during those months. The actual Net Revenue Requirements computed under each of the two formula rate periods that initial Rate Year will be added together to obtain the total actual Net Revenue Requirement. The first True-up Adjustment will compare this total actual Net Revenue Requirement to the Net Revenue Requirement collected under the two formulas for that initial Rate Year.

 - 4 SPP Tariff Governing Documents include the SPP Tariff, Bylaws, Criteria, and Membership Agreements.

Section 3. Annual Update

- a. On or before May 25 following each Rate Year, AEP shall calculate its actual Net Revenue Requirement and the True-Up Adjustment as described in Section 2 (“Annual Update”) for such Rate Year and, together with such other information described in this Section 3, shall cause such Annual Update to be posted, in both a PDF and fully-functioning Excel format, at a publicly accessible location on SPP’s internet website and OASIS. Within five (5) calendar days of such posting, SPP shall provide notice of such posting via the SPP Exploder List.
- b. If the date for making the Annual Update posting should fall on a weekend or a holiday recognized by the FERC, then the posting shall be due on the next business day.
- c. The date on which the posting occurs shall be that year’s “Annual Update Publication Date.”
- d. Together with the posting of the Annual Update, AEP shall cause to be posted on the SPP website and OASIS the time, date, location, and remote-access information for a stakeholder meeting with Interested Parties in order for AEP to explain its Annual Update and to provide Interested Parties an opportunity to seek information and clarifications regarding the Annual Update (“Annual Update Meeting”). Notice of the Annual Update Meeting shall be provided via the SPP Exploder List no less than seven (7) calendar days prior to the meeting. The Annual Update Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after the Annual Update Publication

Date. SPP will provide remote access to the Annual Update Meeting in order to ease burdens (e.g. travel costs) to ensure all Interested Parties have the opportunity to participate.

e. The Annual Update posting for the Rate Year:

(i) Shall provide, via the Formula Rate worksheets, sufficiently detailed supporting documentation for data (and all adjustments thereto or allocations thereof) used in the Formula Rate that are not stated in the FERC Form No. 1;⁵

(ii) Shall provide sufficient detail and sufficient explanation to enable Interested Parties to replicate the calculation of the Annual Update results from the FERC Form No. 1 and verify that each input to the Template is consistent with the requirements of the Formula Rate;

(iii) Shall identify:

A. Any change in accounting that affects inputs to the Template or the resulting charges billed under the Formula Rate (“Accounting Change”), including:

i. The initial implementation of an accounting standard or policy;

ii. The initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;

iii. Correction of errors and prior period adjustments that impact the True-Up Adjustment calculation;

- iv. The implementation of new estimation methods or policies that change prior estimates; and
 - v. Changes to income tax elections;
 - B. Any items included in the Annual Update at an amount other than on a historic cost basis (e.g., fair value adjustments);
 - C. Any reorganization or merger transaction during the previous year and an explanation of the effect of the accounting for such transaction(s) on inputs to the Annual Update;
 - D. For each item identified pursuant to Sections 3.e.iii.A – C of these Protocols, the individual impact (in narrative format) of such changes on the Annual Update.
- (iv) Shall be subject to review and challenge in accordance with the procedures set forth in Sections 4, 5, and 6 of these Protocols.
- (v) Shall be subject to review and challenge in accordance with the procedures set forth in these Protocols with respect to the prudence of any costs and expenditures included for recovery in the Annual Update; provided, however, that nothing in these Protocols is intended to modify the Commission’s applicable precedent with respect to the burden of going forward or burden of proof under formula rates in such prudence challenges; and
- (vi) Shall not seek to modify the Formula Rate and shall not be subject to challenge by any Interested Party seeking to modify the Formula Rate (i.e., any modifications to the Formula Rate will require, as applicable, an

FPA section 205 or section 206 filing or initiation of a section 206 investigation).

f. The following Formula Rate inputs shall be stated values to be used in the Formula Rate until changed pursuant to an FPA section 205 or section 206 proceeding: (i) rate of return on common equity (“ROE”); and (ii) the depreciation and/or amortization rates as set forth in Attachment 10 to the Formula Rate template.

g. Example – Timelines for 2018 Annual Projection and 2019 Annual Update:

On or before October 31, 2017, AEP will determine the projected Net Revenue Requirement for the 2018 Rate Year. AEP will post the Annual Projection for the 2018 Rate Year in accordance with Section 1 above. On or before May 25, 2019, AEP will post its Annual Update, consisting of the actual Net Revenue Requirement and True-Up Adjustment for the 2018 Rate Year determined pursuant to Section 2 above. Such True-Up Adjustment will be reflected in the Annual Projection of the Net Revenue Requirement for the 2020 Rate Year posted on or before October 31, 2019.

5 It is the intent of the Formula Rate, including the supporting explanations and allocations described therein, that each input to the Formula Rate for purposes of determining the actual Net Revenue Requirement for a given Rate Year will be either taken directly from the FERC Form No. 1 or reconcilable to the FERC Form No. 1 by the application of clearly identified and supported information. If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form is discontinued, equivalent information as that provided in the discontinued form shall be utilized.

Section 4. Annual Review Procedures

Each Annual Update and Annual Projection shall be subject to the following review procedures (“Annual Review Procedures”):

- a. Interested Parties shall have up to the later of two-hundred-ten (210) calendar days after the applicable Publication Date, or thirty (30) calendar days after the receipt of all responses to timely submitted information requests (unless such period is extended with the written consent of AEP or by FERC order) (“Review Period”), to review the calculations and to notify AEP in writing of any specific challenges to the Annual Update or Annual Projection (“Preliminary Challenge”), including challenges related to Accounting Changes. An Interested Party submitting a Preliminary Challenge must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. AEP shall cause to be posted all Preliminary Challenges at a publicly accessible location on SPP’s internet website and OASIS, and a link to the website will be e-mailed to the SPP Exploder List.
- b. In the event of a Preliminary Challenge, AEP will appoint a senior representative to work with the Interested Party (or its representatives) toward a resolution of the dispute.
- c. AEP shall respond in writing to a Preliminary Challenge within twenty (20) business days of receipt, and its response shall notify the challenging party of the extent to which AEP agrees or disagrees with the challenge. If AEP disagrees

with the Preliminary Challenge, it will provide the Interested Party with an explanation supporting the challenged inputs, explanations, allocations, calculations, or other information. AEP shall promptly cause to be posted its responses to all Preliminary Challenges at a publicly accessible location on SPP's internet website and OASIS, and a link to the website will be e-mailed to the SPP Exploder List. Provided however, that Preliminary Challenges and responses to Preliminary Challenges that include material deemed by AEP to be confidential information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by AEP and the requesting party.

d. AEP shall respond to all Preliminary Challenges submitted during the Review Period by no later than thirty (30) calendar days after the end of the Review Period.

e. Interested Parties shall have up to one-hundred-fifty (150) calendar days after each annual Publication Date (unless such period is extended with the written consent of AEP or by FERC order) to serve reasonable information requests on AEP ("Discovery Period").

f. Information requests shall be limited to what is necessary to determine: (i) the extent, effect, or impact of an Accounting Change; (ii) whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with the Protocols; (iii) the proper application of the Template and procedures in the Protocols; (iv) the accuracy of data and consistency with the Formula Rate of the charges shown in the Annual Update or Annual Projection;

(v) the prudence of the actual costs and expenditures, including procurement methods and cost control methodologies; (vi) the effect of any change to the underlying USofA or FERC Form No. 1; and (vii) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Formula Rate. The information requests shall not otherwise be directed to ascertaining whether the Formula Rate is just and reasonable. Information requests shall not solicit information concerning costs or allocations where the costs or allocation methods have been determined to be appropriate by FERC in the context of prior AEP Annual Updates, except that such information requests shall be permitted if they (i) seek to determine if there has been a change in circumstances, (ii) are in connection with corrections pursuant to Section 6 of these Protocols, or (iii) relate to costs or allocations that have not previously been challenged and adjudicated by FERC.

g. AEP shall make a good faith effort to respond to reasonable information requests pertaining to the Annual Update or Annual Projection within fifteen (15) business days of receipt of such requests. AEP shall respond to all reasonable information requests no later than thirty (30) calendar days after the end of the Discovery Period. AEP will cause to be posted on the SPP website and OASIS all information requests from Interested Parties and AEP's response(s) to such requests, and a link to the website will be e-mailed to the SPP Exploder List. Provided however, that information and document requests and responses to information and document requests that include material deemed by AEP to be confidential information will not be publicly posted but will be made available to

requesting parties pursuant to a confidentiality agreement to be executed by AEP and the requesting party. Voluminous materials will be made available at a physical AEP site.

h. AEP shall not claim that responses to information and document requests provided pursuant to these Protocols are subject to any settlement privilege in any subsequent FERC proceeding addressing AEP's Annual Update or Annual Projection.

i. To the extent AEP and any Interested Party(ies) are unable to resolve disputes related to information requests submitted in accordance with these Annual Review Procedures, AEP or the Interested Party may petition the FERC to appoint an Administrative Law Judge as a discovery master to resolve the discovery dispute(s) in accordance with these Protocols and consistent with the FERC's discovery rules.

j. Preliminary Challenges or Formal Challenges (as described in Sections 4 and 5) related to Accounting Changes shall be treated in the same manner under these Protocols as other challenges to the Annual Update or Annual Projection. Failure to make a Preliminary Challenge with respect to an Accounting Change in an Annual Update or Annual Projection shall not act as a bar with respect to a Formal Challenge with respect to that Annual Update or Annual Projection provided that the Interested Party submitted a Preliminary Challenge with respect to one or more other issues. Nor shall such failure bar a subsequent Preliminary Challenge related to a subsequent Annual Update or Annual

Projection to the extent such Accounting Change affects the subsequent Annual Update or Annual Projection.

- k. If a change made by AEP to its accounting policies, practices, or procedures, or the application of the Formula Rate, is found by the FERC to be unjust, unreasonable, or unduly discriminatory or preferential, then the calculation of the charges to be assessed during the Rate Year then under review, and the charges to be assessed during any subsequent Rate Years, including any True-up Adjustments, shall not include such change, but shall include any remedy that may be prescribed by FERC in the exercise of its discretion as of the effective date of such remedy, to ensure that the Formula Rate continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential.

Section 5. Resolution of Challenges

- a. Interested Parties shall have up to two-hundred-seventy (270) days following the applicable Publication Date (unless such period is extended with the written consent of AEP or by FERC order), to file a challenge with the FERC (“Formal Challenge”). Such Formal Challenge shall be submitted in the same docket as the AEP informational filing and shall be served on AEP by electronic service on the date of such filing in accordance with Section 385.2010(f)(3) of the Commission’s regulations. Subject to any applicable confidentiality and Critical Energy Infrastructure Information restrictions, all information and correspondence produced by AEP pursuant to these Protocols may be included in any Formal Challenge or other FERC proceeding relating to the Formula Rate.

This Section 5.a in no way shall affect a party's rights under section 206 of the Federal Power Act as set forth in Section 5.g of these Protocols.

b. Formal Challenges are to be filed pursuant to these Protocols, rather than under rule 206, and shall:

(i) Clearly identify the action or inaction which is alleged to violate the Formula Rate Template or Protocols;

(ii) Explain how the action or inaction violates the filed rate Template or Protocols;

(iii) Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including

A. The extent or effect of an Accounting Change;

B. Whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with these Protocols;

C. The proper application of the Template and procedures in these Protocols;

D. The accuracy of the data and consistency with the Formula Rate of the charges shown in the Annual Update or Annual Projection;

E. The prudence of actual costs and expenditures;

F. The effect of any change to the underlying Uniform System of Accounts or the FERC Form No. 1; or

G. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Template.

- (iv) Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;
- (v) State whether the issues presented are pending in an existing Commission proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;
- (vi) State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;
- (vii) Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and
- (viii) State whether the filing party utilized the Preliminary Challenge procedures described in these Protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

c. Preliminary and Formal Challenges shall be limited to issues that may be necessary to determine: (i) the extent or effect of an Accounting Change; (ii) whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with these Protocols; (iii) the proper application of the Formula Rate and procedures in these Protocols; (iv) the accuracy of data and consistency with the Formula Rate of the calculations shown in the Annual Update and Annual Projection; (v) the prudence of actual costs and expenditures; (vi) the effect of any change to the underlying Uniform System of Accounts or

- FERC Form No. 1; or (vii) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.
- d. Failure to raise an issue in a Preliminary Challenge shall not bar an Interested Party from raising that issue in a Formal Challenge, provided the Interested Party submitted a Preliminary Challenge during the Review Period with respect to one or more other issues. Failure to pursue an issue through a Preliminary Challenge or to lodge a Formal Challenge regarding any issue as to a given Annual Update shall bar pursuit of such issue with respect to that Annual Update, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual Update.
- e. Any response by AEP to a Formal Challenge must be submitted to the FERC within thirty (30) calendar days of the date of the filing of the Formal Challenge, and shall be served on the filing party(ies) and the SPP Exploder List on the date of such filing.
- f. In any Formal Challenge proceeding concerning a given year's Annual Update (including corrections), Annual Projection, or Accounting Change(s), AEP shall demonstrate the justness and reasonableness of the rate resulting from its application of the Formula Rate by demonstrating that it has reasonably and accurately calculated the Annual Update or Annual Projection and/or reasonably adopted and applied the Accounting Change. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.
- g. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of AEP to file unilaterally, pursuant to section 205 of the FPA

and the regulations thereunder, an application seeking changes to the Formula Rate or to any of the stated value inputs requiring a section 205 filing under these Protocols (including, but not limited to, ROE and depreciation and amortization rates), or the right of any other party or the Commission to seek such changes pursuant to section 206 of the FPA and the regulations thereunder.

h. AEP may, at its discretion and at a time of its choosing, make a limited filing pursuant to section 205 to modify stated values in the Formula Rate (i) for amortization and depreciation rates, or (ii) to correct obvious errors or omissions in the Formula Rate such as would result from changes to the FERC Form No. 1. The sole issue in any such limited section 205 proceeding shall be whether such proposed change(s) is just and reasonable, and it shall not address other aspects of the Formula Rate or impose upon AEP any burden with respect to such other aspects of the Formula Rate.

Section 6. Changes to Annual Updates

If AEP determines or concedes that corrections to the Annual Update are required, whether under Sections 4 or 5 of these Protocols, including but not limited to those requiring corrections to its FERC Form No. 1, or input data used for a Rate Year that would have affected the Annual Update for that Rate Year, such corrections shall be reflected as adjustments in the Annual Update for the next Rate Year, with interest calculated in accordance with the FERC Interest Rate (as determined pursuant to 18 C.F.R. § 35.19a). This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments.

AEP West SPP Member Operating Companies Transmission Formula Rate Template
Calculation of Actual/ Projected Zonal Rate For Schedule 9 Utilizing FERC Form 1 Data

For the 2XXX Rate Year For rates effective July 1, 2008

SPP Zone 1 Actual / Projected ~~Projected~~ Trued-Up AEP Revenue Requirements (if such had been effective)

Line No.	Company Name		Annual Transmission AEP Annual Revenue Requirement	PSO Annual Revenue Requirement	SWEPC Q Annual Revenue Requirement
A. <u>AEP Network Integration Transmission Service (NITS)</u>					
1	<u>RATE YEAR</u> REVENUE REQUIREMENT (w/o incentives)	(TCOS Line 1)	-	=	=
2	LESS: REVENUE CREDITS	(TCOS Line 5 2)	-	=	=
3	<u>NETWORK CUSTOMER OWNED FACILITY CREDITS</u>	<u>(TCOS Line 3)</u>	<hr/>		
34	<u>CURRENT RATE</u> YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(TCOS Line 6 4)	\$0	<u>\$0</u>	<u>\$0</u>
45	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:				
56	BASE PLAN UPGRADES (W/O INCENTIVES)	(TCOS Line 7 5)	-	=	=
67	REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet F/ G)	-	=	=
78	ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet F/ G)	-	=	=
89	SUBTOTAL		<hr/>		
910	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 34 - Line 89)	-	=	=

101 INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS (TCOS Line 45-13) - = =

111 2	RATE YEAR ZONAL ATRR (W/ INCENTIVES)EXISTING ZONAL ATRR FOR SPP OATT ATTACHMENT H, SEC. 1, COL. 3	(Ln 9-10 + Ln 4011)	\$0-			
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121 Actual/Projected Rate Year AEP West Zone Average 12-Mo. Peak Demand, MW2007 Historic AEP West Zone SPP Average 12-Mo. Peak Demand (Load WS, In 4533) 0.00-

131 **AEP-Monthly NITS Rate in \$/MW - Month** (Line 44-12 / Line 4213) / 12 \$0.00- = =

B. Point-to-Point Service

14 Annual Point-to-Point Rate in \$/MW - Year (Line 11 / Line 12) \$0.00
 15 Monthly Point-to-Point Rate in \$/MW - Month (Line 14 / 12) \$0.00
 16 Weekly Point-to-Point Rate in \$/MW - Weekly (Line 14 / 52) \$0.00
 17 Daily On-Peak Point-to-Point Rate in \$/MW - Day (Line 14 / 260) \$0.00
 18 Daily Off-Peak Point-to-Point Rate in \$/MW - Day (Line 14 / 365) \$0.00
 19 Hourly On-Peak Point-to-Point Rate in \$/MW - Hour (Line 14 / 4160) \$0.00
 20 Hourly Off-Peak Point-to-Point Rate in \$/MW - Hour (Line 14 / 8760) \$0.00

AEP - SPP Formula Rate
 AEP - SPP Formula Rate
 Schedule 1 Rates

AEP West SPP Member Operating Companies AEP Transmission Formula Rate Template

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Utilizing FERC Form 1 Data
 For rates effective January 1, 2010XXX

SPP SCHEDULE 1 AEP Revenue Requirements
Company Name

Line
No
-

**AEP Annual
Revenue
Requirement** **Annual
PSO
Annual Transmission
Revenue
Requirement** **SWEPCO
Annual
Revenue
Requirement**

A

Schedule 1 ARR For 2008-2XXX Projected-Rate Year

1	Total Load Dispatch & Scheduling (Account 561) (TCOS Line 7765)		\$0	
2	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)		\$0	
3	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)		\$0	
4	Total 561 Internally Developed Costs (Line 1 - Line 2 - Line 3)		\$0	
5	Less: PTP Service Credit (prior year Schedule 1 revenue from PTP transactions)		\$0	
6	ZONAL ARR FOR RATE YEAR PROJECTED ZONAL ARR FOR 2008 (Line 4 - Line 5)		\$0	

B Schedule 1 Projected 7/1/2008-2XXX Rate Year Calculations

(and 2007 True-Up if such had been effective)

7	2007 Historic Rate Year AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, In 4520)	M W
8	Annual Point-to-Point Rate in \$/MW - Year	(Line 6 / Line 7)	
9	Monthly Point-to-Point Rate (ln 8 / 12) \$/MW - Month	(Line 8 / 12)	
10	Weekly Point-to-Point Rate (ln 8 / 52) \$/MW - Weekly	(Line 8 / 52)	
11	Daily Off-Peak Point-to-Point Rate (ln 8 / 365) \$/MW - Day	(Line 8 / 365)	
12	Hourly Off-Peak Point-to-Point Rate (ln 8 / 8760) \$/MW - Hour	(Line 8 / 8760)	

For rates effective July 1, 2008

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

Line No	Company Name	Annual Transmission Revenue Requirement	M	W
A				
<u>Network Service</u>				
1	TRUE-UP YEAR 2007 REVENUE REQUIREMENT (w/o incentives)	(True-Up TCOS Line 1)	-	-
2	LESS: REVENUE CREDITS	(True-Up TCOS Line 5)	-	-
3	TRUE-UP YEAR ZONE 1 AEP NETWORK SERVICE REVENUE REQUIREMENT	(True-Up TCOS Line 6)		\$0
4	LESS: REVENUE REQUIREMENTS INCLUDED IN LINE 1 FOR:			
5	— BASE PLAN UPGRADES (W/O INCENTIVES)	(True-Up TCOS Line 7)	-	-
6	— REQUESTED UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-
7	— ECONOMIC UPGRADES (W/O INCENTIVES)	(Worksheet G)	-	-
8	— SUBTOTAL		-	-
9	EXISTING ZONAL ATRR (W/O INCENTIVES)	(Line 3—Line 8)	-	-
10	INCENTIVE REVENUE REQUIREMENT FOR ZONAL PROJECTS	(True-Up TCOS Line 15)	-	-
11	TRUED-UP ZONAL ATRR (W/ INCENTIVES) FOR 2007	(Line 9 + Line 10)	-	-
12	2007 Historic AEP West Zone SPP Average 12-Mo. Peak Demand	(Load WS, ln 15)	0.00	M
13	Monthly NITS Rate in \$/MW – Month	(Line 11 / Line		W

AEP West SPP
Member Operating
Companies AEP
Transmission Formula
Rate Template

Calculation of
Schedule 11 Revenue
Requirements For AEP
Transmission Projects
For the 2XXX Rate
Year For Calendar Year
2007

AEP-
SPP
Formula
Rate
Schedule
11
Revenue
Require
ments

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of 38

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

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) = (J)+ (M) +(N)	(P) = (H)+(K) +(N)+ (O)	(PR) = (G)+(OP)
						<u>ARR From Rate Year Projection WS-F Projected ARR For 2008 From Worksheet F</u>										
							<u>True-Up ARR From Worksheet G (includes adjustment for SPP Collections) True-Up ARR 2007 From Worksheet G</u>									
							<u>Base ARR</u>		<u>Incentive ARR</u>					<u>"Total</u>		

Line Item Description

	Owner	Project Description	Year in Service	Base ARR	Incentive	Total	TR UE-UP Adjust ment (W-S-G)I-UP	Project ADJUSTED ARR from Prior Update Base AR Bill ed	"As Billed by SPP (for Rate Yr T-Service)" "Change	COLLEGE CTI ON Adjust ment True-Up	Incentive AR Bill ed	Interup	Change s Billed	Interest Change	Total Interes t	Total Adjust ments (Forecast, Billing, & Interest)"	ADJUST ED Revenue Require ment Effective January 1/2XXX"	Total Revenue Require ment Effective 7/1/2008
4	SWE	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	SWE	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	SWE	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	SWE	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	SWE	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	SWE	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Totals WEP CO Total Total			=	-	=	=	=	=	=	=	=	=	=	=	=	=	=

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

37	<u>d from</u>											
	<u>PSO</u>											
	<u>schedule</u>											
	<u>9 load</u>											
	<u>line 1</u>											
	<u>Subtotal</u>											
	<u>PSO</u>											
	<u>Schedule</u>											
38	<u>11 load</u>	=	=	=	=	=	=	=	=	=	=	=
	<u>SWEPCO</u>											
	<u>Sched 11</u>											
	<u>load, Ln</u>											
	<u>2</u>	=	=	=	=	=	=	=	=	=	=	=
39	<u>TOTAL AEP Affiliate</u>											
	<u>Schedule 11 Load</u>	=	=	=	=	=	=	=	=	=	=	=
	<u>TOTAL</u>											
	<u>AEP</u>											
	<u>ZONAL</u>											
	<u>SCHEDU</u>											
40	<u>LE 11</u>											

Notes:

(1) Amounts are MW at the time of the AEP-SPP Internal (MLR) Peak[1] MW, at the time of the AEP-SPP Native Peak. At the generator. Transmission losses added to metered values which include appropriate dist.& xfmr losses.

(2) At the generator, includes transmission losses.[2] Net load from East and West Coffeyville ties, not included in AEP Control Area. Converts to SPP Network Service June 1, 2008.

(3) At the generator. Transmission losses added to metered values which include appropriate dist.& xfmr losses.[3] Bentonville & Hope incl. in SWEPCO Native Load (Ln35-20) for CY 2007. Effective January 1, 2008, Bentonville and Hope are not longer included in SWEPCO Load Responsibility (Ln2).

[4] PSO Native load includes PSO load on GRDA[4] Effective January 30, 2007 TNCN load is included in SWEPCO load.

(5) SWEPCO Native Load includes Valley

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Transmission Cost of Service Formula Rate 2008
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~~Utilizing Actual / Projected Cost Data for the 2XXX Rate~~
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~~Net Plant at Year-End 2008~~

Company Name

Line in N o.			Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 1 <u>1520</u>)	\$0
			Total Allocat or
2	REVENUE CREDITS	(Note A) <u>(Worksheet H)</u>	1.0 D 00
3	<u>Network Customer Owned Facility Credits-Transmission Credits</u>	(Worksheet <u>HB</u>)	A 00 1.0 D 00 \$ A 00 -
4	<u>-Assoc. Business Development</u>	<u>(Worksheet H)</u>	D 00 -\$ A 00 -
5	<u>Total Revenue Credits</u>		- - - -
6 4	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In <u>2 plus In 35</u>)	<u>\$0</u>
<p>MEMO: The Carrying Charge Calculations on lines 97 to 142 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 57 is included in the total on line 46.</p>			
7 5	<u>Trued-Up</u> Revenue Requirement for SPP BPU Regional Facilities (w/o incentives) (Worksheet <u>F/G</u>)		1.0 D 00 \$ A 00 -

6 8	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)		
7 9	Annual Rate	$(\ln 1 / (\text{Sum of lns } 46, 47, 48, 49, 51) \ln 37) \times 100\%$	0.00%
1 0 8	Monthly Rate	$(\ln 97 / 12)$	0.00%
9 1 4 1 0 2	NET PLANT CARRYING CHARGE ON LINE 97, W/O DEPRECIATION (w/o incentives) (Note B)		
2	Annual Rate	$((\ln 1 - \ln 9584) / (\text{Sum of lns } 46, 47, 48, 49, 51) \ln 37) \times 100\%$	0.00%
1 1 3 1 2 4	NET PLANT CARRYING CHARGE ON LINE 119, W/O INCOME TAXES, RETURN (Note B)		
4	Annual Rate	$((\ln 1 - \ln 9584 - \ln 117109 - \ln 118110) / (\text{Sum of lns } 46, 47, 48, 49, 51) \ln 37) \times 100\%$	0.00%
1 5 1 3	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F/G)		-

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at Year-End 2008

Company Name

	(1)	(2)	(3)	(4)	(5)
		Data Sources (See "General Notes")	TO Total NOTE D	Allocator	Total Transmissi on
	<u>RATE BASE CALCULATION</u>				
Line No.	GROSS PLANT IN SERVICE				
1					0.0
4		(Worksheet A In		N	000
6	Production	1-C3.E	-	A	0 -
1					0.0
5	Less: Production ARO (Enter	(Worksheet A In		N	000
7	Negative)	6-E2-C	-	A	0 -
1		(Worksheet A In			
6	Transmission	9-E3-C & Hist. Template Ln 169119	-	D A	-
1					0.0
7	Less: Transmission ARO (Enter	(Worksheet A In		TP	000
9	Negative)	4-C12.E	-		0 -
2	Plus: Transmission Plant in-			D	1-0
0	Service Additions (Worksheet B)		-	A	000
2	Plus: Additional Trans Plant on				0.0
1	Transferred Assets (Worksheet B)		-	TP	000
2					0
2					0.0
1		(Worksheet A In		N	000
8	Distribution	5-C13.E	-	A	0 -
1					0.0
9	Less: Distribution ARO (Enter	(Worksheet A In		N	000
2	Negative)	6-C14.E	-	A	0 -
2					0.0
0		(Worksheet A In		W/	000
4	General Plant	7-C15.E	-	S	0 -
2					0.0
1	Less: General Plant ARO (Enter	(Worksheet A In		W/	000
5	Negative)	8-C16.E	-	S	0 -
2					0.0
2		(Worksheet A In		W/	000
6	Intangible Plant	17-E9-C	-	S	0 -
2					0.0
3		(sum lns 146 to		G	000
7	TOTAL GROSS PLANT	226)	-	F=	0

G 0.0
T 000
D 0
=

2
8
2
4
2
5
9
2
6
3
0
2
7
3
1
2
8
3
2
3
3
3
4
3
5
3
6
3
7
2
9
3
9
3
1

ACCUMULATED DEPRECIATION
AND AMORTIZATION

Production (Worksheet A In
12.C22.E)

- N 0.0
A 000
0 -

Less: Production ARO (Enter
Negative) (Worksheet A In
13.C25.E)

- N 0.0
A 000
0 -

Transmission (Worksheet A In
14.C28.E &
2847.CE)

- TP 0.0
1= 000
0 -

Less: Transmission ARO (Enter
Negative) (Worksheet A In
15.C31.E)

- TP 0.0
1= 000
0 -

— Plus: Transmission Plant-in-
Service Additions (Worksheet B)

- D 1.0
A 000
0 -

— Plus: Additional Projected
Deprec on Transferred Assets
(Worksheet B)

- D 1.0
A 000
0 -

— Plus: Additional Transmission
Depreciation for 2008 – (In 95)

- TP 0.0
1 000
0 -

— Plus: Additional General &
Intangible Depreciation for (In
97+In 98)

- W/ 0.0
S 000
0 -

— Plus: Additional Accum Deprec
on Transferred Assets (Worksheet
B)

- D 1.0
A 000
0 -

Distribution (Worksheet A In
16.C32.E)

- N 0.0
A 000
0 -

Less: Distribution ARO (Enter
Negative) (Worksheet A In
17.C33.E)

- N 0.0
A 000
0 -

General Plant (Worksheet A In
18.C34.E)

- W/ 0.0
S 000
0 -

4				0	
0					
3				0.0	
2					
4	Less: General Plant ARO (Enter	(Worksheet A In		W/	000
1	Negative)	<u>19.C35.E</u>)	-	S	0
3					-
3				0.0	
4		(Worksheet A In		W/	000
2	Intangible Plant	<u>20.C36.E</u>)	-	S	0
3			-		-
4					
4	TOTAL ACCUMULATED	(sum lns <u>29-25</u> to			
3	DEPRECIATION	<u>4233</u>)	-		-
3					
5					
4	NET PLANT IN SERVICE				
3					
6					
4	Production	(ln <u>16-14</u> + ln <u>175</u> - ln <u>295</u> - ln <u>2630</u>)	-		-
5					
3					
7					
4	Transmission	(ln <u>18-16</u> + ln <u>19</u> <u>17</u> - ln <u>31-27</u> - ln <u>3228</u>)	-		-
6					
4	Plus: Transmission Plant-in-				
7	Service Additions (ln 20 - ln 33)		-		-
4	Plus: Additional Trans Plant on				
8	Transferred Assets (ln 21 - ln 34)		-		-
4	Plus: Additional Transmission				
9	Depreciation for 2008 (-ln 35)		-		-
5	Plus: Additional General &				
0	Intangible Depreciation for 2008 (-				
5	ln 36)		-		-
1	Plus: Additional Accum Deprec on Transferred Assets				
3	(Worksheet B) (-ln 37)		-		-
8					
5	Distribution	(ln <u>22-18</u> + ln <u>23</u> <u>19</u> - ln <u>38-29</u> - ln <u>3930</u>)	-		-
2					
3					
9					
5	General Plant	(ln <u>24-20</u> + ln <u>25</u> <u>21</u> - ln <u>40-31</u> - ln <u>4132</u>)	-		-
3					
4	Intangible Plant	(ln <u>26-22</u> - ln <u>4233</u>)	-		-
0			-		-

5					
4					
4					
1					
5					
5	TOTAL NET PLANT IN SERVICE	(sum lns <u>45-36</u> to <u>5440</u>)	-	<u>N</u> <u>P=</u>	-
4					
2					
5	DEFERRED TAX ADJUSTMENTS				
6	TO RATE BASE	(Note E)			
4					
3					
5	Account No. 281.1 (enter				
7	negative)	272-273.8.k	-	N A	-
4					
4					
5	Account No. 282.1 (enter	(Worksheet C, In			
8	negative)	<u>41.C</u> & In <u>83.J</u>)	-	D A	-
4					
5					
9	Account No. 283.1 (enter	(Worksheet C, In			
5	negative)	<u>120.C</u> & In <u>142.J</u>)	-	D A	-
4					
6					
0	Account No. 190.1	(Worksheet C, In			
4		<u>198.C</u> & In <u>224.J</u>)	-	D A	-
4					
7					
6					
4	Account No. 255 (enter negative)	(Worksheet C, In			
1		<u>286.C</u> & In <u>2830.J</u>)	-	D A	-
4					
8					
6					
2	TOTAL ADJUSTMENTS	(sum lns <u>57-43</u> to <u>6447</u>)	-		-
6					
3					
4					
9	PLANT HELD FOR FUTURE USE	(Worksheet A In <u>2948.E.C</u> & In <u>30.C49.E</u>)	-	D A	-
5					
0	<u>REGULATORY ASSETS</u>	(Worksheet A In <u>55.E</u>)	=	<u>D</u> <u>A</u>	=
5					
1	WORKING CAPITAL	(Note F)			

6					
4					
5					
2					
6		(1/8 * In <u>6880</u>)			
5	Cash Working Capital	(Note G)	-		-
5					
3					
6		(Worksheet D, In			0.0
6	Transmission Materials & Supplies	<u>2-(D)3.F</u>)	-	TP	000
5					0
4					
6		(Worksheet D, In			0.0
7	A&G Materials & Supplies	<u>3-(D)4.F</u>)	-	W/	000
5					0
5					
6		(Worksheet D, In			0.0
8	Stores Expense	<u>4-(D)5.F</u>)	-	P(	000
5					0
5					
6		(Worksheet D, In			0.0
9	Prepayments (Account 165) -	<u>58.G</u>)	-	W/	000
5	Labor Allocated				0
5					
7		(Worksheet D, In			0.0
7	Prepayments (Account 165) -	<u>58.F</u>)	-	P(	000
0	Gross Plant				0
5					
8					1.0
7		(Worksheet D, In			000
4	Prepayments (Account 165) -	<u>5-8.E</u>)	-	D	0
5	Transmission Only				
5					
9		(Worksheet D, In			0.0
7	Prepayments (Account 165) -	<u>58.D</u>)	-	N	000
2	Unallocable				0
6					
0					
7		(sum Ins <u>65-52</u> to			
3	TOTAL WORKING CAPITAL	<u>7269</u>)	-		-
7					
4		(Note H)			1.0
6	IPP CONTRIBUTIONS FOR	(Worksheet E, In			000
1	CONSTRUCTION	<u>78-(B)</u>)	-	D	0
7					
5	RATE BASE (sum Ins <u>5541, 6248,</u>				
6	<u>6349, 7360, 7461</u>)		-		-

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Line No	(1)	(2)	(3)	(4)	(5)
	EXPENSE, TAXES, RETURN & REVENUE	Data Sources	TO	Allocato	Total
	<u>REQUIREMENTS CALCULATION</u>	(See "General Notes")	Total	r	Transmis
	OPERATION & MAINTENANCE EXPENSE				
63	Transmission	321.112.b	-		
76		(Note U)			
		Company			
64	<u>Less: Transmission Serving Generation</u>	Records			
65		(Note I) 321.84-			
77	Less: Total Account 561	92.b	-		
66		(Note J)			
78	Less: Account 565	321.96.b	-		
67	<u>Plus: Includable 561 and 565 Expenses</u>	Worksheet I In			
67		10			
79	<u>Less: expenses 100% assigned to TO billed customers</u> (Worksheet I, In 14)		<u>\$0</u>		
68		(Ins 76-63 = 77		T	0.0
80	Total O&M Allocable to Transmission	64 - 78-65 =	-	P	00
		7966 +67)			-
69		323.197.b (Note			
84	Administrative and General	K, M)	-		
70					
82	Less: Acct. 924, Property Insurance	323.185.b	-		

<u>71</u>								
<u>83</u>	Acct. 928, Reg. Com. Exp.	323.189.b	-					
<u>72</u>								
<u>84</u>	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-					
<u>73</u>								
<u>85</u>	Acct. 930.2, Misc. Gen. Exp.	323.192.b	-					
		(In <u>81-69</u> - sum						0.0
<u>74</u>		In <u>82-70</u> to In					W/	00
<u>86</u>	Balance of A & G	<u>8573</u>)	-				S	00 -
<u>75</u>								
<u>87</u>	Plus: Acct. 924, Property Insurance	(In <u>8270</u>)	-				G	0.0
		Worksheet J In					P(	00
		<u>4916</u> .(E) (Note					h)	00 -
<u>76</u>		L)					T	00
<u>88</u>	Acct. 928 - Transmission Specific	Worksheet J In	-				P	00 -
		<u>2422</u> .(E) (Note					T	00
<u>77</u>		L)					P	0.0
<u>89</u>	Acct 930.1 - Only safety related ads -	Worksheet J In					P	00
	Direct	<u>3328</u> .(E) (Note	-				G	00 -
		L)					P	1.0
<u>78</u>		Worksheet J In					D	00
<u>90</u>	Acct 930.2 - Misc Gen. Exp. - Trans	<u>3328</u> .(E) (Note	-				A	00 -
<u>79</u>		L)						
<u>91</u>	A & G Subtotal	(sum Ins <u>86-74</u>	-					-
		to <u>7890</u>)						
<u>92</u>		(In <u>8068 + In 79+</u>						
<u>80</u>	TOTAL O & M EXPENSE	In <u>91</u>)	-					-
<u>93</u>	DEPRECIATION AND AMORTIZATION							
<u>81</u>	EXPENSE							
<u>82</u>	Transmission						T	0.0
<u>94</u>		336.7.f b	-				P	00
		(Note U)						00 -
<u>83</u>	<u>Less: Transmission Serving Generation</u>	<u>Company</u>					D	1.0
<u>95</u>	<u>Plus: Transmission Plant in-Service Additions</u>	<u>Records</u>	-				A	00
	<u>(Worksheet-B)</u>							00 -
		(In <u>82 - In 83</u>)					T	0.0
<u>84</u>	<u>Includable Transmission</u>		-				P	00
								0.0
<u>96</u>		336.10.f b					W/	00
<u>85</u>	General		-				S	00 -
								0.0
<u>86</u>		336.1.f d					W/	00
<u>97</u>	Intangible		-				S	00 -
<u>87</u>	TOTAL DEPRECIATION AND	(sum Ins <u>94-84</u>						
<u>98</u>	AMORTIZATION	to <u>9786</u>)	-					-

99					
88	TAXES OTHER THAN INCOME	(Note N)			
89					
10	Labor Related				
90					0.0
10		Worksheet L,		W/	00
1	Payroll	Col. D	-	S	00
91					
10	Plant Related				
2					
10				G	0.0
39		Worksheet L,		P(	00
2	Property	Col. C	-	h)	00
93	<u>Non-Allocable Taxes, incl. Transmission</u>				0.0
10	<u>Serving Gen. — Gross Receipts/Sales &</u>	Worksheet L,		N	00
4	<u>Use</u>	Col. F	-	A	00
94				G	0.0
10		Worksheet L,		P(	00
5	Other	Col. E	-	h)	00
95					
10		(sum lns <u>101-90</u>			
6	TOTAL OTHER TAXES	to <u>10594</u>)	-		-

10					
79					
6	INCOME TAXES	(Note O)			
97					
10	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT$		0.00		
8	$* p)\} =$		%		
98					
10	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		0.00		
9			%		
99					
11	where WCLTD=(ln <u>146139</u>) and WACC =				
0	(ln <u>149142</u>)				
10					
04					
11	and FIT, SIT & p are as given in Note O.				
10					
11					
12	$GRCF=1 / (1 - T) =$ (from ln <u>10897</u>)		-		
10					
21	Amortized Investment Tax Credit (enter	(FF1 p.114, ln			
13	negative)	19.c)	-		
10		<u>Company</u>		D	
3	<u>Excess / (Deficit) Deferred Income Tax</u>	<u>Records /</u>	-	A	-

		<u>Forecast (Note O) Company Records - Forecast - (Note O)</u>		
<u>10</u> <u>4</u>	<u>Tax Effect of Permanent and Flow Through Differences</u>			
			<u>D</u> <u>A</u>	
<u>10</u> <u>54</u> <u>44</u>	<u>Income Tax Calculation - Prior to Adjustments</u>	<u>(In 409-98 * In - 447-110)</u>		
<u>10</u> <u>64</u> <u>45</u>	<u>ITC adjustment</u>	<u>(In 442-101 * In 443-102)</u>	<u>N</u> <u>P</u> <u>h</u>	<u>0.0</u> <u>00</u> <u>00</u>
<u>10</u> <u>7</u> <u>10</u> <u>8</u>	<u>Excess / (Deficit) Deferred Income Tax</u> <u>Tax Effect of Permanent and Flow Through Differences</u>	<u>(In 101 * In 103)</u> <u>(In 101 * In 104)</u>	<u>D</u> <u>A</u> <u>D</u> <u>A</u>	
<u>44</u> <u>61</u> <u>09</u>	<u>TOTAL INCOME TAXES</u>	<u>(sum Ins 444 105 to 445-108)</u>		
<u>44</u> <u>71</u> <u>10</u>	<u>RETURN ON RATE BASE (Rate Base*WACC)</u>	<u>(In 75-62 * In 449-142)</u>		
<u>44</u> <u>81</u> <u>11</u>	<u>INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, In 2)</u>		<u>D</u> <u>A</u>	<u>1.0</u> <u>00</u> <u>00</u>
<u>44</u> <u>91</u> <u>12</u>	<u>REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX</u>			
<u>42</u> <u>01</u> <u>13</u>	<u>(sum Ins 9385, 99-87, 40795, 447-109, 448-110, 449-111)</u>			
<u>42</u> <u>41</u> <u>14</u>	<u>TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)</u>		<u>D</u> <u>A</u>	
<u>42</u> <u>21</u> <u>15</u>	<u>REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX</u>	<u>(In 112 + 114)</u>		

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SUPPORTING CALCULATIONS

In N o.	TRANSMISSION PLANT INCLUDED IN SPP TARIFF				
<u>12</u> <u>31</u> <u>16</u>	Total transmission plant	(In <u>18</u> , <u>19</u> , <u>20</u> , <u>21</u>)	-		
<u>12</u> <u>41</u> <u>17</u> <u>12</u> <u>51</u> <u>18</u>	Less transmission plant excluded from SPP Tariff (<u>Worksheet A, In 42</u> <u>Col. (E)</u>) (<u>Note Q</u>)	(Note Q)	-		
<u>12</u> <u>61</u> <u>19</u>	Less transmission plant included in OATT Ancillary Services (<u>Worksheet A, In 2339</u> , Col. (<u>CE</u>)) (Note R)	(In <u>123-116</u> - In <u>124117</u> - In - <u>125118</u>)	-		
<u>12</u> <u>71</u> <u>20</u>	Transmission plant included in SPP Tariff	(In <u>126-119</u> / <u>ln123ln116</u>)	-		
	Percent of transmission plant in SPP Tariff		TP =	0.0000	

	WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Tot al
<u>12</u> <u>14</u> <u>28</u> <u>12</u> <u>24</u> <u>29</u> <u>12</u> <u>34</u>	Production	354.20.b	0	0	- N 0.0000 A 0 -
	Transmission	354.21.b	0	0	- T 0.0000 P 0 -

30									
12									
44									
34	Regional Market Expenses	354.22.b	0	0	-	N	0.0000		
12						A	0	-	
54									
32	Distribution	354.23.b	0	0	-	N	0.0000		
12						A	0	-	
64									
33	Other (Excludes A&G)	354.24,25,26.b	0	0	-	N	0.0000		
12						A	0	-	
74									
34	Total	(sum lns 129-122 to 133126)	0	0	0				-

13									
51									
28	Transmission related amount								W/ S= 0.00000

13									
61	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
29									
		<u>Long Term Interest</u>							
		(Worksheet M, ln. 1721, col. (DE))							
13	<u>Long Term Interest (Worksheet M, ln. 17, col. (D))</u>	(Worksheet M, ln. 17, col. (D))							-
07									
		<u>Preferred Stock Dividends</u>							
13		(Worksheet M, ln. 2444, col. (DE))							
81	<u>Preferred Stock Dividends (Worksheet M, ln. 21, col. (D))</u>	(Worksheet M, ln. 21, col. (D))							-
31									
13									
91									
32	<u>Development of Common Stock:</u>								<u>Average</u>
		(Worksheet M, ln. 1, col. (E))							
13		<u>Proprietary Capital (112.16.c)</u>							
34		(Worksheet M, ln. 2, col. (E))							
40	<u>Proprietary Capital (112.16.c)</u>	(Worksheet M, ln. 2, col. (E))							-
13									
44		<u>Less Preferred Stock (ln 1470)</u>							
44		(Worksheet M, ln. 3, col. (E))							
13	<u>Less Preferred Stock (ln 1470)</u>	(Worksheet M, ln. 3, col. (E))							-
54									
42	<u>Less Account 216.1 (112.12.c)</u>	Account 216.1							-

13 64 43	<u>Less Account 219.1 (112.15.c)</u>	(112.12.c) (Worksheet M, In. 4, col. (E)) Less Account 219.1 (112.15.c) (In 133 – In 134 – In 135 – In 136) Common Stock (In 140 – In 141 – In 142 – In 143)	-
13 74 44	<u>Common Stock (In 140 – In 141 – In 142 – In 143)</u>	(In 133 – In 134 – In 135 – In 136) Common Stock (In 140 – In 141 – In 142 – In 143)	-

13 81 45		\$	
13 94 46	<u>Avg Long Term Debt</u> (Worksheet M, In. <u>1711</u> , col. (BE))	-	
14 04 47	<u>Avg Preferred Stock</u> (Worksheet M, In. <u>2143</u> , col. (BE))	-	
14 14 48	Common Stock (In <u>144137</u>) (Note U)	-	
14 24 49	Total (sum Ins <u>146-139</u> to <u>148141</u>)	-	
15 0	<u>Capital Structure Equity Limit</u> (Note U)	52.5%	

<u>Capital Structure Percentages</u>		Cost	
<u>Actual</u>	<u>Cap p Lim it</u>	(Note T)	Weighted
0.00%	## ##	-	0.0000
0.00%	## ##	-	0.0000
0.00%	## ##	11.20%	0.0000
		W AC C=	0.0000

AEP West SPP Member Operating Companies
Transmission Cost of Service Formula Rate 2008
Transmission Cost of Service Formula Rate
Utilizing Actual / Projected Cost Data for the 2XXX
Rate Year Utilizing Historic Cost Data for 2007 and
Projected Net Plant at Year-End 2008

AEP-
SPP
Formula
Rate
TCOS-
Projecte
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Page:
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Company Name

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Notes

General Notes: -a) ~~True Up~~ References to data from FERC Form 1 are indicated as: page#.line#.col.# Rate Year
Projections from Company forecasts.

~~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-H 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-trued-up~~ revenue requirement for each project, based on an FCR rate calculated from inputs on the ~~Historic~~ is TCOS. Line 135 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 and depreciation expense are reduced by the removal of balances amounts 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 to Transmission. Transmission allocations are shown on Worksheet BC.

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 8068.

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 149111.

I Line 65 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 then 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-J 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 EH.

M Recoverable PBOP expense is based on actual annual PBOP costs, including charges from the AEP Service Corporation. The PBOP amounts are included in the Administrative and General total, and are based on current year expenses. The annual actuarial valuation report supporting the derivation of the PBOP expense, along with an explanation of PBOP derivation process, is submitted during the formula rate annual update. The Post-Employment Benefits other than Pension ("PBOP") amount is included in the Administrative and General total, and is based on current year expense. For year XXXX, the amount is \$XXXXXX. The annual actuarial valuation report supporting the derivation of the PBOP expense, along with an explanation of PBOP derivation process, is submitted during the formula rate annual update.

N Includes only FICA, unemployment, property and other assessments charged in the current year. Gross Receipts tax, Sales & Use taxes, local franchise 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 40997) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.

Inputs Required:	FI T = S IT = p =	0 <u>35</u> .00% 0.00% 0.00%	(State Income Tax Rate or Composite SIT. Worksheet K)) (percent of federal income tax deductible for state purposes)
------------------	--	--	--

Excess / (Deficit) Deferred Income Taxes will be amortized over the average remaining life of the assets to which it relates, unless the Commission requires a different amortization period. The Tax Effect of Permanent Differences captures the differences in the income taxes due under the Federal and State tax calculations that are not the result of a timing difference, including but not limited to depreciation related to capitalized AFUDC equity and meals and entertainment deductions. The Tax effect of Flow-Through differences captures current tax expense related to timing differences on items for which tax deductions were used to reduce customer rates through the use of flow-through accounting in a prior period.

P Effective January 1, 2007, Texas instituted a gross margin tax. This The Texas Gross Margin 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 OAT T, other than Transmission Serving Generation which is removed at Worksheet A. See Note U.T.

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 438130) / long term debt (In 447139). Preferred Stock cost rate = preferred dividends (In 439131) / preferred outstanding (In 448140). Common Stock cost rate (ROE) = 11.2%, the rate accepted by FERC in Docket No. ER07-~~XXX~~1069. It includes an additional 50 basis points for remaining a member of the SPP RTO.

The amount of eligible hedging gains or losses included in total interest expense is limited to five basis points of the capital structure. Details and calculations of the weighted average cost of capital are shown on Worksheet M. Eligible Hedging Gains and Losses are computed on Worksheet M. The unamortized balance of eligible hedge gains/losses and related ADIT amounts shall not flow through the formula rate.

U Costs specifically incurred to build, operate, maintain, or depreciate assets which are dedicated to the interconnection of individual generation resources to the SPP transmission network, including generation tie-lines, are deemed to be production-related will be removed from the transmission cost of service. Such costs, referred to herein as Transmission Serving Generation, will be reported in the FERC Form 1 in Transmission functional accounts, and thus adjustments are needed to remove those costs from line items which include them. 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 2007
with Year-End Rate Base Balances

		Company Name				Transmission
				Total	Allocator	Amount
15	1	REVENUE REQUIREMENT (w/o incentives)	(In 269)			\$0
15	2	REVENUE CREDITS	(Note A)			
15	3	-Transmission Credits	(Worksheet H)	-	D 1.00	\$ -
15	4	-Assoc. Business Development	(Worksheet H)	-	D 1.00	\$ -
15	5	Total Revenue Credits		-	A 000	\$ -
15	6	REVENUE REQUIREMENT For All Company Facilities	(In 151 less In 155)			\$ -

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.

15				D	1.00	\$
7	Revenue Requirement for SPP-BPU Regional Facilities (w/o incentives) (Worksheet F)		-	A	000	-
15	NET PLANT CARRYING CHARGE (w/o incentives) (Note B)					
8		(ln				
15		151/ln196 x				
9	-Annual Rate	100%)				0.00%
16						
0	-Monthly Rate	(ln 159 / 12)				0.00%
16	NET PLANT CARRYING CHARGE ON LINE 160, W/O DEPRECIATION (w/o incentives) (Note B)					
1						
16						
2	-Annual Rate	((ln 151 - ln 244) / ln 196 x 100%)				0.00%
16	NET PLANT CARRYING CHARGE ON LINE 162, W/O INCOME TAXES, RETURN (Note B)					
3						
16						
4	-Annual Rate	((ln 151 - ln 244 - ln 267) / ln 196 x 100%)				0.00%
16	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note C) (Worksheet F)					-
5						

AEP West SPP Member Companies
Transmission Cost of Service Formula Rate Utilizing Historic Cost Data for 2007 with Year-End Rate Base Balances

AEP-SPP
Formula Rate
TCOS-Historic
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Company Name

(1)	(2)	(3)	(4)	(5)
<u>RATE-BASE CALCULATION</u>	<u>Data Sources</u> <u>(See</u>	<u>TO Total</u>	<u>Allocator</u>	<u>Total Transmis</u>

	<u>"General Notes"</u>	<u>NOTE D</u>		<u>sion</u>
Line				
6	GROSS PLANT IN SERVICE			
6	(Worksheet A-In 1.C)	-	N A	0.00 000
6	-Production	-		-
7	(Worksheet A-In 2.C)	-	N A	0.00 000
7	-Less: Production ARO (Enter Negative)	-		-
6	(Worksheet A-In 3.C & Ln 276)	-	D A	
6	-Transmission	-		-
9	(Worksheet A-In 4.C)	-	T P	0.00 000
9	-Less: Transmission ARO (Enter Negative)	-		-
7	Plus: Transmission Plant-in-Service Additions (Worksheet B)	-N/A	N A	0.00 000
7	Plus: Additional Trans Plant on Transferred Assets (Worksheet B)	-N/A	N A	0.00 000
7	(Worksheet A-In 5.C)	-	N A	0.00 000
7	-Distribution	-		-
7	(Worksheet A-In 6.C)	-	N A	0.00 000
7	-Less: Distribution ARO (Enter Negative)	-		-
7	(Worksheet A-In 7.C)	-	W /S	0.00 000
7	-General Plant	-		-
7	(Worksheet A-In 8.C)	-	W /S	0.00 000
7	-Less: General Plant ARO (Enter Negative)	-		-
6	(Worksheet A-In 9.C)	-	W /S	0.00 000
6	-Intangible Plant	-		-
7	(sum lns 166 to 176)	-	G P h	0.00 0000
7	TOTAL GROSS PLANT	-	= G T D =	-
1	ACCUMULATED DEPRECIATION AND AMORTIZATION			

7						
8						
1						
7		(Worksheet				
9	-Production	A-In-12.C)	-		N 0.00	-
1					A 000	
8		(Worksheet				
0	-Less: Production ARO (Enter Negative)	A-In-13.C)	-		N 0.00	-
					A 000	
1		(Worksheet				
8	-Transmission	A-In-14.C &	-		T	
1		28.C)			P	
1					1=	0.00
1						000
8		(Worksheet				
2	-Less: Transmission ARO (Enter Negative)	A-In-15.C)	-		T	
1					P	0.00
8					1=	000
3	— Plus: Transmission Plant in Service Additions (Worksheet B)					-
					D	
1					A	1.00
8						000
4	— Plus: Additional Projected Deprec on Transferred Assets (Worksheet B)				D	
					A	1.00
1						000
8	— Plus: Additional Transmission Depreciation for 2008 (In 246)				T	
5					P	0.00
					1	000
1						
8	— Plus: Additional General & Intangible Depreciation for 2008 (In 248+In 249)				W	
6					/S	0.00
1						000
8	— Plus: Additional Accum Deprec on Transferred Assets (Worksheet B)				D	
7					A	1.00
						000
1						
8		(Worksheet				
8	-Distribution	A-In-16.C)	-		N	0.00
1					A	000
8		(Worksheet				
9	-Less: Distribution ARO (Enter Negative)	A-In-17.C)	-		N	0.00
1					A	000
9		(Worksheet				
0	-General Plant	A-In-18.C)	-		W	0.00
1					/S	000
1		(Worksheet				
9	-Less: General Plant ARO (Enter Negative)	A-In-19.C)	-		W	0.00
1					/S	000
1						
9		(Worksheet				
2	-Intangible Plant	A-In-20.C)	-		W	0.00
1					/S	000
9						
3	TOTAL ACCUMULATED DEPRECIATION	(sum lns 179 to 192)	-			-

1
9
4
1
9
5
1
9
6
1
9
7
1
9
8
1
9
9
2
0
0
2
0
1
2
0
2
2
0
3
2
0
4
2
0
5
2
0
6

NET PLANT IN SERVICE

		(In 166 + In 167 - In 179 - In 180)	-		-
	-Production				
		(In 168 + In 169 - In 181 - In 182)	-		-
	-Transmission				
	— Plus: Transmission Plant in Service Additions (In 171 - In 184)		-N/A		-N/A
	— Plus: Additional Trans Plant on Transferred Assets (In 172 - In 185)		-N/A		-N/A
	— Plus: Additional Transmission Depreciation for 2008 (- In 186)		-N/A		-N/A
	— Plus: Additional General & Intangible Depreciation for 2008 (-In 187)		-N/A		-N/A
	— Plus: Additional Accum Deprec on Transferred Assets (Worksheet B) (-In 188)		-N/A		-N/A
		(In 172 + In 173 - In 188 - In 189)	-		-
	-Distribution				
		(In 174 + In 175 - In 190 - In 191)	-		-
	-General Plant				
		(In 176 - In 192)	-		-
	-Intangible Plant				
	TOTAL NET PLANT IN SERVICE	(sum lns 195 to 204)	-		-
	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)			

N
P(
h)
= 0.00
= 0000

2							
0							
7	-Account No. 281.1 (enter negative)	272-273.8.k (Worksheet C, ln 1.C & ln 3.J)	-				
2							
8	-Account No. 282.1 (enter negative)	(Worksheet C, ln 10.C & ln 12.J)	-				
2							
9	-Account No. 283.1 (enter negative)	(Worksheet C, ln 19.C & ln 21.J)	-				
2							
1	-Account No. 190.1	(Worksheet C, ln 28.C & ln 30.J)	-				
2							
1	-Account No. 255 (enter negative)		-				
2							
1		(sum lns 208 to 212)	-				
2	TOTAL ADJUSTMENTS		-				
2							
1		(Worksheet A ln 29.C & ln 30.C)	-				
3	PLANT HELD FOR FUTURE USE		-				
2							
1							
4	WORKING CAPITAL	(Note F)					
2		(1/8 ln 230) (Note G)	-				
1							
5	Cash Working Capital		-				
2							
1		(Worksheet D, ln 2.(D))	-				
6	-Transmission Materials & Supplies		-				
2							
1		(Worksheet D, ln 3.(D))	-				
7	-A&G Materials & Supplies		-				
2							
1		(Worksheet D, ln 4.(D))	-				
8	-Stores Expense		-				
2							
1		(Worksheet D, ln 5.G)	-				
9	-Prepayments (Account 165)--Labor Allocated		-				
2							
2		(Worksheet D, ln 5.F)	-				
0	-Prepayments (Account 165)--Gross Plant		-				
2							
2		(Worksheet D, ln 5.E)	-				
1	-Prepayments (Account 165)--Transmission Only		-				

2					
2		(Worksheet		N 0.00	
2	-Prepayments (Account 165)—Unallocable	D, In 5.D)	-	A 000	-
2		(sum			
2		Ins 215 to			
3	TOTAL WORKING CAPITAL	222)	-		-
2		(Note H)			
2		(Worksheet		D 1.00	
4	IPP CONTRIBUTIONS FOR CONSTRUCTION	E, In 7.(B))	-	A 000	-
2			-		-
2					
5	RATE BASE (sum Ins 206, 213, 214, 224, 225)		-		-

AEP West SPP Member
Companies
Transmission Cost of
Service Formula Rate
Utilizing Historic Cost
Data for 2007 with Year-
End Rate Base Balances

AEP-
SPP
Formula
Rate
TCOS-
Historic

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Company Name

	(1)	(2)	(3)	(4)	(5)
	EXPENSE, TAXES, RETURN & REVENUE	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
Line	<u>REQUIREMENTS CALCULATION</u>				
0-	OPERATION & MAINTENANCE EXPENSE				
2					
2					
6	-Transmission	321.112.b	-		
2		(Note I)			
2		321.84-			
7	—Less: Total Account 561	92.b			0
2	—Less: Account 565	(Note J)			

2		321.96.b	-			
8						
2						
2	— Less: expenses 100% assigned to TO-billed customers					
9	(Worksheet I, In-14)		-			
2		(In-226—				
3		227—228—				
0	Total O&M Allocable to Transmission	229)	-		T 0.00	
					P 000	-
2						
3		323.197.b				
4	— Administrative and General	(Note K, M)	-			
2						
2	— Less: Acct. 924, Property Insurance	323.185.b	-			
2						
3	— Acct. 928, Reg. Com. Exp.	323.189.b	-			
2						
3	— Acct. 930.1, Gen. Advert. Exp.	323.191.b	-			
2						
3	— Acct. 930.2, Misc. Gen. Exp.	323.192.b	-			
2		(In-231—				
3		sum In-232				
6	— Balance of A & G	to In-235)	-		W 0.00	
					/S 000	-
2						
3					G	
7	— Plus: Acct. 924, Property Insurance	(In-232)	-		P(0.00	
2		Worksheet			h) 000	-
3		J In-10.(E)				
8	— Acct. 928 – Transmission Specific	(Note L)	-		T 0.00	
2		Worksheet			P 000	-
3		J In-24.(E)				
9	— Acct 930.1 – Only safety-related ads – Direct	(Note L)	-		T 0.00	
					P 000	-
2		Worksheet				
4	— Acct 930.2 – Misc Gen. Exp. – Trans	J In-33.(E)	-		D 1.00	
0		(Note L)			A 000	-
2						
4						
1	— A & G Subtotal	(sum In-236 to 240)	-			-
2						
4		(In-230 + In				
2	TOTAL O & M EXPENSE	241)	-			-

2			-				-
4							
3	DEPRECIATION AND AMORTIZATION EXPENSE						
2							
4	-Transmission	336.7.f	-	T P	0.00 000		-
2	— Plus: Transmission Plant-in-Service Additions (Worksheet B)		-N/A				-N/A
2							
4	-General	336.10.f	-	W /S	0.00 000		-
2							
4	-Intangible	336.1.f	-	W /S	0.00 000		-
2							
4	TOTAL DEPRECIATION AND AMORTIZATION	(sum lns 244 to 247)	-				-
8							
2							
4	TAXES OTHER THAN INCOME	(Note N)					
9							
2							
5	-Labor Related						
0							
2	— Payroll	Worksheet L, Col. D	-	W /S	0.00 000		-
5							
2	-Plant Related						
2							
5	— Property	Worksheet L, Col. C	-	G P(h)	0.00 000		-
3							
2	— Gross Receipts/Sales & Use	Worksheet L, Col. F	-	N A	0.00 000		-
5							
5	— Other	Worksheet L, Col. E	-	G P(h)	0.00 000		-
2							
5	TOTAL OTHER TAXES	(sum lns 251 to 255)	-				-
6							
2							
5	INCOME TAXES	(Note O)					

7
2
5
8
2
5
9
2
6
0
2
6
1
2
6
2
2
6
3
2
6
4
2
6
5
2
6
6
2
6
7
2
6
8
2
6
9
2
7
0

— $T=1-\frac{((1-SIT) * (1-FIT))}{(1-SIT * FIT * p)}=$

0.00%

— $EIT=(T/(1-T)) * (1-(WCLTDWACC))=$

0.00%

— where WCLTD=(ln 298) and WACC = (ln 301)

— and FIT, SIT & p are as given in Note O.

— $GRCF=1 / (1 - T) =$ (from ln 260)

-

Amortized Investment Tax Credit (enter negative) (FF1 p.114, ln 19.e)

-

Income Tax Calculation (ln259 * ln 267)

-

-

— ITC adjustment (ln 262 * ln 263)

-

N
P(0.00
h) 000

-

TOTAL INCOME TAXES (sum lns 264 to 265)

-

-

RETURN ON RATE BASE (Rate Base*WACC) (ln225 * ln 299)

-

-

INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet E, ln 2)

-

D 1.00
A 000

-

REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX

-

-

— (sum lns 242, 248, 256, 266, 267, 268)

2
7
1

2
7
2

TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)

-

D
A

-

REVENUE REQUIREMENT INCLUDING GROSS MARGIN TAX

-

-

AEP West SPP Member
Companies
Transmission Cost of
Service Formula Rate
Utilizing Historic Cost
Data for 2007 with Year-
End Rate Base Balances

AEP-
SPP
Formula
Rate
TCOS-
Historic

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Company Name

**SUPPORTING
CALCULATIONS**

In
N
e-

TRANSMISSION PLANT INCLUDED IN SPP TARIFF

2
7
3
2
7
4
2
7
5
2
7
6

Total transmission plant (In 168)

-

-Less transmission plant excluded from SPP Tariff (Note Q)

-

-Less transmission plant included in OATT Ancillary Services (Worksheet A; In 23, Col. (C)) (Note R)

-

Transmission plant included in SPP Tariff (In 273 - In 274 - In 275)

-

Percent of transmission plant in SPP Tariff (In 276 / In 273)

TP
=

0.00000

2
7
8
2
7
9
2
8
0
2
8
1
2
8
2
2
8
3
2
8
4

2
8
5

2
8
6
2
8
7
2
8
8
2
8
9
2
9
0
2
9
1
2
9

WAGES & SALARY ALLOCATOR (W/S)	(Note S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
-Production	354.20.b	0	0	-	N	0.00	-
-Transmission	354.21.b	0	0	-	T	0.00	-
-Regional Market Expenses	354.22.b	0	0	-	P	0.00	-
-Distribution	354.23.b	0	0	-	N	0.00	-
-Other (Excludes A&G)	354.24,25,26.b	0	0	-	A	0.00	-
Total	(sumlns 279 to 283)	0	0	0			-

Transmission-related amount W/S= 0.00000

WEIGHTED-AVERAGE COST OF CAPITAL (WACC)		\$
Long Term Interest (Worksheet M, ln. 19, col. (D))		-
Preferred Stock Dividends (Worksheet M, ln. 23, col. (D))		-
Development of Common Stock:		
Proprietary Capital (112.16.c)		-
Less Preferred Stock (ln 297)		-
Less Account		-

2
2
9
3
2
9
4

2
9
5
2
9
6
2
9
7
2
9
8

2
9
9

3
0
0

et

216.1
(112.12.c)
Less
Account
219.1
(112.15.c)

-

Common Stock (In 290—In 291—In
292—In 293)

-

**Capital Structure
Percentages**

Cost

\$

Actual

Cap
Limit

(Net
e-T)

Weighted

Long Term Debt (Worksheet M, In. 19, col. (B))

-

0.00%

0.00%

-

0.0000

Preferred Stock (Worksheet M, In. 23, col. (B))

-

0.00%

0.00%

-

0.0000

Common Stock (In 296) (Note U)

-

0.00%

0.00%

11.2
%

0.0000

W
A
C
C
=

Total (sum lns 296 to 298)

-

0.0000

Capital Structure Equity Limit (Note U)

52.5%

AEP West SPP Member
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Data for 2007 with Year-
End Rate Base Balances

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Company Name

Notes

te
f

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 The Post-Employment Benefits other than Pension ("PBOP") amount is included in the Administrative and General total, and is based on current year expense. For year XXXX, the amount is \$XXXXXX. The annual actuarial valuation report supporting the derivation of the PBOP expense, along with an explanation of PBOP derivation process, is submitted during the formula rate annual update.
- 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=	0.00%	-(State Income Tax Rate or Composite SIT- Worksheet K))
SIT=	0.00%	-(percent of federal income tax deductible for state purposes)
p=	0.00%	

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 2007 with
Average Ratebase
Balances

Company Name

Line No.

Transmission

Amount

1	REVENUE REQUIREMENT (w/o incentives)	(ln 107)					
			<u>Total</u>	<u>Allocator</u>			\$0
2	REVENUE CREDITS	(Note A)					
3	-Transmission Credits	(Worksheet H)	-		D		-\$
					A	1.00000	-
4	-Assoc. Business Development	(Worksheet H)	-		D		-\$
					A	1.00000	-
5	Total Revenue Credits		-				-\$
							-
6	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 5)					<u>\$0</u>

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)		-		D		-\$
	NET PLANT CARRYING CHARGE (w/o incentives)				A	1.00000	-
8	(Note B)						
9	-Annual Rate	(ln 1/ ln 39 x 100%)					0.00%
10	-Monthly Rate	(ln 9 / 12)					0.00%

1	NET PLANT CARRYING CHARGE ON LINE 9, W/O			
1	DEPRECIATION (w/o incentives) (Note B)			
1		(- (ln 1 - ln 82) / ln		
2	-Annual Rate	39 x 100%)		0.00%
1	NET PLANT CARRYING CHARGE ON LINE 11, W/O			
3	INCOME TAXES, RETURN (Note B)			
1		(- (ln 1 - ln 82 - ln		
4	-Annual Rate	103 - ln 104) / ln		0.00%
		39 x 100%)		
1	ADDITIONAL REVENUE REQUIREMENT for projects			
5	w/ incentive ROE's (Note C) (Worksheet G)			-

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Formula
Rate

TCOS-
True-Up

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Member Companies
Transmission Cost of
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Company Name

	(1)	(2)	(3)	(4)	(5)
		<u>Data Sources</u> (See "General Notes")	<u>TO Total</u>	<u>Allocator</u>	<u>Total Transmission</u>
<u>LINE</u>	<u>RATE BASE CALCULATION</u>		<u>NOTE-D</u>		
1	GROSS PLANT IN SERVICE	(Worksheet A In			
6	-Production	4.E)	-	N A 0.00000	-

1		(Worksheet A In		N		
7	-Less: Production ARO (Enter Negative)	2.E)	-	A	0.00000	-
1		(Worksheet A In		D		
8	-Transmission	3.E & Ln 114)	-	A		-
1		(Worksheet A In		T		
9	-Less: Transmission ARO (Enter Negative)	4.E)	-	P	0.00000	-
2		(Worksheet A In		N		
0	-Distribution	5.E)	-	A	0.00000	-
2		(Worksheet A In		N		
1	-Less: Distribution ARO (Enter Negative)	6.E)	-	A	0.00000	-
2		(Worksheet A In		W/		
2	-General Plant	7.E)	-	S	0.00000	-
2		(Worksheet A In		W/		
3	-Less: General Plant ARO (Enter Negative)	8.E)	-	S	0.00000	-
2		(Worksheet A In		W/		
4	-Intangible Plant	9.E)	-	S	0.00000	-
				G		
2				P(
5				T		
	TOTAL GROSS PLANT	(sum lns 16 to 24)	-	=	0.00000	-
				G		
				T		
				D		
				=	-	
2	ACCUMULATED DEPRECIATION AND					
6	AMORTIZATION					
2		(Worksheet A In		N		
7	-Production	12.E)	-	A	0.00000	-
2		(Worksheet A In		N		
8	-Less: Production ARO (Enter Negative)	13.E)	-	A	0.00000	-
				T		
2	-Transmission	(Worksheet A In		P1		
9		14.E & 28.E)	-	=	0.00000	-
				T		
3		(Worksheet A In		P1		
0	-Less: Transmission ARO (Enter Negative)	15.E)	-	=	0.00000	-
3		(Worksheet A In		N		
1	-Distribution	16.E)	-	A	0.00000	-
3		(Worksheet A In		N		
2	-Less: Distribution ARO (Enter Negative)	17.E)	-	A	0.00000	-
3		(Worksheet A In		W/		
3	-General Plant	18.E)	-	S	0.00000	-
3		(Worksheet A In		W/		
4	-Less: General Plant ARO (Enter Negative)	19.E)	-	S	0.00000	-
3		(Worksheet A In		W/		
5	-Intangible Plant	20.E)	-	S	0.00000	-
3	TOTAL ACCUMULATED DEPRECIATION	(sum lns 27 to				

6		35)	-		-
3					
7	NET PLANT IN SERVICE				
3		-(ln 16 + ln 17 - ln			
8	-Production	27 - ln 28)	-		-
3		-(ln 18 + ln 19 - ln			
9	-Transmission	29 - ln 30)	-		-
4		-(ln 20 + ln 21 - ln			
0	-Distribution	31 - ln 32)	-		-
4		-(ln 22 + ln 23 - ln			
1	-General Plant	33 - ln 34)	-		-
4					
2	-Intangible Plant	-(ln 24 - ln 35)	-		-
4					
3	TOTAL NET PLANT IN SERVICE	(sum lns 38 to 42)	-	N P(T U) =	0.00000
4					
4	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note E)			
4					
5	-Account No. 281.1 (enter negative)	272-273.8.k	-	N	-
4		(Worksheet C, ln		A	
6	-Account No. 282.1 (enter negative)	7.C & ln 9.J)	-	D	-
4		(Worksheet C, ln		A	
7	-Account No. 283.1 (enter negative)	16.C & ln 18.J)	-	D	-
4		(Worksheet C, ln		A	
8	-Account No. 190.1	25.C & ln 27.J)	-	D	-
4		(Worksheet C, ln		A	
9	-Account No. 255 (enter negative)	34.C & ln 36.J)	-	D	-
5		(sum lns 45 to		A	
0	TOTAL ADJUSTMENTS	49)	-		-
5					
1	PLANT HELD FOR FUTURE USE	(Worksheet A ln 29.E & ln 30.E)	-	D	-
				A	
5					
2	WORKING CAPITAL	(Note F)			
5		(1/8 * ln 68)			
3	Cash Working Capital	(Note G)	-		-
5		(Worksheet D, ln			
4	-Transmission Materials & Supplies	2.(F))	-	T	0.00000
5		(Worksheet D, ln		P	
5	-A&G Materials & Supplies	3.(F))	-	W/	0.00000
				S	

5					G		
6		(Worksheet-D, In			P(
	-Stores Expense	4:(F))	-		T		
5		(Worksheet-D, In			U)	0.00000	-
7	-Prepayments (Account 165)-Labor Allocated	7.G)	-		W/		
					S	0.00000	-
5		(Worksheet-D, In			G		
8	-Prepayments (Account 165)-Gross Plant	7.F)	-		P(
5		(Worksheet-D, In			T		
9	-Prepayments (Account 165)-Transmission-Only	7.E)	-		U)	0.00000	-
6		(Worksheet-D, In			D		
0	-Prepayments (Account 165)-Unallocable	7.D)	-		A	1.00000	-
6		(sum Ins 53 to			N		
1	TOTAL WORKING CAPITAL	60)	-		A	0.00000	-
6		(Note H)					
2	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Worksheet-E, In	-		D		
		8:(B))	-		A	1.00000	-
			-				-
6							
3	RATE BASE (sum Ins 43, 50, 51, 61, 62)		-				-

AEP West SPP
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Company Name

(1)	(2)	(3)	(4)	(5)
EXPENSE, TAXES, RETURN & REVENUE	Data Sources			
<u>REQUIREMENTS CALCULATION</u>	<u>(See "General</u>	<u>TO Total</u>	<u>Allocator</u>	<u>Total</u>
	<u>Notes")</u>			<u>Transmi</u>
				<u>ssion</u>

L
in

e
N
e:

OPERATION & MAINTENANCE EXPENSE

6								
4	-Transmission	321.112.b	-					
6		(Note I) 321.84-						
5	—Less: Total Account 561	92.b	-					
6								
6	—Less: Account 565	(Note J) 321.96.b	-					
6	Less: expenses 100% assigned to TO billed customers							
7	(Worksheet I, ln 14)							
6								
8	Total O&M Allocable to Transmission	(lns 64-65-66-67)	-			T P	0.00000	-
6								
9	-Administrative and General	323.197.b (Note K, M)	-					
7								
0	-Less: Acct. 924, Property Insurance	323.185.b	-					
7								
1	—Acct. 928, Reg. Com. Exp.	323.189.b	-					
7								
2	—Acct. 930.1, Gen. Advert. Exp.	323.191.b	-					
7								
3	—Acct. 930.2, Misc. Gen. Exp.	323.192.b	-					
7		(ln 69 - sum ln 70						
4	—Balance of A & G	to ln 73)	-			W/ S	0.00000	-
7								
5	—Plus: Acct. 924, Property Insurance	(ln 70)	-			G P(T	0.00000	-
7		-Worksheet J ln				U)		
6	—Acct. 928—Transmission Specific	10.(E) (Note L)	-			T	0.00000	-
						P		
						G		
7		-Worksheet J ln				P(T		
7	—Acct 930.1—Only safety related ads—Direct	24.(E) (Note L)	-			U)	0.00000	-
7		-Worksheet J ln				D		
8	—Acct 930.2—Misc Gen. Exp.—Trans	33.(E) (Note L)	-			A	1.00000	-
7		(sum lns 74 to						
9	—A & G Subtotal	78	-					
8								
0	TOTAL O & M EXPENSE	(ln 68 + ln 80)	-					-
8								
1	DEPRECIATION AND AMORTIZATION EXPENSE							

8	—Transmission	336.7.f	-	T	0.00000	-
2				P		
8				W/		
3	—General	336.10.f	-	S	0.00000	-
8				W/		
4	—Intangible	336.1.f	-	S	0.00000	-
8		(sum lns 82 to	<hr/>			<hr/>
5	TOTAL DEPRECIATION AND AMORTIZATION	84)	-			-
8						
6	TAXES OTHER THAN INCOME	(Note N)				
8						
7	—Labor Related					
8		Worksheet L,		W/		
8	— Payroll	Col. D	-	S	0.00000	-
8						
9	—Plant Related					
9				G		
9		Worksheet L,		P(
0	— Property	Col. G	-	T	0.00000	-
9		Worksheet L,		U)		
1	— Gross Receipts/Sales & Use	Col. F	-	N	0.00000	-
				A		
				G		
9		Worksheet L,		P(
2	— Other	Col. E	-	T	0.00000	-
9		(sum lns 88 to	<hr/>	U)		<hr/>
3	TOTAL OTHER TAXES	92)	-			-
9						
4	INCOME TAXES	-(Note O)				
9						
5	— $T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		0.00%			
9						
6	— $EIT=(T/(1-T)) * (1-(WCLTDWACC)) =$		0.00%			
9						
7	— where WCLTD=(ln 134) and WACC = (ln 137)					
9						
8	— and FIT, SIT & p are as given in Note O.					
9						
9	— $GRCF=1 / (1 - T) =$ (from ln 96)		-			
1						
0	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 49.c)	-			
0						
1						
0	Income Tax Calculation	(ln 96 * ln 104)	-			-

1

1

0

2

— ITC adjustment

(ln 99 * ln 100)

-

N
P(T
U)

0.00000

-

1

0

3

TOTAL INCOME TAXES

(sum lns 101 to 102)

-

-

1

0

4

RETURN ON RATE BASE (Rate Base*WACC)

(ln 63 *ln 136)

-

-

1

0

5

INTEREST ON IPP CONTRIBUTION FOR CONST.
(Note E) (Worksheet E, ln 2)

-

D
A

1.00000

-

1

0

6

REVENUE REQUIREMENT BEFORE TEXAS GROSS
MARGIN TAX

-

-

1

0

7

—(sum lns 81, 86, 94, 104, 105, 106)

-

1

0

8

TEXAS GROSS MARGIN TAX (Note P) (Worksheet K)

-

D
A

-

1

0

9

REVENUE REQUIREMENT INCLUDING GROSS
MARGIN TAX

-

-

AEP West SPP
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AEP-
SPP
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Rate

TCOS-
True-Up

Company Name

**SUPPORTING
CALCULATIONS**

In
N
e:

In	TRANSMISSION PLANT INCLUDED IN SPP-TARIFF							
0	Total transmission plant	(In 18)						-
1	-Less transmission plant excluded from SPP-Tariff	(Note Q)						-
2	-Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note R)							-
3	Transmission plant included in SPP-Tariff	(In 110—In 111— In 112)						-
4	Percent of transmission plant in SPP-Tariff	(In 113 / In 110)					T P =	0.00000
5	WAGES & SALARY ALLOCATOR (W/S)	(Note-S)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
6	-Production	354.20.b	0	0	-	N A	0.00000	-
7	-Transmission	354.21.b	0	0	-	T P	0.00000	-
8	-Regional Market Expenses	354.22.b	0	0	-	N A	0.00000	-
9	-Distribution	354.23.b	0	0	-	N A	0.00000	-
0	-Other (Excludes A&G)	0	0	0	-	N A	0.00000	-
2	Total	(sum lns 116 to 120)	0	0	0			-

1									
2									
2	Transmission-related amount								W/S = 0.00000

1									
2									
3	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$

1		Long-Term Interest							
2		(Worksheet N, In-19, col. (E))							-
4	Long-Term Interest								-

1		Preferred Stock Dividends							
2		(Worksheet N, In-47, col. (E))							-
5	Preferred Dividends								-

1									
2									
6	<u>Development of Common Stock:</u>								<u>-Average</u>

1									
2		(Worksheet N, In-1, col. (E))							-
7	Proprietary Capital								-

1									
2		(Worksheet N, In-2, col. (E))							-
8	Less Preferred Stock (In 135)								-

1									
2		(Worksheet N, In-3, col. (E))							-
9	Less Account 216.1								-

1									
3		(Worksheet N, In-4, col. (E))							-
10	Less Account 219								-

1									
3		(In 127—In 128—In 129—In 130)							-
11	Common Stock								-

1									
3									
2		2008 Avg Balances							
1									
3									
3									
3	Avg Long-Term Debt (Worksheet N, In-10, col. (E))	-		0.00%	0.00%		0.00%		0.0000
1									
3									
4	Avg Preferred Stock (Worksheet N, In-46, col. (E))	-		0.00%	0.00%		0.00%		0.0000
1									
1	Avg Common Stock—(In 131) (Note U)			0.00%	0.00%		11.20%		0.0000

Capital Structure Percentages

Cost

(Note S)

Weighted

Actual

Cap Limit

3
5

-

W
A
C
C
=
0.0000

1
3
6

Total (sum lns 133 to 135)

-

1
3
7

Capital Structure Equity Limit (Note U)

52.5%

AEP West SPP
Member Companies
Transmission Cost of
Service Formula
Rate
Utilizing Actual Cost
Data for 2007 with
Average Ratebase
Balances

AEP-
SPP
Formula
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TCOS-
True-Up

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of 38

Company Name

r
e
f
e
r
e
n
c
e

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, these 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 The Post-Employment Benefits other than Pension ("PBOP") amount is included in the Administrative and General total, and is based on current year expense. For year XXXX, the amount is \$XXXXXX. The annual actuarial valuation report supporting the derivation of the PBOP expense, along with an explanation of PBOP derivation process, is submitted during the formula rate annual update.

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=	0.00%	{State Income Tax Rate or Composite SIT Worksheet K) - (percent of federal income tax deductible for state purposes)
	SIT=	0.00%	
	p=	0.00%	

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.

Addendum 4 to Attachment H – Part 2

AEP West SPP Member Operating Companies

~~2008 Cost-Actual / Projected 2XXX Rate Year Cost of Service Formula Rate~~ of Service Formula Rate

AEP - SPP
Formula
Rate
TCOS - WS
A
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Worksheet A - Detail Plant Balances and Accumulated Depreciation Balances

Company Name

<u>Line Nu mbe r</u>	(A)	(B)	(C) <u>Balances @</u>	(D) <u>Balances</u>	(E)
	<u>Rate Base Item & Supporting Balance</u>	<u>Source of Data</u>	<u>12/31/20072X XX</u>	<u>12/31/20062X XX-1</u>	<u>Average Balance for 20072XXX</u>

NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.

See Note U at the TCOS worksheet for a description of Transmission Serving Generation.

Plant Investment Balances

1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 46	-	-	-
2	<u>Add: Transmission Serving Generation</u>	<u>Company Records</u>	-	-	-
3	<u>Formula Production Plant In Service</u>		-	-	-
24	Production Asset Retirement Obligation (ARO)	FF1, page 205&204, Col.(g)&(b), lns 15,24,34,44	-	-	-
5	<u>Add: Transmission Serving Generation ARO</u>	<u>Company Records</u>	-	-	-
6	<u>Formula Production ARO</u>		-	-	-
73	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58	-	-	-
8	<u>Less: Transmission Serving Generation</u>	<u>Company Records</u>	-	-	-
9	<u>Formula Transmission Plant In Service</u>		-	-	-
104	Transmission Asset Retirement Obligation <u>(Acct. 399.1)</u>	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 57	-	-	-
11	<u>Less: Transmission Serving Generation ARO</u>	<u>Company Records</u>	-	-	-

12	<u>Formula Transmission ARO</u>		=	=	=
513	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 75	-	-	-
614	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 74	-	-	-
715	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 99	-	-	-
816	General Asset Retirement Obligation <u>(Acct. 399.1)</u>	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 98	-	-	-
917	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 5	-	-	-
401 8	Total Property Investment Balance	(Sum of Lines: <u>43, 39, 513, 715, 917</u>)	-	-	-
441 9	Total ARO Balance (included in total on line <u>4018</u>)	(Sum of Lines: <u>26, 412, 614, 816</u>)	-	-	-
<u>Accumulated Depreciation & Amortization Balances</u>					
122 0	Production Accumulated Depreciation	FF1, page 219, lns 20-24, Col. (b)	-	-	-
21	<u>Add: Transmission Serving Generation</u>	<u>Company Records</u>	-	-	-
22	<u>Formula Production Plant In Service</u>		=	=	=
132 3	Production ARO Accumulated Depreciation <u>(included in total on line 20)</u>	Company Records <u>– Note 1</u>	-	-	-
24	<u>Add: Transmission Serving Generation ARO</u>	<u>Company Records</u>	-	-	-
25	<u>Formula Production ARO</u>		=	=	=
264 4	Transmission Accumulated Depreciation	FF1, page 219, ln 25, Col. (b)	-	-	-
27	<u>Less: Transmission Serving Generation</u>	<u>Company Records</u>	-	-	-
28	<u>Formula Transmission Plant In Service</u>		=	=	=
294 5	Transmission ARO Accumulated Depreciation <u>(included in total on line 26)</u>	Company Records <u>– Note 1</u>	-	-	-
30	<u>Less: Transmission Serving Generation ARO</u>	<u>Company Records</u>	-	-	-

31	Formula Transmission ARO		=	=	=
463 2	Distribution Accumulated Depreciation	FF1, page 219, ln 26, Col. (b)	-	-	-
473 3	Distribution ARO Accumulated Depreciation <u>(included in total on line 32)</u>	Company Records – <u>Note 1</u>	-	-	-
483 4	General Accumulated Depreciation	FF1, page 219, ln 28, Col. (b)	-	-	-
493 5	General ARO Accumulated Depreciation <u>(included in total on line 34)</u>	Company Records – <u>Note 1</u>	-	-	-
203 6	Intangible Accumulated Amortization	FF1, page 200, ln 21, Col. (b)	-	-	-
243 7	Total Accumulated Depreciation or Amortization	(Sum of Lines: <u>4222, 4428, 4632, 4834, 2036</u>) <u>FF1, page 200, ln 22, Col. (b)</u>	-	-	-
223 8	Total ARO Balance (included in total on line <u>2437</u>)	(Sum of Lines: <u>4325, 4531, 4733, 4935</u>)	-	-	-
<u>Generation Step-Up Units</u>					
233 9	GSU Investment Amount <u>(included in the total on line 7)</u>	Company Records – <u>Note 1</u>	-	-	-
402 4	GSU Accumulated Depreciation <u>(included in the total on line 26)</u>	Company Records = <u>Note 1</u>	-	-	-
412 5	GSU Net Balance	(Line <u>23-39</u> - Line <u>2440</u>)	-	-	-
<u>Transmission Plant Excluded from SPP Tariff (see TCOS Note Q)</u>					
42	<u>Excluded Facilities Investment Amount</u>	<u>Company Records - Note 1</u>	-	-	-
43	<u>Excluded Facilities Accumulated Depreciation</u>	<u>Company Records - Note 1</u>	-	-	-
44	<u>Excluded Facilities Net Balance</u>	<u>(Line 42 - Line 43)</u>	-	-	-

Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation

<u>264</u> 5	Transmission Accumulated Depreciation	(Line <u>14-28</u> Above)	-	-	-
<u>462</u> 7	Less: GSU & Excl Facilities Accumulated Depreciation	(Line <u>24-40 + Line 43</u> Above)	-	-	-
<u>472</u> 8	Subtotal of Transmission <u>Accumulated Depreciation</u> Net of <u>GSU/Excluded Facilities</u>	(Line <u>26-45</u> - Line <u>27-46</u>)	-	-	-

Plant Held For Future Use

<u>482</u> 9	<u>Plant Held For Future Use</u>	FF1, page 214, ln 47, Col. (d)	-	-	-
<u>493</u> 0	<u>Transmission Plant Held For Future (Included in total on line 48)</u>	Company Records – <u>Note 1</u>	-	-	-

Note 1 On this worksheet, "Company Records" refers to AEP's property accounting ledger.

Regulatory Assets and Liabilities Approved for Recovery In Ratebase

Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with FERC.

<u>50</u>			=	=	=
<u>51</u>			=	=	=
<u>52</u>			=	=	=
<u>53</u>			=	=	=
<u>54</u>			=	=	=
<u>55</u>	<u>Total Regulatory Deferrals Included in Ratebase</u>		=	=	=

AEP West SPP Member Companies
 -2008 Cost of Service Formula Rate Projected on 2007 FF1 Balances
 -Worksheet B - Projected Transmission Plant in Service Additions
 Company Name

AEP-SPP
 Formula
 Rate
 TCOS-WS
 B
 Page: 22 of
 38

I. Calculation of Composite Depreciation Rate

1	Transmission Plant @ Beginning of Historic Period (2007) (P.206, In 58,(b)):	-	
2	Transmission Plant @ End of Historic Period (2007) (P.207, In 58,(g)):	-	
3		-	
4	Average Balance of Transmission Investment	-	
5	Annual Depreciation Expense, Historic TCOS, In 246	-	
6	Composite Depreciation Rate		0.00%
7	Round to 0% to Reflect a Composite Life of 0 Years		0.00%

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	\$	0.00%	\$	\$	11	\$
10	February	\$	0.00%	\$	\$	10	\$
11	March	\$	0.00%	\$	\$	9	\$
12	April	\$	0.00%	\$	\$	8	\$
13	May	\$	0.00%	\$	\$	7	\$
14	June	\$	0.00%	\$	\$	6	\$
15	July	\$	0.00%	\$	\$	5	\$
16	August	\$	0.00%	\$	\$	4	\$
17	September	\$	0.00%	\$	\$	3	\$
18	October	\$	0.00%	\$	\$	2	\$
19	November	\$	0.00%	\$	\$	1	\$

20	December	\$ -	0.00%	\$ -	\$ -	0	\$ -
21	Investment	\$ -				Depreciation Expense	\$ -

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 Operating Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Worksheet B - Third Party Facility Credits
Company Name

AEP - SPP
Formula
Rate
TCOS - WS
B
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38

<u>Line No.</u>	<u>Source</u>	<u>Amount</u>
1	Facility Credits under the SPP OATT	-

Note: Under Section 30.9 of the SPP OATT, a network customer that owns existing transmission facilities that are integrated with the Transmission Provider's Transmission System may be eligible to receive consideration either through a billing credit or some other mechanism. Calculation of any credit under this subsection, pursuant to approval by FERC for inclusion in this formula rate for collection on behalf of the network customer, shall be addressed in either the Network Customer's Service Agreement or any other agreement between the parties.

AEP West SPP Member Operating Companies AEP West SPP Member Companies

Actual / Projected 2XXX Rate Year Cost of Service Formula Rate 2008 Cost of Service Formula Rate

AEP - SPP
Formula
Rate
TCOS - WS
C
Page: 23 of
38

Worksheet C - ADIT and ADITC Balances used in Projection & True-Up
Company Name

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)
----------	-----------------	--------------------	----------------------	---------------------	--	--------------------------------	---	-------------------------	---

Note: Account 281 is not allocated to Transmission

Account 282 - Form-1 page 274.2.b- and 275. Ln 2 Col. (k)

282 Balance to Use in Projection

1 282.1

20072XXX Year End Tax Deferrals - Ws-WS C-1

- - - - -

2	282.1	2XXX-1 Year End Tax Deferrals - WS C-2	-	-	-	-	-	-	-
3	282.4	Transmission Allocator from Historic TCOS [GP or W/S]	0.0000%	100.0000%	-0.0000%	-0.0000%	-0.0000%	0	0
		Allocated Total	0	0	0	0	0	0	0

282 Balance to Use in True-Up

4	282.1	2007 Year End Tax Deferrals - Ws C-1	-	-	-	-	-	-	-
5	282.4	2006 Year End Tax Deferrals - Ws C-2	-	-	-	-	-	-	-

63		Subtotal	-	-	-	-	-	-	-
47		Average Balance before Proration	0	0	0	0	0	0	-
5		Proration Adjustment - WS C-3			0				
6		Prorated Average balance	0	0	0	0	0	0	0
78		Transmission Allocator from True-Up TCOS [GP or W/S]	0.0000%	100.0000%	0.0000%	0.0000%	0.0000%	0	0
89		Allocated Total	0	0	0	0	0	0	0

Account 283 - Form-1 page 276.9.b- and 277.9- Ln 9- Col. (k)

283 Balance to Use in Projection

10	283.1	2007-2-XXX Year End Tax Deferrals - Ws WS C-1	-	-	-	-	-	-	-
11	283.1	2XXX-1 Year End Tax Deferrals - WS C-2	0.0000%	100.0000%	0.0000%	0.0000%	0.0000%	0	0
12	283.4	Transmission Allocator from Historic TCOS [GP or W/S]	0	0	0	0	0	0	0
		Allocated Total	0	0	0	0	0	0	0

283 Balance to Use in True-Up

13	283.1	2007 Year End Tax Deferrals - Ws C-1	-	-	-	-	-	-	-
14	283.4	2006 Year End Tax Deferrals - Ws C-2	-	-	-	-	-	-	-
15		Subtotal	-	-	-	-	-	-	-
16		Average Balance	0	0	0	0	0	0	0

12
17
13
18
14

Transmission Allocator from True-Up TCOS [GP or W/S]	0.0000 %	100.0000 %	0.0000%	0.0000%	0.0000%	
Allocated Total	0	0	0	0	0	0

Account 190 - Form-1 page 234, Ln 8, Col. (b) & (c)

190 Balance to Use in Projection

19
15 190.1
20
16 190.1

2007-2XXX Year End Tax Deferrals - Ws WS C-1	=	=	=	=	=	=
2XXX-1 Year End Tax Deferrals - WS C-2	=	=	=	=	=	=
Transmission Allocator from Historic TCOS [GP or W/S]	=	0.0000 %	100.0000 %	-0.0000%	-0.0000%	-0.0000%

17
18
19
20
21
22
24 190.4

Subtotal	=	=	=	=	=	=
Average Balance before Proration	0	0	0	0	0	0
Proration Adjustment - WS C-3			0			
Prorated Average balance	0	0	0	0	0	0
Transmission Allocator from TCOS	=	0.0000 %	100.0000 %	0.0000%	0.0000%	0.0000%
Allocated Total		0	0	0	0	0
Allocated Total		0	0	0	0	0

Account 255 - Form-1 page 266-267

190 Balance to Use in True-Up

22
23 255.0 190.4
24
3 255.0 190.4

Acc Defrd ITC - Federal - 12/31/2XXX (FF1 p. 267, Ln 2.h) 2007 Year End Tax Deferrals - Ws C-4	-	-	-	-	-	-
Acc Defrd ITC - Federal - 12/31/2XXX-1 (FF1 p. 266, Ln 2.b) 2006 Year End Tax Deferrals - Ws C-2	-	-	-	-	-	-

24
25
26
27

Subtotal	-	-	-	-	-	-
Average Balance	0	0	0	0	0	0
Transmission Allocator from True-Up TCOS [GP or W/S]		0.0000 %	100.0000 %	0.0000%	0.0000%	0.0000%
Allocated Total		N/A0	N/A0	0.0	N/A0	N/A0
						0

001

2821

001

2821

001

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2821

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2821

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2821

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2821

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2821

001

2821

001

2821

001

2821

0012

82.1

TOTAL ELECTRIC ACCOUNT SUBTOTAL

(absolute value Total Company Amount Ties to
 FF1 p.275(k) -- Acct 282 Electric)absolute value
 Total Company Amount Ties to FF1 p.275(k)--
 Acct 282-Electric)

2831

001

2831

001

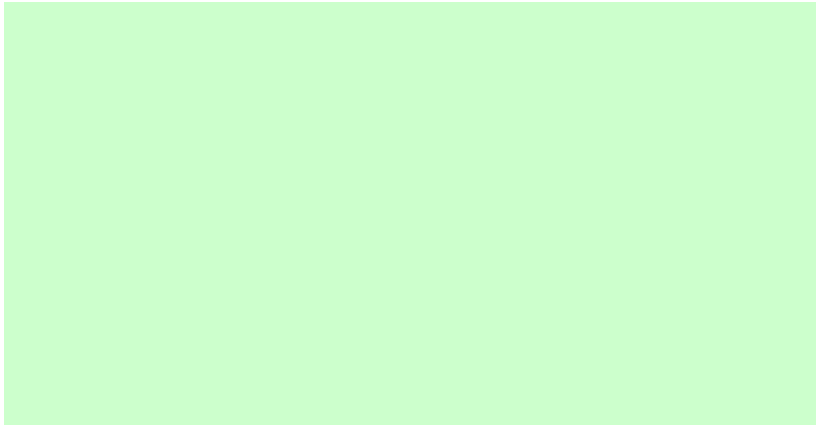
2831

001

2831

001

1
190100
1
190100
1
190100
1
190100
1
190100
1
190100
1
190100
1
190100
1



190100
4190.1

**TOTAL ELECTRIC ACCOUNT
SUBTOTAL**
(Total Company Amount Ties to FF1
p.234(c) -- Electric)

-	-	-	-	-	-	-
---	---	---	---	---	---	---

AEP West SPP Member Operating Companies

SOUTHWESTERN ELECTRIC POWER COMPANY

WORKSHEET C-3 -PRORATION OF PROPERTY-RELATED DEFERRED INCOME TAX BALANCES

AS OF DECEMBER 31, 2XXX

Note: This workpaper documents the calculation of the rate base adjustment to prorate forecasted activity in ADIT required by IRS regulation Section 1.167(l)-1(h)(6)(ii) when preparing forecasted rates. This worksheet is not used during Annual True-Ups. Prorable activity in Account 282 results from the use of accelerated tax depreciation on additions to plant in service. The adjustment on line 19 is included on Worksheet C as a reduction to the ending forecasted ADIT balance of account 282. A proration adjustment for account 190, if any, will be calculated beginning on line 20.

Account 282 Proration Adjustment

Source

- 1 Transmission Functional Rate Year ending balance
- 2 Transmission Functional Rate Year beginning balance
- 3 Annual forecasted change

- WS C-1
- WS C-2
- Line 1 less Line 2

-
-
<u>0</u>

4 Monthly forecasted change Line 3 / 12 0

(A) (B) (C) (D) (E) (F) (G) (H)

Line	Future Test Period	Proratable Deferred Tax Activity	Deferred Tax Balance	Days in Month	Number of Days Left in Period	Proration Amount	Prorated Item	Prorated Balance
5	Beginning Balance	-	-		365	100.00%	-	-
6	January (line 4)	-	-	31	335	91.78%	-	-
7	February	-	-	28	307	84.11%	-	-
8	March	-	-	31	276	75.62%	-	-
9	April	-	-	30	246	67.40%	-	-
10	May	-	-	31	215	58.90%	-	-
11	June	-	-	30	185	50.68%	-	-
12	July	-	-	31	154	42.19%	-	-
13	August	-	-	31	123	33.70%	-	-
14	September	-	-	30	93	25.48%	-	-
15	October	-	-	31	62	16.99%	-	-
16	November	-	-	30	32	8.77%	-	-
17	December	-	-	31	1	0.27%	-	-
18	Ending Balance		-					-
19	<u>Proration Adjustment - Line 18 Col. (H) less Col. (C)</u>		-	-	-	-	-	<u>\$ -</u>

Account 190 Proration Adjustment

	Source	
20	Transmission Functional Rate Year ending balance	WS C-1
21	Transmission Functional Rate Year beginning balance	WS C-2
22	Annual forecasted change	Line 20 less Line 21
23	Monthly forecasted change	Line 22 / 12

(A) (B) (C) (D) (E) (F) (G) (H)

Line	Future Test Period	Proratable Deferred Tax Activity	Deferred Tax Balance	Days in Month	Number of Days Left in Period	Proration Amount	Prorated Item	Prorated Balance
24	Beginning Balance	-	-		365	100.00%	-	-
25	January (line 4)	-	-	31	335	91.78%	-	-
26	February	-	-	28	307	84.11%	-	-
27	March	-	-	31	276	75.62%	-	-
28	April	-	-	30	246	67.40%	-	-
29	May	-	-	31	215	58.90%	-	-
30	June	-	-	30	185	50.68%	-	-
31	July	-	-	31	154	42.19%	-	-
32	August	-	-	31	123	33.70%	-	-
33	September	-	-	30	93	25.48%	-	-
34	October	-	-	31	62	16.99%	-	-
35	November	-	-	30	32	8.77%	-	-
36	December	-	-	31	1	0.27%	-	-
37	Ending Balance	-	-					-
38	Proration Adjustment - Line 37 Col. (H) less Col. (C)			-	-	-	-	\$ -

AEP West SPP Member Operating Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate 2008 Cost of Service Formula Rate
Worksheet D - Working Capital Rate Base Adjustments
Company Name

AEP - SPP
 Formula Rate
 TCOS - WS D
 Page: 26 of 38

Line Number	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	<u>Materials & Supplies</u>								
			<u>Source</u>	<u>Balance @ December 31, 20072XXX</u>	<u>Balance @ December 31, 20062XXX-1</u>	<u>Average Balance for Rate Year 20072XXX</u>			
				FF1, p. 227, Col.	FF1, p. 227,				

			(c)	Col. (b)	
4					
21	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c & b)	0	0	-
2	<u>Less: Transmission Serving Generation</u>	<u>Company Records</u>			=
3	<u>Transmission M&S, Excl Trans Serving Gen</u>		=	=	=
34	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c & b)	0	0	-
45	Stores Expense (Undistributed) - <u>Account 163</u>	FF1, p. 227, ln 16, Col. (c & b)	0	0	-

Prepayment Balance Summary

		Average of	Excludable	100% Transmission	Transmission Plant	Transmission Labor	Total Included in Rate Base
		<u>YE Balance</u>	<u>Balances</u>	<u>Related</u>	<u>Related</u>	<u>Related</u>	<u>(E)+(F)+(G)</u>
56	Totals as of December 31, <u>20072XXX</u>	0	0	0	0	0	0
67	Totals as of December 31, <u>20062XXX-1</u>						
78	Average Balance	-	-	-	-	-	-

Prepayments Account 165 - Balance @ 12/31/20072XXX

			Excludable	100% Transmission	Transmission Plant	Transmission Labor	Total Included in Rate Base
		<u>20072XXX</u>	<u>Balances</u>	<u>Related</u>	<u>Related</u>	<u>Related</u>	<u>(E)+(F)+(G)</u>
8	<u>Acc. No.</u>	<u>Description</u>	<u>YE Balance</u>	<u>Related</u>	<u>Related</u>	<u>Related</u>	<u>1</u>
9			0				-
10			0				

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

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31

32

33

34

35

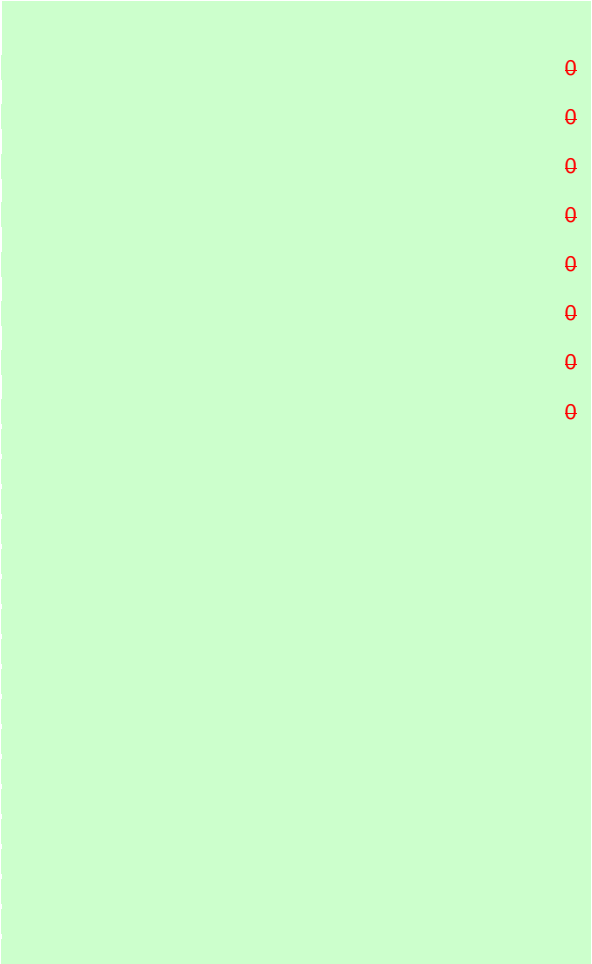
36

37

38

39

40



0

0

0

0

0

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0

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0

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0

Subtotal - Form 1, p
111.57.c

-
-
-
-
-
-
-
-
-

67
68
69
70
71
72
73



3074 Subtotal - Form 1, p
111.57.c-d

AEP West SPP Member Operating Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate-2008-Cost of Service Formula Rate
Worksheet E - IPP Credits
Company Name

AEP-SPP Formula Rate
TCOS-WS-E
Page: 27 of 38

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 20072XXX</u>
1	Net Funds from IPP Customers @ 12/31/ 2006-2XXX-1 (2007-2XXX FORM 1, P269, (B))	-
2	Interest Accrual (company-Company records Records)	-
3	Revenue Credits to Generators (company-Company records Records)	-
4	<u>Other Adjustments</u> (company-Company records Records)	
5	Accounting Adjustment	-
6		-
7	Net Funds from IPP Customers 12/31/ 2007-2XXX (2007-2XXX-1 FORM 1, P269, (F))	-
8	Average Balance for 2007-2XXX ((ln 1 + ln 7)/2)	-

AEP West SPP Member Operating Companies

AEP-SPP Formula Rate

2 Cost of Service Formula Rate Projected on 2016 FF1 Balances Actual / Projected
2XXX Rate Year Cost of Service Formula Rate 2008 Cost of Service Formula Rate
 Projected on 2007 FF1 Balances

TCOS—WS F

Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for **BPU**
Base Plan and Special-billed Projects

Page: 28 of 38

Based on a Carrying Charge Derived from Historic 2007 2016 Data

Company Name

Line Number

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

Note: Worksheets F and G are both populated from the TCOS worksheet every update. Worksheet F is only used in Projections. Worksheet G is used only in True-Ups. These worksheets add up all of the individual SPP Base Plan projects, Requested Upgrades, Economic Upgrades, or any other projects billed by SPP through other than the NITS rate.

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

1 ROE w/o incentives (Attachment H, In 149 TCOS, In 141) 11.20 %

2 Project ROE Incentive Adder (Enter as whole number) basis points

3 ROE with additional 0 basis point incentive 11.20 % **ROE Cannot Exceed 12.45%**

4 Determine R (cost of long term debt, cost of preferred stock and percent is from Attachment H TCOS, Ins 15839 through 160 through 141)

		<u>%</u>	<u>Cost</u>	<u>Weighted cost</u>
<u>5</u>		0		
		.		
		0		
<u>6</u>	Long Term Debt	%	0.000	0.000
		0		
		.	0.000	0.000
<u>7</u>	Preferred Stock	0	0	0

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS

Rev			
Require	W Incentives		Incentive Amounts

0
 %
 0
 .
 0
 0 0.112 0.000
 Common Stock % 0 0
 0.000
 R = 0

8

9

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

1
0
1
1
1
2

Rate Base (Attachment H, In 7562) -
 R (from A. above) -
 Return (Rate Base x R) -

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

1
3
1
4
1
5
1
6
1
7
1
8
1
9
2
0

Return (from B. above) -
 Tax Rate (Attachment HTCOS, In 935.0
10697) 0%
 $EIT = (T / (1 - T)) * (1 - (WCLTD / WACC)) =$ 0.00 %
 Income Tax Calculation
 (Return x EIT) -
 ITC Adjustment (Attachment
HTCO, In 1406) -
 Excess DFIT Adjustment (TCOS,
 In 107) -
 Tax Effect of Permanent and Flow
 Through Differences (TCOS, In 108) -
 Income Taxes -

Σ PROJECTED	20082XX							\$	
YEAR	<u>X</u>	-	-	-	-	-	-	-	-

Note: PART IV ---Projected Base Plan Project Tables Review formulas in summary to ensure the proper year's revenue requirement is being

accumulated for each project from the tables below are contained in a separate file

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.

2	Net Revenue Requirement	-
1	(Attachment HTCOS, In 423115)	-
2	Return (Attachment HTCOS, In 418110)	-
2	Income Taxes (Attachment HTCOS, In 417109)	-
2	Gross Margin Taxes (Attachment HTCOS, In 422114)	-
4		-----
2	Net Revenue Requirement, Less Return and Taxes	-

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

2	Net Revenue Requirement, Less Return and Taxes	-
6		-
2	Return (from I.B. above)	-
7		-
2	Income Taxes (from I.C. above)	-
8	Net Revenue Requirement, with Basis Point ROE increase	-
2		-
9		-
3	<u>Gross Margin Tax with Basis Point ROE Increase (I.C. below)#REF!</u>	-
0		-----
3	Revenue Requirement w/ Gross Margin Taxes	-
1	Less: Depreciation	-
3	(Attachment HTCOS, In 9584)	-
2	Net Rev. Req, w/ Basis Point ROE increase, less Depreciation	-
3		-

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

3	Net Revenue Requirement before Gross	
---	--------------------------------------	--

4	Margin Taxes, with 0	-	
3	Basis Point ROE increase (II B.		
6	above)		
3	Apportionment Factor to Texas	0.00	
6	(Worksheet K, In 12)	<u> %</u>	
3	Apportioned Texas Revenues	-	
7	Taxable Percentage of Revenue		
3	(70%)	<u> 70%</u>	
8	Taxable, Apportioned Margin	-	
3	Texas Gross Margin Tax Rate	<u> 1%</u>	
4	Texas Gross Margin Tax		
4	Expense	-	
1	Gross-up Required for Gross		
4	Margin Tax Expense	<u> -</u>	
2	Total Additional Gross Margin Tax		
4	Revenue Requirement	-	
3			
	D. Determine FCR with hypothetical 0		
	basis point ROE increase.		
	Net Transmission Plant		
4	(Attachment H TCOS, Ins 46, 47,		
4	48, 49, 51 37)	-	
4	Net Revenue Requirement, with 0 Basis		
5	Point ROE increase	<u> -</u>	
4	FCR with 0 Basis Point increase in	0.00	
6	ROE	<u> %</u>	
4	Net Rev. Req, w / 0 Basis Point		
7	ROE increase, less Dep.	-	
4	FCR with 0 Basis Point ROE	0.00	
8	increase, less Depreciation	<u> %</u>	
4	FCR less Depreciation	<u> 0.00</u>	
9	(Attachment H TCOS, In 1210)	<u> %</u>	
5	Incremental FCR with 0 Basis Point ROE	0.00	
0	increase, less Depreciation	<u> %</u>	
	Calculation of Composite		
	Depreciation Rate		
5	Transmission Plant @ Beginning of		<==From
1	Period (Worksheet A In 9 col.	-	Input on

	((D))Transmission Plant @ Beginning of Period (P.206, In 58)		Worksheet B
	Transmission Plant @ End of Period (Worksheet A In 9 col.		<==From Input on
5	((C))Transmission Plant @ End of Period (P.207, In 58)	-	Worksheet B
2			
		-	
5	Transmission Plant Average Balance for 2007-2XXX	-	
3		-	
5	Annual Depreciation Expense (Attachment HTCOS, In 24684)	-	
4		0.00	
5	Composite Depreciation Rate	%	
5	Depreciable Life for Composite		
6	Depreciation Rate	-	
5			
7	Round to nearest whole year	-	

Worksheet F - Company Name - Calculation of Projected ARR for SPP Base Plan ~~Upgrades~~ Upgrade Projects

IV. Determine the Revenue Requirement & Additional Revenue Requirement for facilities receiving incentives.

A. Facilities receiving incentives accepted by FERC in Docket No.

[Redacted] (e.g.-ER05-925-000)

Project Description :

[Redacted]

Current Projected Year ARR	-
Current Projected Year ARR w/Incentives	-
Current Projected Year Incentive ARR	-

DETAIL	
LS	Project Number

-2028
-2029
-2030
-2031
-2032
-2033
-2034
-2035
-2036
-2037
-2038
-2039
-2040
-2041
-2042
-2043
-2044
-2045
-2046
-2047
-2048
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-2052
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-2054
-2055
-2056
-2057
-2058
-2059
-2060

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-2061	-	-	-	-	-	-	\$	-	\$	-	\$	-	\$
-2062	-	-	-	-	-	-	\$	-	\$	-	\$	-	\$
-2063	-	-	-	-	-	-	\$	-	\$	-	\$	-	\$
Project Totals													

##** This is the calculation of additional incentive revenue on projects deemed by the FERC to be eligible for an incentive return. This additional incentive requirement is applicable for the life of this specific project. Each year the revenue requirement calculated for SPP should be incremented by the amount of the incentive revenue calculated for that year on this project.

AEP West SPP Member Operating Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate-2008-Cost of Service-Formula-Rate-Projected on 2007-FF1 Balances
Worksheet G - Calculation of TRUED-UP Annual Revenue Requirement for BPU-Base Plan and Special-billed Projects
Based on a Carrying Charge Derived from Trued-Up-2007-Data
Company Name

AEP-
SPP
Formula
Rate
TCOS-
WS-G
Page-30
of 38

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

Note: Worksheets F and G are both populated from the TCOS worksheet every update. Worksheet F is only used in Projections. Worksheet G is used only in True-Ups. These worksheets add up all of the individual SPP Base Plan projects, Requested Upgrades, Economic Upgrades, or any other projects billed by SPP through other than the NITS rate.

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

1	ROE w/o incentives (<u>Attachment HTCOS, In 136141</u>)	11.20%
2	Project ROE Incentive Adder (Enter as whole number)	0 basis points

				<=Incentive ROE Cannot Exceed 12.45%
<u>3</u>	ROE with additional 0 basis point incentive		11.20%	
	Determine R (cost of long term debt, cost of preferred stock and percent is from Attachment HTCOS, Ins 158-139 through 160 through 141)			
<u>4</u>				
<u>5</u>		%	<u>Cost</u>	<u>Weighted cost</u>
<u>6</u>	Long Term Debt	0.00%	0.0000	0.0000
<u>7</u>	Preferred Stock	0.00%	0.0000	0.0000
<u>8</u>	Common Stock	0.00%	0.1120	<u>0.0000</u>
<u>9</u>			R =	<u>0.0000</u>

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

<u>10</u>	Rate Base (Attachment HTCOS, In 6362)	-
<u>11</u>	R (fom A. above)	-
<u>12</u>	Return (Rate Base x R)	-

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

<u>1</u>	Return (from B. above)
----------	------------------------

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR SPP BPU & NON-BPU PROJECTS			
	Re v Re quir e	W Inc enti ves	Ince n tive Amo unts
<u>True-Up Rate Year RUE-UP YEAR</u>			
<u>Σ True Up Year Projected WS-F</u>	20072XX X		
	-As Projected In-Prior Year-WS F	\$	\$
<u>Σ True-Up Year True-Up WS-G</u>	-Actual True-Up	-	-
<u>True-up Adjustment For 2XXX-</u>	True-Up of ARR for 2007201 6	-	-

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

[PART IV --- True-Up Base Plan Project Tables](#) are contained in separate tables

3		-
1		
4	Tax Rate (Attachment HTCOS, In 26097)	0.00%
1		
5	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	0.00%
1		
6	Income Tax Calculation (Return x EIT)	-
1	ITC Adjustment (Attachment HTCOS, In	
7	103106)	-
1	<u>Excess DFIT Adjustment (TCOS, In</u>	-
8	<u>107)</u>	-
1	<u>Tax Effect of Permanent and Flow</u>	
9	<u>Through Differences (TCOS, In 108)</u>	
2		
0	Income Taxes	-

**I Calculate Net Plant Carrying Charge
I Rate (Fixed Charge Rate or FCR) with
hypothetical 0 basis point**

ROE increase.

**A. Determine Net Revenue
Requirement less return and Income
Taxes.**

2	Net Revenue Requirement (Attachment	
1	HTCOS, In 110115)	-
2		
2	Return (Attachment HTCOS, In 105110)	-
2	Income Taxes (Attachment HTCOS, In	
3	104109)	-
2	Gross Margin Taxes (Attachment HTCOS, In	
4	109114)	-
2	Net Revenue Requirement, Less Return	-
5	and Taxes	-

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

2	Net Revenue Requirement, Less Return and	
6	Taxes	-
2		
7	Return (from I.B. above)	-
2		
8	Income Taxes (from I.C. above)	-

2
10
3
10
10
3
1
2
10
3

Net Revenue Requirement, with 0 Basis Point ROE increase	-
Gross Margin Tax with Basis Point ROE Increase (II C. below)	-
Revenue Requirement w/ Gross Margin Taxes	-
Less: Depreciation (Attachment HTCOS, In 8384)	=
Net Rev. Req, w/0 Basis Point ROE increase, less Depreciation	-

C. Determine Gross Margin Tax with hypothetical 0.412 basis point increase in ROE.

10
4
10
5
10
6
3
7
3
10
4
10
4
1
4
2
4
3

Net Revenue Requirement before Gross Margin Taxes, with 0	-
Basis Point ROE increase (II B. above)	
Apportionment Factor to Texas (Worksheet KTCOS, 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.

4
4
4
5
4
6

Net Transmission Plant (Attachment HTCOS, In 3937)	-
Net Revenue Requirement, with 0 Basis Point ROE increase	=
FCR with 0 Basis Point increase in ROE	0.00%

4
7
4

Net Rev. Req, w / 0 Basis Point ROE increase, less Dep.	-
FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

8 4 9 5 0	FCR less Depreciation (Attachment HTCOS, In 120)	0.00%
	Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

||
||
.

Calculation of Composite Depreciation Rate

5 1 5 2	Transmission Plant @ Beginning of Period (P-206, In 58Worksheet A In 9 col. (D))	-	<==From Input on Worksheet B
	Transmission Plant @ End of Period (Worksheet A In 9 col. (C)P-207, In 58)	-	<==From Input on Worksheet B
		-	
5 3 5 4 5 5 6 5 7	Transmission Plant Average Balance for 2007 2XXX	-	
	Annual Depreciation Expense (Attachment HTCOS, In 843)	-	
	Composite Depreciation Rate	0.00%	
	Depreciable Life for Composite Depreciation Rate	-	
	Round to nearest whole year	-	

Worksheet G - Company Name - Calculation of Trued-Up ARR for
SPP Base Plan Upgrades/Upgrade Projects

IV. Determine the Revenue Requirement, and Additional Revenue Requirement for facilities receiving incentives.

A. Facilities receiving incentives accepted by FERC in Docket No. [REDACTED]

(e.g. ER05-025-000)

Project Description: [REDACTED]

20072XXX Prior Yr Rate Year Projected (WS-F) Prior Yr Rate Year True-Up (WS-G)	Rev Require	W Incentives	Incentive Amounts
-	-	-	-
-	-	-	-
True-Up Adjustment	-	-	-

DETA ILS	Project Number							
Investment Service Year (yyyy) Service Month (1-12) Useful life CIAC (Yes or No)	2007-	True-Up Year						20072XXX
		ROE Increase accepted by FERC (Basis Points)						-
		FRC w/o Incentives, less depreciation						0.00%
		FRC w/Incentives approved for these facilities, less dep.						0.00%
		Annual Depreciation Expense						-
Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	Average Balance	BPU-Rev. Req't Annual Revenue w/o Incentives Requirement	BPU-Rev. Annual Revenue Req't with Incentives **	Additional Rev-Incentive Rev. Requirement #**	
2007-	-	-	-	-	-	-	\$ -	
2008- -2009	-	-	-	-	-	-	\$ -	

CUMULATIVE HISTORY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS

INPUT TRUE-UP ARR (WITH & WITHOUT INCENTIVES) FROM EACH PRIOR YEAR

TEMPLATE BELOW TO MAINTAIN HISTORY OF TRUED-UP ARR'S OVER THE

LIFE OF THE PROJECT.

Projected-BPU Rev. Req't From Prior Year Template w/o Incentives	BPU Rev Req't True-up w/o Incentives	Projected BPU Rev. Req't From Prior Year Template with Incentives **	BPU Rev Req't True-up with Incentives **	True-up of Incentive with Incentive **
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -

-2010	.	.	.	.	€	€	€	€	€
-2011	.	.	.	.	€	€	€	€	€
-2012	.	.	.	.	€	€	€	€	€
-2013	.	.	.	.	€	€	€	€	€
-2014	.	.	.	.	€	€	€	€	€
-2015	.	.	.	.	€	€	€	€	€
-2016	.	.	.	.	€	€	€	€	€
-2017	.	.	.	.	€	€	€	€	€
-2018	.	.	.	.	€	€	€	€	€
-2019	.	.	.	.	€	€	€	€	€
-2020	.	.	.	.	€	€	€	€	€
-2021	.	.	.	.	€	€	€	€	€
-2022	.	.	.	.	€	€	€	€	€
-2023	.	.	.	.	€	€	€	€	€
-2024	.	.	.	.	€	€	€	€	€
-2025	.	.	.	.	€	€	€	€	€
-2026	.	.	.	.	€	€	€	€	€
-2027	.	.	.	.	€	€	€	€	€
-2028	.	.	.	.	€	€	€	€	€
-2029	.	.	.	.	€	€	€	€	€
-2030	.	.	.	.	€	€	€	€	€
-2031	.	.	.	.	€	€	€	€	€
-2032	.	.	.	.	€	€	€	€	€
-2033	.	.	.	.	€	€	€	€	€
-2034	.	.	.	.	€	€	€	€	€
-2035	.	.	.	.	€	€	€	€	€
-2036	.	.	.	.	€	€	€	€	€
-2037	.	.	.	.	€	€	€	€	€
-2038	.	.	.	.	€	€	€	€	€
-2039	.	.	.	.	€	€	€	€	€
-2040	.	.	.	.	€	€	€	€	€
-2041	.	.	.	.	€	€	€	€	€
-2042	.	.	.	.	€	€	€	€	€

-2043	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2044	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2045	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2046	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2047	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2048	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2049	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2050	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2051	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2052	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2053	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2054	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2055	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2056	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2057	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2058	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2059	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2060	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2061	-	-	-	-	-	-	-	\$	\$	\$	\$	\$
-2062	-	-	-	-	-	-	-	\$	\$	\$	\$	\$

Project
Totals

##** This is the calculation of additional incentive revenue on projects deemed by the FERC to be eligible for an incentive return. This additional incentive requirement is applicable for the life of this specific project. Each year the revenue requirement calculated for SPP

AEP West SPP Member Operating Companies

Actual / Projected 2XXX Rate Year Cost of Service Formula Rate Cost of Service Formula Rate Using 2007 FF1 Balances
Worksheet H
Worksheet H - Revenue Credits for ~~Historic Period~~

AEP-SPP
 Formula Rate
 TCOS-WS
 H
 Page: 32 of
 38

Company Name

Revenue Credits for

Line:

Total	Non-	Transmissio
Company	n	n

I-1 Account 450, Forfeited Discounts— (FF1 p.300.16.(b); Company Records - Note 1)

-	-	-
---	---	---

II-2 Account 451, ~~Miscellaneous Misc.~~ Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)

-	-	-
---	---	---

III. Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)

- 1 Account 4540001 - Rent from Elect Property-Aff
- 2 Account 4540002 - Rent from Elect Property - Non-Aff
- 3 Account 4540003 - Rent from Elect Property ~~— ABD—Aff~~Pole Attach
- 4 Account 4540004 - Rent from Elect Property - ABD - Non-Aff
Other 454 Accounts

-	-	-
-	-	-
-	-	-
-	-	-

3 5 Total Rents from ~~Electire~~ Electric Property

-	-	-
---	---	---

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

IV. Account 456.0 Other Operating Revenues (FF1 p.300.21.(b); Company Records - Note 1) ~~Account 4560015, Revenues from Associated Business Development~~

- 1 Account 4560015, Revenues from Associated Business Development
- 2 All Other 456.0 Revenues
- 4 Total 456.0 Other Operating Revenues

-	-	-
-	-	-
-	-	-

V. ~~Total Other Operating Revenues To Reduce Revenue Requirement~~

-	-	-
---	---	---

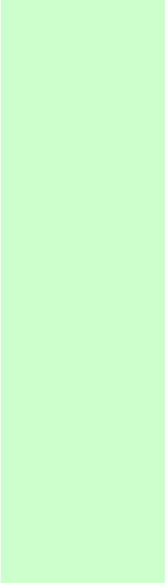
VI. Account 456.1, Revenues from Transmission of Electricity of Others (FF1 p.300.22.(b); Company Records - Note 1)

-	-	-
---	---	---

(Provide data sources and any detailed explanations necessary in Section VIII Notes below)

Less:

- 1 Transmission Direct Assignment Revenue (if costs not in the ARR)
- 2 Sponsored Upgrade Revenue
- 3 Credits against Transmission Service Revenue related to Generation Interconnections
- 4 Revenue for GFA's (Relative to SPP OATT) Associated with Load Included in the Divisor
- 5 Network Service Revenue (SPP Schedule 9) Associated with Load included in the Divisor
- 6 Revenue Associated with Transmission Plant Excluded From SPP Tariff
- 7 Distribution and Other Non-Transmission Revenue
- 8 Revenue from SPP Ancillary Services Provided
- 9 Base Plan Revenue (from SPP)
- 10 Flow Through of ERCOT Ancillary Charges
- 11 Other



**Net 456.1
Transmission Credits**

-
\$0

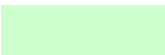
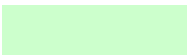
5

VII.6 Account 457.1. Regional Control Service Revenues (FF1 p.300.23.(b); Company Records - Note 1) Total Worksheet A Revenue Credits



\$0

VIII.7 Account 457.2. Miscellaneous Revenues (FF1 p.300.24.(b); Company Records - Note 1) Data Sources:



8 Total Revenue Credits - Sum lines 1 through 7

\$0

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

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

AEP West SPP Member Operating Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate Cost of Service Formula Rate Using 2007 FF1 Balances
Worksheet I - Supporting Transmission Expense Adjustments
 Company Name

AEP-SPP Formula Rate
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Note: This worksheet is used to include any FERC jurisdictional transmission-related (i.e. non-retail) expenses recorded in Accounts 561 or 565 which are includable in the formula on TCOS line 66, and make any other necessary FERC jurisdictional adjustments to Transmission O&M.

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2XXX</u>
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
1410	Total (sum of lines 2 through 13-9)	\$0

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

AEP West SPP Member Operating Companies
 Actual / Projected 2XXX Rate Year Cost of Service Formula Rate Cost of Service Formula Rate Using 2007 FF1 Balances
Worksheet J - Allocation of Specific O&M or A&G Expenses

AEP-SPP Formula Rate
 TCOS-WS-J
 Page: 34 of 38

Company Name

	(A)	(B)	(C)	(D)	(E)	(F)	
	FERC		20072XXX	100%	100%	Explanation of	
<u>Line</u>	<u>Acct No.</u>	<u>Description</u>	<u>Expense</u>	<u>Non-Transmission</u>	<u>Transmission</u>	<u>Explanation Specific</u>	
<u>Number</u>					<u>Specific</u>	<u>Items</u>	
		<u>Account 928</u>					
1	928	-Regulatory Commission Expense			-		
2					-		
3					-		
4					-		
5					-		
6					-		
7					-		
8					-		
9					-		
10					-		
11					-		
12					-		
13					-		
14					-		
15					-		
4016		<u>Total (FERC Form 1 p.323.189.b) Total</u>		0 -	-		
		<u>Account 930.1</u>					
41		-	-		-		
42		-	-		-		
43		-	-		-		

44

45

46

17

18

19

20

21

22

23

9301000

-General Advertising Expenses

2422

Total (FERC Form 1 p.323.191.b)Total

0 - -

Account 930.2

2523

2624

257

268

279

30

31

32

93020000

Misc General Expenses

3328

Total (FERC Form 1 p.323.192.b)Total

0 - -

Worksheet K - Development of Composite State Income Tax Rate

Company Name

I. DEVELOPMENT OF COMPOSITE STATE INCOME TAX RATES FOR ~~2007~~2XXX

State Income Tax Rate - Oklahoma	Note 1	0.00%	
Apportionment Factor		0.0000%	0.000
Effective State Income Tax Rate			0%
State Income Tax Rate - Ohio Texas		0.0000%	
Apportionment Factor		0.00%	
Tax Phase-out Factor	Note-2	0.00%	
Effective State Income Tax Rate			0.000
			0%
State Income Tax Rate - Louisiana		0.0000%	
Apportionment Factor		0.00%	
Effective State Income Tax Rate			0.000
			0%
State Income Tax Rate - Arkansas		0.0000%	
Apportionment Factor		0.00%	
Effective State Income Tax Rate			0.000
			0%
State Income Tax Rate -		0.0000%	
Apportionment Factor		0.00%	
Effective State Income Tax Rate			0.000
			0%
Total Effective State Income Tax Rate			0.000
			0%

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

		<u>Projected / Actual</u>	
		Total Company	Trans. Only
Line #	REVENUE REQUIREMENT BEFORE TEXAS GROSS MARGIN TAX (In 118 of Template <u>TCOS In 114</u>)	-	-
1	Apportionment Factor to Texas (In 12)	0.00%	0.00%
2	Apportioned Texas Revenues	\$0	\$0
3	Taxable Percentage of Revenue (70%)	<u>-70%</u>	<u>-70%</u>
4	Taxable, Apportioned Margin	-	-
5	Texas Gross Margin Tax Rate (1%)	<u>-1%</u>	<u>-1%</u>
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	-	<u>KW</u>
11	Total Load	-	<u>KW</u>
12	Allocation Percentage (In 10 / In 11)	0.00%	

AEP West SPP Member Operating Companies

Actual / Projected 2XXX Rate Year Cost of Service Formula Rate Cost of Service Formula Rate Using 2007 FF1 Balances

AEP-SPP Formula Rate
TCOS-WS-L

Worksheet L - Taxes Other than Income

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Company Name

HISTORIC PERIOD EXPENSE (2007) - TO BE USED ON TRUE-UP TEMPLATE

	(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Account	Total Company	Property	Labor	Other	Non-Allocable
1	Revenue Taxes					
2						
3						
34	Real Estate and Personal Property Taxes					
54						
65						
76						
87						
9						
810	Payroll Taxes					
119						
120						
134						
14						
152	Production Taxes					
163						
174						
18						
195	Miscellaneous Taxes					
2046						
2147						
2248						
2349						
2420						
254						

262
273
284
295
3026
3126
32
33
34

3527	Total Taxes by Allocable Basis	-	-	-	-

(Total Company Amount Ties to FFI p.114, Ln 14,(c))
NOTE: As a check, the difference between the total from Ln 35 above and the total on FF1 p.263 line 41(i) should equal the sum of the 'income' tax line items within FF1 p262.x-263.x

AEP West SPP Member Companies
 Cost of Service Formula Rate Using 2007 FF1 Balances
Worksheet M - Cost of Debt Based on Outstanding Balances as of 12/31/2007

AEP-SPP
Formula
Rate
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M
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	(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) Affiliated Notes Payable</u>				
1					
2	-	-	-		0 -
	<u>Pollution Control Bonds</u>				
3					
3a	-	-	-		-

4	-	-	-	_____	-
5	-	-	-	_____	-
	<u>Senior</u>				
	<u>Unsecured</u>				
	<u>Notes</u>				
6	-	-	-	_____	-
7	-	-	-	_____	-
8	-	-	-	_____	-
9	-	-	-	_____	-
10	-	-	-	_____	-
11	-	-	-	_____	-
12	-	-	-	_____	-
13	-	-	-	_____	-
	<u>Issuance</u>				
	<u>Discount,</u>				
	<u>Premium, &</u>				
	<u>Expenses:</u>				
	<u>Financial</u>				
14	Hedges & Auction Fees	-FF1.p. 256 & 257. Lines Described as Hedges or Fees	-	_____	-
	<u>Amort of Debt Discount and</u>				
15	Expenses	-FF1.p. 117.63.c	-	_____	-
	<u>Less: Amor of Debt</u>				
16	Premiums	-FF1.p. 117.65.c	-	_____	-
	<u>Reacquired Debt:</u>				
	<u>Amortization of Loss</u>				
17		-FF1.p. 117.64.c	-	_____	-
	<u>Less: Amortization of Gain</u>				
18		-FF1.p. 117.66.c	-	_____	-
	Total Interest on Long Term Debt				
19	-		0.00%	_____	-

	Preferred Stock (FF1.p. 250-251)	Preferred Balance Outstanding	
20	-	-	_____
21	-	-	_____
22	-	-	_____
23	Dividends on Preferred Stock	-	0.00% _____

AEP West SPP Member Operating Companies
Actual / Projected 2XXX Rate Year Cost of Service Formula Rate
Cost of Service Formula Rate Using 2007 FF1 Balances
Worksheet M
 Company Name

AEP - SPP Formula Rate
 TCOS - WS - NM
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Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2006-2XXX-1 and 12/31/2007-2XXX

(A)	(B)	(C)	(D)	(E)
<u>Line</u>		<u>Balances @</u>	<u>Balances @</u>	<u>Average</u>
		<u>12/31/2007-2XXX</u>	<u>12/31/2006-2XXX-1</u>	
<u>Development of Average Balance of Common Equity</u>				
1	Total Proprietary Capital (p. 112.16.c&d)	-	-	-
2	Less Preferred Stock from Ln 46-43 below	0	0	-
3	Less Account 216.1 (p. 112.12.c&d)	-	-	-
4	Less Account 219.1 (p. 112.15.c&d)	-	-	-
5	Average Balance of Common Equity	-	-	-

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

6	<u>Account 121</u> Bonds (221) (p. 112.18.c&d)	-	-	-
7	Less: <u>Account 222</u> Reacquired Bonds (222) (p. 112.19.c&d)	-	-	-
8	<u>Account 223</u> Advances from Assoc. Companies (223) (p112.20.c&d)	-	-	-
9	<u>Account 224</u> Senior Unsecured Notes (224) (p. 112.21.c&d)	-	-	-
10	<u>Less: Non-Transmission Securitization (Co. Records)</u>	-	-	-
101	<u>1 Total Long-Term Debt</u>	-	-	-
111	<u>2 Annual Interest Expense for 2008</u>			
121	<u>3 Coupon</u> -Interest on Long Term Debt <u>- Accts 221-224</u> (256-257.33.i)			-
131	<u>4</u> Less: Financial Hedge Gain/Expense from Ln <u>26-28</u> Included in Ln <u>4213</u>			-
15+	<u>4</u> Plus: Allowed Hedge Recovery from Ln <u>30-32</u> below			-
16+	<u>5</u> Amort of Debt Discount & Expense (428) <u>- Acct 428</u> (p. 117.63.c)			-
17+	<u>6</u> Amort of Loss on Reacquired Debt (428.1) <u>- Acct 428.1</u> (p. 117.64.c)			-
18+	<u>7</u> Less: Amort of Premium on Debt <u>- Acct 429(429)</u> (p. 117.65.c)			-
19+	<u>8</u> Less: Amort of Gain on Reacquired Debt <u>- Acct (429.1)</u> (p. 117.66.c)			-
20	<u>Less: Non-Trans. Securitization (Company Records)</u>			-
214	<u>9 Total Interest Expense (Ln 42-13 + Ln 43-14 + Ln 44-15 + Ln 45-16 + Ln 46-17 - Ln 47-18 - Ln 48-19 - Ln 20)</u>			-
202	<u>2 Average Cost of Debt for 2008 (Ln 4921/Ln 4011)</u>			0.00%
232	<u>4</u> Financial Hedge Amortization Reported in Column (i) on Page 256-257 (Enter Gains as a Negative Number)			
242				
252				
262				

4		
272		
5		
282		
6	Total Hedge Amortization	-
292		
7	Total Average Capital Balance for 2007 (Actual TFCOS, Ln 137)42)	
302		
8	Financial Hedge Recovery Limit - Five Basis Points of Total Capital	0.0005
312		
9	Limit of Recoverable Amount	-
323		
0	Recoverable Hedge Amortization (Lesser of Ln 26-28 or Ln 2931) <i>(lesser of 5 basis point Cap or Actual (Gain)/Expense based on magnitude as indicated on Ln 28 or Ln 31)</i>	-

Development of Cost of Preferred Stock

Preferred Stock				Average
333				
4	0% Series - 0 - Dividend Rate (p. 250-251. .a)	0.00%		0.00%
343		\$		
2	%0% Series - 0 - Par Value (p. 250-251. .c)	-	\$	-
353				
3	%0% Series - 0 - Shares O/S (p.250-251. .e)	-		-
363				
4	%0% Series - 0 - Monetary Value (Ln 32-34 * Ln 3335)	-		-
373				
5	%0% Series - 0 - Dividend Amount (Ln 31-33 * Ln 3436)	-		-
383				
6	%0% Series - 0 - Dividend Rate (p. 250-251. .a)	0.00%		0.00%
393		\$		
7	%0% Series - 0 - Par Value (p. 250-251. .c)	-	\$	-
403				
8	%0% Series - 0 - Shares O/S (p.250-251. .e)	-		-
413				
9	%0% Series - 0 - Monetary Value (Ln 37-39 * Ln 3840)	-		-
424				
0	%0% Series - 0 - Dividend Amount (Ln 36-38 * Ln 3941)	-		-
44	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)

- - -

464
3 **Balance of Preferred Stock (Lns 34, 3936, 4441)**

- - -

474
4 **Dividens on Preferred Stock (Lns 35, 407, 4542)**

-	-	-
---	---	---

484
5 **Average Cost of Preferred Stock (Ln 4744/4643)**

0.00% 0.00% **0.00%**