

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

APPALACHIAN POWER COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 138)			\$232,463,494
2	REVENUE CREDITS	(Note A) (Worksheet E)	3,618,736	DA 1.00000	\$ 3,618,736
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			<u>\$ 228,844,758</u>

MEMO: The Carrying Charge Calculations on lines 6 to 11 below are used in calculating project revenue requirements billed through PJM Schedule 12, Transmission Enhancement Charges. The total non-incentive revenue requirements for these projects shown on line 4 is included in the total on line 3.

4	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet J)		1,956,928	DA 1.00000	\$ 1,956,928
5	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
6	Annual Rate	((In 1 - In 105 - In 106)/((In 48 + In 49 + In 50 + In 51 + In 53) x 100))			15.73%
7	Monthly Rate	(In 6 / 12)			1.31%
8	NET PLANT CARRYING CHARGE ON LINE 6, w/o depreciation or ROE incentives (Note B)				
9	Annual Rate	((In 1 - In 105 - In 106 - In 111 - In 112)/((In 48 + In 49 + In 50 + In 51 + In 53) x 100))			13.45%
10	NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B)				
11	Annual Rate	((In 1 - In 105 - In 106 - In 111 - In 112 - In 133 - In 134)/((In 48 + In 49 + In 50 + In 51 + In 53) x 100))			3.92%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J)				-
13	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES				
14	Total Load Dispatch & Scheduling (Account 561)	Line 85 Below			10,758,518
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				5,714,454
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				1,211,704
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			<u>3,832,360</u>

AEP East Companies
Transmission Cost of Service Formula Rate
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APPALACHIAN POWER COMPANY

Line No.	(1)	(2)	(3)	(4)	(5)
	<u>RATE BASE CALCULATION</u>	<u>Data Sources (See "General Notes")</u>	<u>TO Total NOTE C</u>	<u>Allocator</u>	<u>Total Transmission</u>
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.C)	5,620,438,618	NA 0.00000	-
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(71,986,517)	NA 0.00000	-
20	Transmission	(Worksheet A In 3.C & Ln 142)	2,040,266,144	DA	1,989,664,925
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C & Ln 143)	-	TP 0.97520	-
22	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.D)		140,824,365	DA 1.00000	140,824,365
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I, In 22.D)		-	DA 1.00000	-
24	Distribution	(Worksheet A In 5.C)	2,988,920,393	NA 0.00000	-
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	(3,069)	NA 0.00000	-
26	General Plant	(Worksheet A In 7.C)	195,239,795	W/S 0.07081	13,825,109
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(811,747)	W/S 0.07081	(57,481)
28	Intangible Plant	(Worksheet A In 9.C)	123,626,312	W/S 0.07081	8,754,093
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	11,036,514,294		2,153,011,011
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.C)	2,022,105,333	NA 0.00000	-
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(30,813,283)	NA 0.00000	-
33	Transmission	(Worksheet A In 14.C & 28.C)	629,801,174	TP1= 0.98245	618,746,248
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 0.98245	-
35	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.I)		1,562,690	DA 1.00000	1,562,690
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I In 24.D)		-	DA 1.00000	-
37	Plus: Additional Transmission Depreciation for 2013 (In 111)		32,626,776	TP1 0.98245	32,054,077
38	Plus: Additional General & Intangible Depreciation for 2013 (In 113 + In 114)		19,855,273	W/S 0.07081	1,405,970
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I In 23.D)		-	DA 1.00000	-
40	Distribution	(Worksheet A In 16.C)	918,499,290	NA 0.00000	-
41	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	(1,517)	NA 0.00000	-
42	General Plant	(Worksheet A In 18.C)	63,986,336	W/S 0.07081	4,530,931
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(594,444)	W/S 0.07081	(42,093)
44	Intangible Plant	(Worksheet A In 20.C)	91,986,512	W/S 0.07081	6,513,649
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	3,749,014,141		664,771,472
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	3,557,160,051		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	1,410,464,970		1,370,918,678
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		139,261,675		139,261,675
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		-		-
51	Plus: Additional Transmission Depreciation for 2013 (-In 37)		(32,626,776)		(32,054,077)
52	Plus: Additional General & Intangible Depreciation for 2013 (-In 38)		(19,855,273)		(1,405,970)
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		-		-
54	Distribution	(In 24 + In 25 - In 40 - In 41)	2,070,419,551		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	131,036,156		9,278,790
56	Intangible Plant	(In 28 - In 44)	31,639,800		2,240,443
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	7,287,500,153		1,488,239,539
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(197,320,252)	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(1,229,418,143)	DA	(289,461,122)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(431,851,994)	DA	(30,244,723)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	399,990,470	DA	50,244,301
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(2,822,664)	DA	(641,429)
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(1,461,422,583)		(270,102,973)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	5,319,071	DA	1,877,675
66	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
67	WORKING CAPITAL	(Note E)			
68	Cash Working Capital	(1/8 * In 88)	3,978,581		3,879,907
69	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	1,508,480	TP 0.97520	1,471,068
70	A&G Materials & Supplies	(Worksheet C, In 3.(D))	825,807	W/S 0.07081	58,476
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h) 0.18468	-
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	203,768,047	W/S 0.07081	14,429,002
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	3,057,772	GP(h) 0.18468	564,701
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	12,816	DA 1.00000	12,816
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(201,506,924)	NA 0.00000	-
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	11,644,579		20,415,970
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	(2,445,715)	DA 1.00000	(2,445,715)
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		5,840,595,504		1,237,984,496

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

APPALACHIAN POWER COMPANY

Line No.	(1)	(2)	(3)	(4)	(5)
EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission	
79	OPERATION & MAINTENANCE EXPENSE				
80	Production	321.80.b	1,892,122,758		
81	Distribution	322.156.b	115,706,381		
82	Customer Related Expense	322.164,171,178.b	53,414,582		
83	Regional Marketing Expenses	322.131.b	5,904,349		
84	Transmission	321.112.b	64,421,229		
85	TOTAL O&M EXPENSES	(sum Ins 79 to 83)	2,131,569,299		
86	Less: Total Account 561	(Note G) (Worksheet F, In 15.C)	10,758,518		
87	Less: Account 565	(Note H) 321.96.b	35,116,817		
88	Less: State Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	(13,282,753)		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	31,828,647	TP 0.97520	31,039,256
89	Administrative and General	323.197.b (Note J)	115,443,349		
90	Less: Acct. 924, Property Insurance	323.185.b	2,893,399		
91	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	10,321,493		
92	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	-		
93	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	1,038,300		
94	Acct. 928, Reg. Com. Exp.	323.189.b	2,048,123		
95	Acct. 930.1, Gen. Advert. Exp.	323.191.b	1,213,171		
96	Acct. 930.2, Misc. Gen. Exp.	323.192.b	6,334,522		
97	Balance of A & G	(In 89 - sum In 90 to In 96)	91,594,341	W/S 0.07081	6,485,879
98	Plus: Acct. 924, Property Insurance	(In 90)	2,893,399	GP(h) 0.18468	534,345
99	Acct. 928 - Transmission Specific	Worksheet F In 19.(E) (Note L)	-	TP 0.97520	-
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 36.(E) (Note L)	-	TP 0.97520	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 44.(E) (Note L)	785,229	DA 1.00000	785,229
102	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 1, (Note M)	13,362,440	W/S 0.07081	946,207
103	A & G Subtotal	(sum Ins 97 to 102)	108,635,409		8,751,660
104	O & M EXPENSE SUBTOTAL	(In 88 + In 103)	140,464,056		39,790,916
105	Plus: TEA Settlement in Account 565	Company Records (Note H)	-	DA 1.00000	-
106	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA 1.00000	-
107	TOTAL O & M EXPENSE	(In 104 + In 105 + In 106)	140,464,056		39,790,916
108	DEPRECIATION AND AMORTIZATION EXPENSE				
109	Production	336.2-6.f	167,860,265	NA 0.00000	-
110	Distribution	336.8.f	101,779,757	NA 0.00000	-
111	Transmission	336.7.f	32,626,776	TP1 0.98245	32,054,077
112	Plus: Transmission Plant-in-Service Additions (Worksheet I In 21.I)		1,562,690	DA 1.00000	1,562,690
113	General	336.10.f	3,140,253	W/S 0.07081	222,364
114	Intangible	336.1.f	16,715,020	W/S 0.07081	1,183,606
115	TOTAL DEPRECIATION AND AMORTIZATION	(Ins 109+110+111 +112+113+114) (Note N)	323,684,761		35,022,737
116	TAXES OTHER THAN INCOME				
117	Labor Related				
118	Payroll	Worksheet H In 23.(D)	8,830,131	W/S 0.07081	625,270
119	Plant Related				
120	Property	Worksheet H In 23.(C) & In 58.(C)	50,923,379	DA	14,495,326
121	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	33,724,260	NA 0.00000	-
122	Other	Worksheet H In 23.(E)	8,137,707	GP(h) 0.18468	1,502,850
123	TOTAL OTHER TAXES	(sum Ins 118 to 122)	101,615,477		16,623,445
124	INCOME TAXES	(Note O)			
125	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) -		39.32%		
126	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		42.12%		
127	where WCLTD=(In 162) and WACC = (In 165)				
128	and FIT, SIT & p are as given in Note O.				
129	GRCF=1 / (1 - T) = (from In 125)		1.6479		
130	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(397,195)		
131	Income Tax Calculation	(In 126 * In 134)	197,252,636		41,810,070
132	ITC adjustment	(In 129 * In 130)	(654,530)	NP(h) 0.19199	(125,661)
133	TOTAL INCOME TAXES	(sum Ins 131 to 132)	196,598,106		41,684,409
134	RETURN ON RATE BASE (Rate Base * WACC)	(In 78 * In 165)	468,310,711		99,264,090
135	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		77,897	DA 1.00000	77,897
136	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-		-
137	Tax Impact on (Gains) / Losses on Sales of Plant Held for Future Use (In 136 * In126)		-		-
138	TOTAL REVENUE REQUIREMENT	(sum Ins 107, 115, 123, 133, 134, 135, 136, 137)	1,230,751,008		232,463,494

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2012 and Projected Net Plant at Year-End 2013

Formula Rate
APCo Projected TCOS
Page 4 of 36

APPALACHIAN POWER COMPANY

SUPPORTING CALCULATIONS

In										
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
139	Total transmission plant	(In 20)								2,040,266,144
140	Less transmission plant excluded from PJM Tariff (Note P)									-
141	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note Q)									<u>50,601,219</u>
142	Transmission plant included in PJM Tariff	(In 139 - In 140 - In 141)								1,989,664,925
143	Percent of transmission plant in PJM Tariff	(In 142 / In 139)							TP	0.97520
144	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					-
145	Production	354.20.b	57,348,833	20,738,274	78,087,107	NA	0.00000			-
146	Transmission	354.21.b	4,649,255	5,848,397	10,497,652	TP	0.97520			10,237,297
147	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000			-
148	Distribution	354.23.b	34,664,664	4,515,151	39,179,815	NA	0.00000			-
149	Other (Excludes A&G)	354.24,25,26.b	8,613,542	8,194,178	16,807,720	NA	0.00000			-
150	Total	(sum Ins 145 to 149)	<u>105,276,294</u>	<u>39,296,000</u>	<u>144,572,294</u>					<u>10,237,297</u>
151	Transmission related amount								W/S=	0.07081
152	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									<u>\$</u>
153	Long Term Interest	(Worksheet L, In. 35, col. (D))								190,506,524
154	Preferred Dividends	(Worksheet L, In. 40, col. (D))								-
155	<u>Development of Common Stock:</u>									-
156	Proprietary Capital	(FF1 p 112, Ln 16.c)								3,052,563,357
157	Less: Preferred Stock	(FF1 p 112, Ln 3.c)								-
158	Less: Account 216.1	(FF1 p 112, Ln 12.c)								1,654,344
159	Less: Account 219	(FF1 p 112, Ln 15.c)								<u>(29,897,592)</u>
160	Common Stock	(In 156 - In 157 - In 158 - In 159)								3,080,806,605
161			<u>\$</u>	<u>%</u>			<u>Cost</u>	<u>(Note S)</u>	<u>Weighted</u>	
162	Long Term Debt (Note T) Worksheet L, In 35, col. (B))		3,709,883,415	54.63%			0.0514		0.0281	
163	Preferred Stock (In 157)		-	0.00%			-		0.0000	
164	Common Stock (In 160)		<u>3,080,806,605</u>	45.37%			11.49%		<u>0.0521</u>	
165	Total (Sum Ins 162 to 164)		<u>6,790,690,020</u>				WACC=		0.0802	

APPALACHIAN POWER COMPANY

Letter

Notes

General Notes: a) References to data from Worksheets are indicated as: Worksheet X, Line#.Column.X

- A Revenue credits include:
1) Forfeited Discounts.
2) Miscellaneous Service Revenues.
3) Rental revenues earned on assets included in the rate base.
4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.
5) Other electric revenues.
6) Revenues for grandfathered PTP contracts included in the load divisor.
See Worksheet E for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's.
- C Transmission Plant balances in this study are projected as of December 31, 2013. Other ratebase amounts are as of December 31, 2012.
- D 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. 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. In compliance with FERC Rulemaking RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B. The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 88. It excludes:
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 85.
2) AEP transmission equalization transfers, as shown on line 86
3) The impact of state regulatory deferrals and amortizations, as shown on line 87
4) All A&G Expenses, as shown on line 103.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 77 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 135.
- G Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 15 & 16 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 6 through 15, for descriptions and the Form 1 Source of these accounts' balances.
- H Removes cost of transmission service provided by others to determine the basis of cash working capital on line 88. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 105 and 106 to determine the total O&M collected in the formula. The amounts on lines 105 and 106 are also excluded in the calculation of the FCR percentage calculated on lines 5 through 11. The addbacks on lines 105 and 106 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity. The company records referenced on lines 105 and 106 is the APPALACHIAN POWER COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from O&M expense.
- J General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
- K These deductions on lines 91 through 93 are to remove from the cost of service the expenses recorded by the company for Postemployment Benefits Other than Pensions (PBOP). See Note M below for the recoverable PBOP expense.
- L Expenses 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 F 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 See note K above. Per the settlement in Docket ER08-1329, recoverable PBOP expense is based on an annual total for the operating companies that is ratioed to them based on the total of actual annual PBOP costs, including charges from the AEP Service Corporation. The calculation of the recoverable amount for each company is shown on Worksheet O, and the process for updating the annual total is documented on Attachment F, Allowable PBOP Expense Formula.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use 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. See Worksheet G for the development of the Company's composite SIT. 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 130) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
Inputs Required: FIT = 35.00%
SIT= 6.64% (State Income Tax Rate or Composite SIT. Worksheet G))
p = 0.00% (percent of federal income tax deductible for state purposes)
- P Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT
- Q 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 P.
- R Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S Long Term Debt cost rate = long-term interest (In 153) / long term debt (In 162). Preferred Stock cost rate = preferred dividends (In 154) / preferred outstanding (In 163). Common Stock cost rate (ROE) = 11.49%, the rate accepted by FERC in Docket No. ER08-1329. It includes an additional 50 basis points for PJM RTO membership. In the Projected & Historic templates, the interest expense on long-term debt is the sum of a full year's interest expense at the coupon rate for each issuance outstanding as of December 31 of the historic year. The projected expense for variable rate debt will be based on the effective rate at December 31. These conventions ensure that the expense used in the projection will reflect a full year, similar to the actual expense that will appear in the subsequent true-up of the projection, and minimize the impact on the true-up of using a partial year interest expense. The projection will reflect the actual historic-year expense recorded for issuance expenses, discounts and premiums, and gains or losses on reacquired debt. Eligible hedging gains or losses will be limited to five basis points of the projected capital structure. Details and calculations are shown on Worksheet L.
- T This note only applies to Indiana Michigan Power Company.
- U This note only applies to the true-up template.

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

APPALACHIAN POWER COMPANY

Line No.			Total	Allocator	Transmission Amount
166	REVENUE REQUIREMENT (w/o incentives)	(In 303)			\$218,844,211
167	REVENUE CREDITS	(Note A) (Worksheet E)	3,618,736	DA 1.00000	\$ 3,618,736
168	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 167)			\$ 215,225,475

MEMO: The Carrying Charge Calculations on lines 171 to 176 below are used in calculating project revenue requirements billed through PJM Schedule 12, Transmission Enhancement Charges. The total non-incentive revenue requirements for these projects shown on line 169 is included in the total on line 168.

169	Not applicable on this template				
170	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
171	Annual Rate	((In 166 - In 270 - In 271) / In 213 x 100)			15.96%
172	Monthly Rate	(In 171 / 12)			1.33%
173	NET PLANT CARRYING CHARGE ON LINE 171 , w/o depreciation or ROE incentives (Note B)				
174	Annual Rate	((In 166 - In 270 - In 271 - In 276) / In 213 x 100)			13.63%
175	NET PLANT CARRYING CHARGE ON LINE 174, w/o Return, income taxes or ROE incentives (Note B)				
176	Annual Rate	((In 166 - In 270 - In 271 - In 276 - In 298 - In 299) / In 213 x 100)			4.22%
177	Not applicable on this template				
178	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES				
179	Total Load Dispatch & Scheduling (Account 561)	Line 250 Below			10,758,518
180	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				5,714,454
181	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				1,211,704
182	Total 561 Internally Developed Costs	(Line 179 - Line 180 - Line 181)			3,832,360

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

APPALACHIAN POWER COMPANY

	(1)	(2)	(3)	(4)	(5)
	Data Sources				Total
	(See "General Notes")		TO Total	Allocator	Transmission
			NOTE C		
LINE	RATE BASE CALCULATION				
No.	TO Total				
			NOTE C		Transmission
183	GROSS PLANT IN SERVICE				
183	Production	(Worksheet A In 1.C)	5,620,438,618	NA	0.00000
184	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(71,986,517)	NA	0.00000
185	Transmission	(Worksheet A In 3.C & Ln 307)	2,040,266,144	DA	1,989,664,925
186	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C& Ln 308)	-	TP	0.97520
187	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA	0.00000
188	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	0.00000
189	Distribution	(Worksheet A In 5.C)	2,988,920,393	NA	0.00000
190	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	(3,069)	NA	0.00000
191	General Plant	(Worksheet A In 7.C)	195,239,795	W/S	0.07081
192	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(811,747)	W/S	0.07081
193	Intangible Plant	(Worksheet A In 9.C)	123,626,312	W/S	0.07081
194	TOTAL GROSS PLANT	(sum Ins 183 to 193)	10,895,689,929	GP(h)=	0.184677
				GTD=	0.39562
195	ACCUMULATED DEPRECIATION AND AMORTIZATION				
196	Production	(Worksheet A In 12.C)	2,022,105,333	NA	0.00000
197	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(30,813,283)	NA	0.00000
198	Transmission	(Worksheet A In 14.C & 28.C)	629,801,174	TP1=	0.98245
199	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.98245
200	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	1.00000
201	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
202	Plus: Additional Transmission Depreciation for 2013 (In 276)		N/A	TP1	0.98245
203	Plus: Additional General & Intangible Depreciation for 2013 (In 275 + In 276)		N/A	W/S	0.07081
204	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
205	Distribution	(Worksheet A In 16.C)	918,499,290	NA	0.00000
206	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	(1,517)	NA	0.00000
207	General Plant	(Worksheet A In 18.C)	63,986,336	W/S	0.07081
208	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(594,444)	W/S	0.07081
209	Intangible Plant	(Worksheet A In 20.C)	91,986,512	W/S	0.07081
210	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 196 to 209)	3,694,969,402		629,748,735
211	NET PLANT IN SERVICE				
212	Production	(In 183 + In 184 - In 196 - In 197)	3,557,160,051		-
213	Transmission	(In 185 + In 186 - In 198 - In 199)	1,410,464,970		1,370,918,678
214	Plus: Transmission Plant-in-Service Additions (In 187 - In 200)		N/A		N/A
215	Plus: Additional Trans Plant on Transferred Assets (In 188 - In 201)		N/A		N/A
216	Plus: Additional Transmission Depreciation for 2013 (-In 202)		N/A		N/A
217	Plus: Additional General & Intangible Depreciation for 2013 (-In 203)		N/A		N/A
218	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 204)		N/A		N/A
219	Distribution	(In 189 + In 190 - In 205 - In 206)	2,070,419,551		-
220	General Plant	(In 191 + In 192 - In 207 - In 208)	131,036,156		9,278,790
221	Intangible Plant	(In 193 - In 209)	31,639,800		2,240,443
222	TOTAL NET PLANT IN SERVICE	(sum Ins 212 to 221)	7,200,720,527	NP(h)=	0.191986
					1,382,437,911
223	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
224	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(197,320,252)	NA	-
225	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(1,229,418,143)	DA	(289,461,122)
226	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(431,851,994)	DA	(30,244,723)
227	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	399,990,470	DA	50,244,301
228	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(2,822,664)	DA	(641,429)
229	TOTAL ADJUSTMENTS	(sum Ins 224 to 228)	(1,461,422,583)		(270,102,973)
230	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	5,319,071	DA	1,877,675
231	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
232	WORKING CAPITAL	(Note E)			
233	Cash Working Capital	(1/8 * In 253)	3,978,581		3,879,907
234	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	1,508,480	TP	0.97520
235	A&G Materials & Supplies	(Worksheet C, In 3.(D))	825,807	W/S	0.07081
236	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.18468
237	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	203,768,047	W/S	0.07081
238	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	3,057,772	GP(h)	0.18468
239	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	12,816	DA	1.00000
240	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(201,506,924)	NA	0.00000
241	TOTAL WORKING CAPITAL	(sum Ins 233 to 240)	11,644,579		20,415,970
242	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	(2,445,715)	DA	1.00000
					(2,445,715)
243	RATE BASE (sum Ins 222, 229, 230, 231, 241, 242)		<u>5,753,815,878</u>		<u>1,132,182,868</u>

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

APPALACHIAN POWER COMPANY

(1)	(2)	(3)	(4)	(5)
EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
Line No.	OPERATION & MAINTENANCE EXPENSE			
244	Production 321.80.b	1,892,122,758		
245	Distribution 322.156.b	115,706,381		
246	Customer Related Expense 322 & 323.164,171,178.b	53,414,582		
247	Regional Marketing Expenses 322.131.b	5,904,349		
248	Transmission 321.112.b	64,421,229		
249	TOTAL O&M EXPENSES (sum Ins 244 to 248)	2,131,569,299		
250	Less: Total Account 561 (Note G) (Worksheet F, In 15.C)	10,758,518		
251	Less: Account 565 (Note H) 321.96.b	35,116,817		
252	Less: Regulatory Deferrals & Amortizations (Note I) (Worksheet F, In 4.C)	(13,282,753)		
253	Total O&M Allocable to Transmission (Ins 248 - 250 - 251 - 252)	31,828,647	TP	0.97520
254	Administrative and General 323.197.b (Note J)	115,443,349		
255	Less: Acct. 924, Property Insurance 323.185.b	2,893,399		
256	Acct. 9260039 PBOP Expense PBOP Worksheet O Line 9 & 10, (Note K)	10,321,493		
257	Acct. 9260057 PBOP Medicare Subsidy PBOP Worksheet O Line 11, (Note K)	-		
258	PBOP Expense Billed From AEPSC PBOP Worksheet O Line 13, (Note K)	1,038,300		
259	Acct. 928, Reg. Com. Exp. 323.189.b	2,048,123		
260	Acct. 930.1, Gen. Advert. Exp. 323.191.b	1,213,171		
261	Acct. 930.2, Misc. Gen. Exp. 323.192.b	6,334,522		
262	Balance of A & G (In 254 - sum In 255 to In 261)	91,594,341	W/S	0.07081
263	Plus: Acct. 924, Property Insurance (In 255)	2,893,399	GP(h)	0.18468
264	Acct. 928 - Transmission Specific Worksheet F In 19, (E) (Note L)	-	TP	0.97520
265	Acct 930.1 - Only safety related ads -Direct Worksheet F In 36, (E) (Note L)	-	TP	0.97520
266	Acct 930.2 - Misc Gen. Exp. - Trans Worksheet F In 44, (E) (Note L)	785,229	DA	1.00000
267	Settlement Approved PBOP Recovery PBOP Worksheet O, Col. C, Line 1, (Note M)	13,362,440	W/S	0.07081
268	A & G Subtotal (sum Ins 262 to 267)	108,635,409		
269	O & M EXPENSE SUBTOTAL (In 253 + In 268)	140,464,056		39,790,916
270	Plus: TEA Settlement in Account 565 Company Records (Note H)	-	DA	1.00000
271	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)	-	DA	1.00000
272	TOTAL O & M EXPENSE (In 269 + In 270 + In 271)	140,464,056		39,790,916
273	DEPRECIATION AND AMORTIZATION EXPENSE			
274	Production 336.2-6.f	167,860,265	NA	0.00000
275	Distribution 336.8.f	101,779,757	NA	0.00000
276	Transmission 336.7.f	32,626,776	TP1	0.98245
277	Plus: Transmission Plant-in-Service Additions (Worksheet I)	N/A		N/A
278	General 336.10.f	3,140,253	W/S	0.07081
279	Intangible 336.1.f	16,715,020	W/S	0.07081
280	TOTAL DEPRECIATION AND AMORTIZATION (Ln 274+275+276+277+278+279) (Note N)	322,122,071		33,460,047
281	TAXES OTHER THAN INCOME			
282	Labor Related			
283	Payroll Worksheet H In 23, (D)	8,830,131	W/S	0.07081
284	Plant Related			
285	Property Worksheet H In 23, (C) & In 58, (C)	50,923,379	DA	14,495,326
286	Gross Receipts/Sales & Use Worksheet H In 23, (F)	33,724,260	NA	0.00000
287	Other Worksheet H In 23, (E)	8,137,707	GP(h)	0.18468
288	TOTAL OTHER TAXES (sum Ins 283 to 287)	101,615,477		16,623,445
289	INCOME TAXES (Note O)			
290	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$	39.32%		
291	$EIT=(T/(1-T)) * (1-(WCLD/WACC)) =$	42.12%		
292	where WCLD=(In 327) and WACC = (In 330)			
293	and FIT, SIT & p are as given in Note O.			
294	$GRCF=1 / (1 - T) =$ (from In 290)	1.6479		
295	Amortized Investment Tax Credit (enter negative) (FF1 p.114, In 19.c)	(397,195)		
296	Income Tax Calculation (In 291 * In 299)	194,321,854		38,236,864
297	ITC adjustment (In 294 * In 295)	(654,530)	NP(h)	0.19199
298	TOTAL INCOME TAXES (sum Ins 296 to 297)	193,667,324		38,111,203
299	RETURN ON RATE BASE (Rate Base*WACC) (In 243 * In 330)	461,352,545		90,780,703
300	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2, (B))	77,897	DA	1.00000
301	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))	-		-
302	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 301 * In 291)	-		-
303	TOTAL REVENUE REQUIREMENT (sum Ins 272, 280, 288, 298, 299, 300, 301, 302)	1,219,299,371		218,844,211

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

APPALACHIAN POWER COMPANY

SUPPORTING CALCULATIONS

In										
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
304	Total transmission plant	(In 185)								2,040,266,144
305	Less transmission plant excluded from PJM Tariff	(Note P)								
306	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C))	(Note Q)							50,601,219
307	Transmission plant included in PJM Tariff	(In 304 - In 305 - In 306)								1,989,664,925
308	Percent of transmission plant in PJM Tariff	(In 307 / In 304)							TP=	0.97520
309	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from	Total					
310	Production	354.20.b	57,348,833	20,738,274	78,087,107	NA	0.00000			-
311	Transmission	354.21.b	4,649,255	5,848,397	10,497,652	TP	0.97520			10,237,297
312	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000			-
313	Distribution	354.23.b	34,664,664	4,515,151	39,179,815	NA	0.00000			-
314	Other (Excludes A&G)	354.24,25,26.b	8,613,542	8,194,178	16,807,720	NA	0.00000			-
315	Total	(sum Ins 310 to 314)	105,276,294	39,296,000	144,572,294					10,237,297
316	Transmission related amount		✓	✓					W/S=	0.07081
317	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
318	Long Term Interest	(Worksheet L, In. 35, col. (D))								190,506,524
319	Preferred Dividends	(Worksheet L, In. 40, col. (D))								-
320	Development of Common Stock:									
321	Proprietary Capital	(FF1 p 112, Ln 16.c)								3,052,563,357
322	Less: Preferred Stock	(FF1 p 112, Ln 3.c)								-
323	Less: Account 216.1	(FF1 p 112, Ln 12 .c)								1,654,344
324	Less: Account 219	(FF1 p 112, Ln 15.c)								(29,897,592)
325	Common Stock	(In 321 - In 322 - In 323 - In 324)								3,080,806,605
326										
327	Long Term Debt (Note T) Worksheet L, In 35, col. (B)		\$	%	Cost		Weighted			
328	Preferred Stock (In 322)		3,709,883,415	54.63%	0.0514		0.0281			
329	Common Stock (In 325)		-	0.00%	-		0.0000			
330	Total (Sum Ins 327 to 329)		3,080,806,605	45.37%	11.49%		0.0521			
			6,790,690,020				WACC=			0.0802

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2012 with Year-End Rate Base Balances

APPALACHIAN POWER COMPANY

<u>Letter</u>	<u>Notes</u>
	General Notes: a) References to data from Worksheets are indicated as: Worksheet X, Line#-Column.X
A	Revenue credits include: 1) Forfeited Discounts. 2) Miscellaneous Service Revenues. 3) Rental revenues earned on assets included in the rate base. 4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service. 5) Other electric revenues. 6) Revenues for grandfathered PTP contracts included in the load divisor. See Worksheet E for details.
B	The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's.
C	Transmission Plant balances in this study are historic as of December 31, 2012.
D	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. 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. In compliance with FERC Rulemaking RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B. The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
E	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 253. It excludes: 1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 250. 2) AEP transmission equalization transfers, as shown on line 251 3) The impact of state regulatory deferrals and amortizations, as shown on line 25 4) All A&G Expenses, as shown on line 268.
F	Consistent with Paragraph 657 of Order 2003-A, the amount on line 242 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 300.
G	Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 180 & 181 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 6 through 15, for descriptions and the Form 1 Source of these accounts' balances.
H	Removes cost of transmission service provided by others to determine the basis of cash working capital on line 253. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 270 and 271 to determine the total O&M collected in the formula. The amounts on lines 270 and 271 are also excluded in the calculation of the FCR percentage calculated on lines 170 through 176. The addbacks on lines 270 and 271 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity. The company records referenced on lines 270 and 271 is the APPALACHIAN POWER COMPANY general ledger.
I	Removes the impact of state regulatory deferrals or their amortization from O&M expense.
J	General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
K	These deductions on lines 256 through 258 are to remove from the cost of service the expenses recorded by the company for Postemployment Benefits Other than Pensions (PBOP). See Note M below for the recoverable PBOP expense.
L	Expenses 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 F 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	See note K above. Per the settlement in Docket ER08-1329, recoverable PBOP expense is based on an annual total for the operating companies that is ratioed to them based on the total of actual annual PBOP costs, including charges from the AEP Service Corporation. The calculation of the recoverable amount for each company is shown on Worksheet O, and the process for updating the annual total is documented on Attachment F, Allowable PBOP Expense Formula.
N	Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use 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. See Worksheet G for the development of the Company's composite SIT. 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 295) multiplied by (1/1-T). If the applicable tax rates are zero enter 0. Inputs Required: FIT = 35.00% SIT= 6.64% (State Income Tax Rate or Composite SIT. Worksheet G) p = 0.00% (percent of federal income tax deductible for state purposes)
P	Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
Q	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 P.
R	Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
S	Long Term Debt cost rate = long-term interest (ln 318) / long term debt (ln 327). Preferred Stock cost rate = preferred dividends (ln 319) / preferred outstanding (ln 328). Common Stock cost rate (ROE) = 11.49%, the rate accepted by FERC in Docket No. ER08-1329. It includes an additional 50 basis points for remaining a member of the PJM RTO. In the Projected & Historic templates, the interest expense on long-term debt is the sum of a full year's interest expense at the coupon rate for each issuance outstanding as of December 31 of the historic year. The projected expense for variable rate debt will be based on the effective rate at December 31. These conventions ensure that the expense used in the projection will reflect a full year, similar to the actual expense that will appear in the subsequent true-up of the projection, and minimize the impact on the true-up of using a partial year interest expense. The projection will reflect the actual historic-year expense recorded for issuance expenses, discounts and premiums, and gains or losses on reacquired debt. Eligible hedging gains or losses will be limited to five basis points of the projected capital structure. Details and calculations are shown on Worksheet L.
T	This note only applies to Indiana Michigan Power Company.
U	This note only applies to the true-up template.

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

APPALACHIAN POWER COMPANY

Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 138)				\$218,162,992
2	REVENUE CREDITS	(Note A) (Worksheet E)	3,618,736	DA 1.00000	\$	3,618,736
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)				\$ 214,544,256
MEMO: The Carrying Charge Calculations on lines 6 to 11 below are used in calculating project revenue requirements billed through PJM Schedule 12, Transmission Enhancement Charges. The total non-incentive revenue requirements for these projects shown on line 4 is included in the total on line 3.						
4	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet K)		2,055,441	DA 1.00000	\$	2,055,441
5	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)					
6	Annual Rate	((In 1 - In 105 - In 106) / In 48 x 100)				16.26%
7	Monthly Rate	(In 6 / 12)				1.35%
8	NET PLANT CARRYING CHARGE ON LINE 6 , w/o depreciation or ROE incentives (Note B)					
9	Annual Rate	((In 1 - In 105 - In 106 - In 111) / In 48 x 100)				13.87%
10	NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B)					
11	Annual Rate	((In 1 - In 105 - In 106 - In 111 - In 133 - In 134) / In 48 x 100)				4.33%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet K)					-
13	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES					
14	Total Load Dispatch & Scheduling (Account 561)	Line 85 Below				10,758,518
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)					5,714,454
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)					1,211,704
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)				3,832,360

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

APPALACHIAN POWER COMPANY

Line No.	(1)	(2)	(3)	(4)	(5)
	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total NOTE C	Allocator	Total Transmission
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.E)	5,401,632,776	NA	0.00000
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.E)	(69,957,445)	NA	0.00000
20	Transmission	(Worksheet A In 3.E & Ln 142)	1,991,143,960	DA	1,950,233,379
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E & Ln 143)	-	TP	0.97945
22	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA	0.00000
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	0.00000
24	Distribution	(Worksheet A In 5.E)	2,915,443,722	NA	0.00000
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.E)	(3,069)	NA	0.00000
26	General Plant	(Worksheet A In 7.E)	192,101,022	W/S	0.07112
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	(811,747)	W/S	0.07112
28	Intangible Plant	(Worksheet A In 9.E)	116,437,753	W/S	0.07112
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	10,545,986,971	GP(h)=	0.18700
				GTD=	0.00000
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.E)	1,950,527,566	NA	0.00000
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.E)	(28,423,680)	NA	0.00000
33	Transmission	(Worksheet A In 14.E & 28.E)	618,690,832	TP1=	0.98317
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	0.98317
35	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	1.00000
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
37	Plus: Additional Transmission Depreciation for 2013 (In 111)		N/A	TP1	0.98317
38	Plus: Additional General & Intangible Depreciation for 2013 (In 110 + In 111)		N/A	W/S	0.07112
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
40	Distribution	(Worksheet A In 16.E)	892,488,682	NA	0.00000
41	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.E)	(1,482)	NA	0.00000
42	General Plant	(Worksheet A In 18.E)	63,406,955	W/S	0.07112
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	(430,773)	W/S	0.07112
44	Intangible Plant	(Worksheet A In 20.E)	87,125,001	W/S	0.07112
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	3,583,383,100		618,952,071
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	3,409,571,445		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	1,372,453,128		1,341,956,486
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		N/A		N/A
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		N/A		N/A
51	Plus: Additional Transmission Depreciation for 2013 (-In 37)		N/A		N/A
52	Plus: Additional General & Intangible Depreciation for 2013 (-In 38)		N/A		N/A
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		N/A		N/A
54	Distribution	(In 24 + In 25 - In 40 - In 41)	2,022,953,454		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	128,313,093		9,125,612
56	Intangible Plant	(In 28 - In 44)	29,312,752		2,084,719
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	6,962,603,871	NP(h)=	0.19435
					1,353,166,818
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	(177,921,978)	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(1,191,929,058)	DA	(273,611,596)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(432,760,567)	DA	(28,421,459)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	425,004,947	DA	49,949,881
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	(3,244,139)	DA	(778,649)
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(1,380,850,795)		(252,861,822)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	5,583,920	DA	1,912,346
66	REGULATORY ASSETS	(Worksheet A In 36. (E))	-	DA	-
67	WORKING CAPITAL	(Note E)			
68	Cash Working Capital	(1/B - In 88)	3,978,581		3,896,836
69	Transmission Materials & Supplies	(Worksheet C, In 2.F)	1,134,751	TP	0.97945
70	A&G Materials & Supplies	(Worksheet C, In 3.F)	763,694	W/S	0.07112
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.18700
72	Prepayments (Account 185) - Labor Allocated	(Worksheet C, In 8.G)	199,491,970	W/S	0.07112
73	Prepayments (Account 185) - Gross Plant	(Worksheet C, In 8.F)	3,168,302	GP(h)	0.18700
74	Prepayments (Account 185) - Transmission Only	(Worksheet C, In 8.E)	18,110	DA	1.00000
75	Prepayments (Account 185) - Unallocable	(Worksheet C, In 8.D)	(197,401,389)	NA	0.00000
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	11,154,019		19,861,019
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8 (B))	(2,406,767)	DA	1.00000
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		5,596,084,248		1,119,671,594

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

APPALACHIAN POWER COMPANY

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
	OPERATION & MAINTENANCE EXPENSE				
79	Production	321.80.b	1,892,122,758		
80	Distribution	322.156.b	115,706,381		
81	Customer Related Expense	322.164,171,178.b	53,414,582		
82	Regional Marketing Expenses	322.131.b	5,904,349		
83	Transmission	321.112.b	64,421,229		
84	TOTAL O&M EXPENSES	(sum Ins 79 to 83)	2,131,569,299		
85	Less: Total Account 561	(Note G) (Worksheet F, In 15.C)	10,758,518		
86	Less: Account 565	(Note H) 321.96.b	35,116,817		
87	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	(13,282,753)		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	31,828,647	TP 0.97945	31,174,687
89	Administrative and General	323.197.b (Note J)	115,443,349		
90	Less: Acct. 924, Property Insurance	323.185.b	2,893,399		
91	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	10,321,493		
92	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	-		
93	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	1,038,300		
94	Acct. 928, Reg. Com. Exp.	323.189.b	2,048,123		
95	Acct. 930.1, Gen. Advert. Exp.	323.191.b	1,213,171		
96	Acct. 930.2, Misc. Gen. Exp.	323.192.b	6,334,522		
97	Balance of A & G	(In 89 - sum In 90 to In 96)	91,594,341	W/S 0.07112	6,514,179
98	Plus: Acct. 924, Property Insurance	(In 90)	2,893,399	GP(h) 0.18700	541,071
99	Acct. 928 - Transmission Specific	Worksheet F In 19.(E) (Note L)	-	TP 0.97520	-
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 36.(E) (Note L)	-	TP 0.97520	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 44.(E) (Note L)	785,229	DA 1.00000	785,229
102	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 1, (Note M)	13,362,440	W/S 0.07112	950,335
103	A & G Subtotal	(sum Ins 97 to 102)	108,635,409		8,790,814
104	O & M EXPENSE SUBTOTAL	(In 88 + In 103)	140,464,056		39,965,501
105	Plus: TEA Settlement in Account 565	Company Records (Note H)	-	DA 1.00000	-
106	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)	Acct 565 (Company Records) (Note H)	-	DA 1.00000	-
107	TOTAL O & M EXPENSE	(In 104 + In 105 + In 106)	140,464,056		39,965,501
108	DEPRECIATION AND AMORTIZATION EXPENSE				
109	Production	336.2-6.f	167,860,265	NA 0.00000	-
110	Distribution	336.8.f	101,779,757	NA 0.00000	-
111	Transmission	336.7.f	32,626,776	TP1 0.98317	32,077,595
112	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
113	General	336.10.f	3,140,253	W/S 0.07112	223,334
114	Intangible	336.1.f	16,715,020	W/S 0.07112	1,188,770
115	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 109+110+ 111+112+113+114) (Note N)	322,122,071		33,489,700
116	TAXES OTHER THAN INCOME				
117	Labor Related				
118	Payroll	Worksheet H In 23.(D)	8,830,131	W/S 0.07112	627,998
119	Plant Related				
120	Property	Worksheet H In 23.(C) & In 58.(C)	50,923,379	DA	14,495,326
121	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	33,724,260	NA	-
122	Other	Worksheet H In 23.(E)	8,137,707	GP(h) 0.18700	1,521,766
123	TOTAL OTHER TAXES	(sum Ins 118 to 122)	101,615,477		16,645,090
124	INCOME TAXES				
125	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =	(Note O)	39.32%		
126	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		41.31%		
127	where WCLTD=(In 162) and WACC = (In 165) and FIT, SIT & p are as given in Note O.				
129	GRCF=1 / (1 - T) = (from In 125)		1.6479		
130	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(397,195)		
131	Income Tax Calculation	(In 126 * In 134)	187,179,555		37,451,121
132	ITC adjustment	(In 129 * In 130)	(654,530)	NP(h) 0.19435	(127,206)
133	TOTAL INCOME TAXES	(sum Ins 131 to 132)	186,525,025		37,323,915
134	RETURN ON RATE BASE (Rate Base*WACC)	(In 78 * In 165)	453,120,343		90,660,890
135	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		77,897	DA 1.00000	77,897
136	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-		-
137	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 136 * In126)		-		-
138	TOTAL REVENUE REQUIREMENT (sum Ins 107, 115, 123, 133, 134, 135)		1,203,924,869		218,162,992

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

Formula Rate
APCo True-UP TCOS
Page 14 of 36

APPALACHIAN POWER COMPANY

SUPPORTING CALCULATIONS

In										
No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
139	Total transmission plant	(In 20)							1,991,143,960	
140	Less transmission plant excluded from PJM Tariff	(Note P)							-	
141	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C))	(Note Q)						40,910,581	
142	Transmission plant included in PJM Tariff	(In 139 - In 140 - In 141)							1,950,233,379	
143	Percent of transmission plant in PJM Tariff	(In 142 / In 139)					TP		0.97945	
144	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
145	Production	354.20.b	57,348,833	20,738,274	78,087,107	NA	0.00000		-	
146	Transmission	354.21.b	4,649,255	5,848,397	10,497,652	TP	0.97945	10,281,964		
147	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000		-	
148	Distribution	354.23.b	34,664,664	4,515,151	39,179,815	NA	0.00000		-	
149	Other (Excludes A&G)	354.24,25,26.b	8,613,542	8,194,178	16,807,720	NA	0.00000		-	
150	Total	(sum Ins 145 to 149)	105,276,294	39,296,000	144,572,294				10,281,964	
151	Transmission related amount						W/S=		0.07112	
152	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$	
153	Long Term Interest	(Worksheet M, In. 21, col. (E))							198,340,666	
154	Preferred Dividends	(Worksheet M, In. 55, col. (E))							-	
155	<u>Development of Common Stock:</u>								Average	
156	Proprietary Capital	(Worksheet M, In. 1, col. (E))							2,994,488,906	
157	Less: Preferred Stock	(Worksheet M, In. 2, col. (E))							-	
158	Less: Account 216.1	(Worksheet M, In. 3, col. (E))							1,632,577	
159	Less: Account 219	(Worksheet M, In. 4, col. (E))							(44,220,373)	
160	Common Stock	(In 156 - In 157 - In 158 - In 159)							3,037,076,702	
161		Average \$								
162	Long Term Debt (Note T) W/S M, In 11, In 22, col. (E))		3,722,145,904						0.0293	
163	Preferred Stock (In 157)		-	55.07%	0.00%		0.0533		0.0000	
164	Common Stock (In 160)		3,037,076,702	0.00%	0.00%		-		0.0516	
165	Total (Sum Ins 162 to 164)		6,759,222,605	44.93%	0.00%		11.49%		WACC= 0.0810	
166	Capital Structure Equity Limit (Note U)		100.0%							

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2012 with Average Ratebase Balances

APPALACHIAN POWER COMPANY

Letter

Notes

General Notes: a) References to data from Worksheets are indicated as: Worksheet X, Line#.Column.X

- A Revenue credits include:
1) Forfeited Discounts.
2) Miscellaneous Service Revenues.
3) Rental revenues earned on assets included in the rate base.
4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.
5) Other electric revenues.
6) Revenues for grandfathered PTP contracts included in the load divisor.
See Worksheet E for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's.
- C Transmission Plant balances in this study reflect the average of the balances at December 31, 2011 and December 31, 2012.
- D 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. 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. In compliance with FERC Rulemaking RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B. The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 88. It excludes:
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 85.
2) AEP transmission equalization transfers, as shown on line 86
3) The impact of state regulatory deferrals and amortizations, as shown on line 87
4) All A&G Expenses, as shown on line 103.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 77 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 135.
- G Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 15 & 16 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 6 through 15, for descriptions and the Form 1 Source of these accounts' balances.
- H Removes cost of transmission service provided by others to determine the basis of cash working capital on line 88. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 105 and 106 to determine the total O&M collected in the formula. The amounts on lines 105 and 106 are also excluded in the calculation of the FCR percentage calculated on lines 5 through 11. The addbacks on lines 105 and 106 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity. The company records referenced on lines 105 and 106 is the APPALACHIAN POWER COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from O&M expense.
- J General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "WS" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
- K These deductions on lines 91 through 93 are to remove from the cost of service the expenses recorded by the company for Postemployment Benefits Other than Pensions (PBOP). See Note M below for the recoverable PBOP expense.
- L Expenses 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 F allocates these expense items. Act 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E
- M See note K above. Per the settlement in Docket ER08-1329, recoverable PBOP expense is based on an annual total for the operating companies that is ratioed to them based on the total of actual annual PBOP costs, including charges from the AEP Service Corporation. The calculation of the recoverable amount for each company is shown on Worksheet O, and the process for updating the annual total is documented on Attachment F, Allowable PBOP Expense Formula.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use 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. See Worksheet G for the development of the Company's composite SIT. 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 130) multiplied by $(1/(1-T))$. If the applicable tax rates are zero enter 0.
Inputs Required:
FIT = 35.00%
SIT = 6.64% (State Income Tax Rate or Composite SIT. Worksheet G)
 $p =$ 0.00% (percent of federal income tax deductible for state purposes)
- P Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- Q 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 P.
- R Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S Long Term Debt cost rate = long-term interest (In 153) / average long term debt (In 162). Preferred Stock cost rate = preferred dividends (In 154) / preferred outstanding (In 163). Common Stock cost rate (ROE) = 11.49%, the rate accepted by FERC in Docket No. ER08-1329. It includes an additional 50 basis points for PJM RTO membership. Interest expense for the true-up WACC is based on actual expenses for the true-up year. The amount of eligible hedging gains or losses included in total interest expense is limited to five basis points of the true-up capital structure. Details and calculations of the true-up weighted average cost of capital are shown on Worksheet M. Eligible Hedging Gains and Losses are defined in the Formula Protocols in the tariff, and on Worksheet M.
- T This note only applies to Indiana Michigan Power Company.
- U Per Settlement, equity for APPALACHIAN POWER COMPANY is limited to 100% of Capital Structure. If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure. During the period ended December 31, 2011 the equity cap is in effect. During this period, a change in the cap percentage must be approved via a 205 filing with the FERC.

AEP East Companies
Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet A Supporting Plant Balances
APPALACHIAN POWER COMPANY

Line	(A)	(B)	(C)	(D)	(E)
Number	Rate Base Item & Supporting Balance	Source of Data	Balance @ December 31, 2012	Balance @ December 31, 2011	Average Balance for 2012
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here					
Plant Investment Balances					
1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 46	5,620,438,618	5,182,826,934	5,401,632,776
2	Production Asset Retirement Obligation (ARO)	FF1, page 205&204, Col.(g)&(b), Ins 15,24,34,44	71,986,517	67,928,373	69,957,445
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58	2,040,266,144	1,942,021,775	1,991,143,960
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 57	-	-	-
5	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 75	2,988,920,393	2,841,967,051	2,915,443,722
6	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 74	3,069	3,069	3,069
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 99	195,239,795	188,962,248	192,101,022
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 98	811,747	811,747	811,747
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 5	123,626,312	109,249,193	116,437,753
10	Total Property Investment Balance	(Sum of Lines: 3, 1, 5, 7, 9)	10,968,491,262	10,265,027,201	10,616,759,232
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 2, 6, 8)	72,801,333	68,743,189	70,772,261
Accumulated Depreciation & Amortization Balance:					
12	Production Accumulated Depreciator	FF1, page 219, Ins 20-24, Col. (b)	2,022,105,333	1,878,949,799	1,950,527,566
13	Production ARO Accumulated Depreciator	Company Records - Note 1	30,813,283	26,034,077	28,423,680
14	Transmission Accumulated Depreciator	FF1, page 219, ln 25, Col. (b)	629,801,174	607,580,490	618,690,832
15	Transmission ARO Accumulated Depreciator	Company Records - Note 1	-	-	-
16	Distribution Accumulated Depreciator	FF1, page 219, ln 26, Col. (b)	918,499,290	866,478,073	892,488,682
17	Distribution ARO Accumulated Depreciator	Company Records - Note 1	1,517	1,448	1,482
18	General Accumulated Depreciator	FF1, page 219, ln 28, Col. (b)	63,986,336	62,827,573	63,406,955
19	General ARO Accumulated Depreciator	Company Records - Note 1	594,444	267,102	430,773
20	Intangible Accumulated Amortization	FF1, page 200, ln 21, Col. (b)	91,986,512	82,263,489	87,125,001
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 12, 16, 18, 20)	3,726,378,645	3,498,099,424	3,612,239,035
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 13, 17, 19)	31,409,243	26,302,627	28,855,935
Generation Step-Up Units					
23	GSU Investment Amount	Company Records - Note 1	50,601,219	31,219,942	40,910,581
24	GSU Accumulated Depreciator	Company Records - Note 1	11,054,926	9,772,952	10,413,939
25	GSU Net Balance	(Line 23 - Line 24)	39,546,292	21,446,990	30,496,641
Transmission Accumulated Depreciation Net of GSU Accumulated Depreciator					
26	Transmission Accumulated Depreciator	(Line 14 Above)	629,801,174	607,580,490	618,690,832
27	Less: GSU Accumulated Depreciator	(Line 24 Above)	11,054,926	9,772,952	10,413,939
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	618,746,248	597,807,538	608,276,893
Plant Held For Future Use					
29	Plant Held For Future Use	FF1, page 214, ln 47, Col. (d)	5,319,071	5,848,769	5,583,920
30	Transmission Plant Held For Future Use	Company Records - Note 1	1,877,675	1,947,017	1,912,346
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 the FERC.					
31					-
32					-
33					-
34					-
35					-
36	Total Regulatory Deferrals Included in Ratebase				-

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

NOTE: The ratebase should not include the unamortized balance of hedging gains or losses.

AEP East Companies
Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet B Supporting ADIT and ITC Balances
APPALACHIAN POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) Source</u>	<u>(C) Balance @ December 31, 2012</u>	<u>(D) Balance @ December 31, 2011</u>	<u>(E) Average Balance for 2012</u>
1	<u>Account 281</u>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, In 8, Col. (k)	197,320,252	158,523,703	177,921,978
3	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
4	Less: Other Excluded Deferrals	Company Records - Note 1	197,320,252	158,523,703	177,921,978
5	Transmission Related Deferrals	Ln 2 - In 3 - In 4	-	-	-
6	<u>Account 282</u>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, In 5, Col. (k)	1,229,418,143	1,154,439,973	1,191,929,058
8	Less: ARO Related Deferrals	Company Records - Note 1	5,314,689	15,371,558	10,343,124
9	Less: Other Excluded Deferrals	Company Records - Note 1	934,642,332	881,306,346	907,974,339
10	Transmission Related Deferrals	Ln 7 - In 8 - In 9	289,461,122	257,762,069	273,611,596
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, In 9, Col. (k)	431,851,994	433,669,140	432,760,567
13	Less: ARO Related Deferrals	Company Records - Note 1	2,971,021	3,683,424	3,327,223
14	Less: Other Excluded Deferrals	Company Records - Note 1	398,636,251	403,387,521	401,011,886
15	Transmission Related Deferrals	Ln 12 - In 13 - In 14	30,244,723	26,598,196	28,421,459
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, In 8, Col. (c)	399,990,470	450,019,423	425,004,947
18	Less: ARO Related Deferrals	Company Records - Note 1	40,515,848	40,164,641	40,340,245
19	Less: Other Excluded Deferrals	Company Records - Note 1	309,230,321	360,199,321	334,714,821
20	Transmission Related Deferrals	Ln 17 - In 18 - In 19	50,244,301	49,655,461	49,949,881
21	<u>Account 255</u>				
22	Year End ITC Balances	FF1, p. 266-267, In 8, Col. (h)	3,205,027	4,445,172	3,825,100
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	382,363	779,558	580,961
24	ITC Balances Includeable Ratebase	Ln 22 - In 23	2,822,664	3,665,614	3,244,139
25	Transmission Related Deferrals	Company Records - Note 1	641,429	915,869	778,649

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

NOTE 2 ADIT balances should exclude balances related to hedging activity.

AEP East Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
 Worksheet C Supporting Working Capital Rate Base Adjustments
 APPALACHIAN POWER COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
Line Number		Source	Balance @ December 31, 2012	Balance @ December 31, 2011	Average Balance for 2012			
1								
2	Transmission Materials & Supplies	FF1, p. 227, In 8, Col. (c) & (b)	1,508,480	761,022	1,134,751			
3	General Materials & Supplies	FF1, p. 227, In 11, Col. (c) & (b)	825,807	701,580	763,694			
4	Stores Expense (Undistributed)	FF1, p. 227, In 16, Col. (c) & (b)	0	0	-			

Prepayment Balance Summary

Line	Description	Average of YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)
5							
6	Totals as of December 31, 2012	5,331,711	(201,506,924)	12,816	3,057,772	203,768,047	206,838,635
7	Totals as of December 31, 2011	5,222,276	(193,295,853)	23,404	3,278,832	195,215,893	198,518,129
8	Average Balance	<u>5,276,994</u>	<u>(197,401,389)</u>	<u>18,110</u>	<u>3,168,302</u>	<u>199,491,970</u>	<u>202,678,382</u>

Prepayments Account 165 - Balance @ 12/31/2012

Line	Acc. No.	Description	2012 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
9									
10	1650001	Prepaid Insurance	1,844,047	-		1,844,047		1,844,047	Plant Related Insurance Policies
11	165000212	Prepaid Taxes	1,809,578	1,809,578				-	Prepaid Taxes
12	1650003	Prepaid Rents	0	-				-	Prepaid Distribution Rent Expense
13	1650004	Prepaid Interest	26,938	26,938				-	
14	1650005	Prepaid Employee Benefits	0	-				-	
15	1650006	Other Prepayments	12,816	-	12,816			12,816	PPD Sales
16	1650009	Prepaid Carry Cost-Factored AR	62,549	62,549				-	AR Factoring - Retail Only
17	1650010	Prepaid Pension Benefits	203,768,047	-			203,768,047	203,768,047	Prefunded Pension Expense
18	1650014	FAS 158 Qual Contra Asset	(203,768,047)	(203,768,047)				-	SFAS 158 Offset
19	1650016	FAS 112 ASSETS	0	-				-	SFAS 112 Overfunding Asset
20	1650021	Prepaid Insurance - EIS	1,213,725	-		1,213,725		1,213,725	
21	1650023	Prepaid Lease	361,859	361,859				-	
22	165001112	Prepaid Sales Taxes	199	199				-	
Subtotal - Form 1, p 111.57.c			<u>5,331,711</u>	<u>(201,506,924)</u>	<u>12,816</u>	<u>3,057,772</u>	<u>203,768,047</u>	<u>206,838,635</u>	

Prepayments Account 165 - Balance @ 12/31/ 2011

Line	Acc. No.	Description	2011 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
22									
23	1650001	Prepaid Insurance	1,935,794	-		1,935,794		1,935,794	Plant Related Insurance Policies
24	165000211	Prepaid Taxes	1,637,001	1,637,001				-	Prepaid Taxes
25	1650003	Prepaid Rents	0	0				-	Prepaid Distribution Rent Expense
26	1650004	Prepaid Interest	27,220	27,220				-	
27	1650005	Prepaid Employee Benefits	0	-				-	
28	1650006	Other Prepayments	23,404	-	23,404			23,404	PPD Sales
29	1650009	Prepaid Carry Cost-Factored AR	49,321	49,321				-	AR Factoring - Retail Only
30	1650010	Prepaid Pension Benefits	195,215,893	-			195,215,893	195,215,893	Prefunded Pension Expense
31	1650014	FAS 158 Qual Contra Asset	(195,215,893)	(195,215,893)				-	SFAS 158 Offset
32	1650016	FAS 112 ASSETS	0	0				-	SFAS 112 Overfunding Asset
33	1650021	Prepaid Insurance - EIS	1,343,038	-		1,343,038		1,343,038	
34	1650023	Prepaid Lease	206,498	206,498				-	
Subtotal - Form 1, p 111.57.d			<u>5,222,276</u>	<u>(193,295,853)</u>	<u>23,404</u>	<u>3,278,832</u>	<u>195,215,893</u>	<u>198,518,129</u>	

AEP East Companies
Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet D Supporting IPP Credits
APPALACHIAN POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2012</u>
1	Net Funds from IPP Customers 12/31/2011 (2012 FORM 1, P269, line 20.b)	(2,367,818.00)
2	Interest Accrual (Company Records - Note 1)	(77,897.00)
3	Revenue Credits to Generators (Company Records - Note 1)	-
4	<u>Other Adjustments</u>	
5	Accounting Adjustment (Company Records - Note 1)	-
6		-
7	Net Funds from IPP Customers 12/31/2012 (2012 FORM 1, P269, line 23.f)	(2,445,715.00)
8	Average Balance for Year as Indicated in Column ((In 1 + In 7)/2)	(2,406,766.50)

Note 1 On this worksheet Company Records refers to APPALACHIAN POWER COMPANY's general ledger.

AEP East Companies
Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet E Supporting Revenue Credits
APPALACHIAN POWER COMPANY

<u>Line Number</u>	<u>Description</u>	<u>Total Company</u>	<u>Non-Transmission</u>	<u>Transmission</u>
1	Account 450, Forfeited Discounts (FF1 p.300.16.(b); Company Records - Note 1)	5,024,400	5,024,400	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	1,833,084	1,470,159	362,925
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	21,091,928	19,091,646	2,000,282
4	Account 4560015, Associated Business Development- (Company Records - Note 1)	7,744,030	6,488,501	1,255,529
5	Account 456 - Other Electric Revenues - (Company Records - Note 1)	59,627,918	59,627,918	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	95,321,360	91,702,624	3,618,736
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	-	-	-
8	Total Other Operating Revenues To Reduce Revenue Requirement	95,321,360	91,702,624	3,618,736

Note 1 The total company data on this worksheet comes from the indicated FF1 source, or APPALACHIAN POWER COMPANY's general ledger. The functional amounts identified as transmission revenue also come from the general ledger.

AEP East Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
 Worksheet F Supporting Allocation of Specific O&M or A&G Expenses
 APPALACHIAN POWER COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	
<u>Line</u> <u>Number</u>	<u>Item No.</u>	<u>Description</u>	<u>2012</u> <u>Expense</u>	<u>100%</u> <u>Non-Transmission</u>	<u>100%</u> <u>Transmission</u> <u>Specific</u>	<u>Explanation</u>
Regulatory O&M Deferrals & Amortizations						
1	5700005	Maint Station-Reliability-Df	15,744			
2	5660007	Virginia T-RAC UnderRecovery	(13,438,947)			
3	5660000	Amortization Severance	140,450			
4						
5		Total	\$ (13,282,753)			
Detail of Account 561 Per FERC Form 1						
6	FF1 p 321.84.b	561 - Load Dispatching	0			
7	FF1 p 321.85.b	561.1 - Load Dispatch - Reliability	23,193			
8	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	3,210,973			
9	FF1 p 321.87.b	561.3 - Load Dispatch - Trans Service & Scheduling	(314)			
10	FF1 p 321.88.b	561.4 - Scheduling, System Control & Dispatch	5,714,454			
11	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	598,508			
12	FF1 p 321.90.b	561.6 - Transmission Service Studies	0			
13	FF1 p 321.91.b	561.7 - Generation Interconnection Studies	0			
14	FF1 p 321.92.b	561.8 - Reliability, Planning and Standards Development Services	1,211,704			
15		Total of Account 561	10,758,518			
Account 928						
16	9280000	Regulatory Commission Exp	2,443	2,443	-	
17	9280001	Regulatory Commission Exp-Adm	1,473,176	1,473,176	-	
18	9280002	Regulatory Commission Exp-Case	572,503	572,503	-	
19		Total	2,048,123	2,048,123	-	
Account 930.1						
20	9301000	General Advertising Expenses	67,832	67,832	-	
21	9301001	Newspaper Advertising Space	244,076	244,076	-	
22	9301002	Radio Station Advertising Time	4,902	4,902	-	
23	9301003	TV Station Advertising Time	565,322	565,322	-	
24	9301004	Newspaper Advertising Prod Exp	1,752	1,752	-	
25	9301005	Radio & TV Advertising Prod Exp	36,525	36,525	-	
26	9301006	Spec Corporate Comm Info Proj	2	2	-	
27	9301007	Special Adv Space & Prod Exp	345	345	-	
28	9301008	Direct Mail and Handouts	-	-	-	
29	9301009	Fairs, Shows, and Exhibits	269	269	-	
30	9301010	Publicity	21,223	21,223	-	
31	9301011	Dedications, Tours, & Openings	5	5	-	
32	9301012	Public Opinion Surveys	13,839	13,839	-	
33	9301013	Movies Slide Films & Speeches	-	-	-	
34	9301014	Video Communications	77	77	-	
35	9301015	Other Corporate Comm Exp	257,000	257,000	-	
36		Total	1,213,171	1,213,171	-	
Account 930.2						
37	9302000	Misc General Expenses	822,994	822,994	-	
38	9302003	Corporate & Fiscal Expenses	132,749	132,749	-	
39	9302004	Research, Develop&Demonstr Exp	13,524	13,524	-	
40	9302006	Assoc Bus Dev - Materials Sold	1,970,687	1,970,687	-	
41	9302007	Assoc Business Development Exp	3,393,929	2,608,700	785,229	
43	9302458	Non Affiliated Expense	638	638	-	
44		Total	6,334,522	5,549,293	785,229	

AEP East Companies
Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet G Supporting - Development of Composite State Income Tax Rate
APPALACHIAN POWER COMPANY

Tennessee Income Tax Rate	6.50%	
Apportionment Factor - Note 2	1.98%	
Effective State Tax Rate		0.13%
West Virginia Net Income Tax Rate	7.75%	
Apportionment Factor - Note 2	52.71%	
Effective State Tax Rate		4.08%
Virginia Income Tax Rate	6.00%	
Apportionment Factor - Note 2	37.41%	
Effective State Tax Rate		2.24%
Michigan Business Income Tax Rate	6.00%	
Apportionment Factor - Note 2	0.11%	
Effective State Tax Rate		0.01%
Ohio Franchise Tax Rate	0.00%	
Phase-out Factor Note 1	0.00%	
Apportionment Factor - Note 2	0.00%	
Effective State Tax Rate		0.00%
Illinois Corporate Income Tax Rate	9.50%	
Apportionment Factor - Note 2	1.94%	
Effective State Tax Rate		0.18%
Total Effective State Income Tax Rate		<u>6.64%</u>

Note 1 The Ohio State Income Tax is being phased-out prorata over a 5 year period from 2005 through 2009. The taxable portion of income is 0% in 2009. The phase-out factors can be found in the Ohio Revised Code at 5733.01(G)2(a)(v). This tax has been replaced with a Commercial Activities Tax that is included in Schedule H and H-1.

Note 2 Apportionment Factors are determined as part of the Company's annual tax return for that jurisdiction.

AEP East Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
 Worksheet H Supporting Taxes Other than Income
 APPALACHIAN POWER COMPANY

Line No.	(A) Account	(B) Total Company	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
NOTE 1						
1	Revenue Taxes					
2	Gross Receipts Tax	13,315,273				13,315,273
3	Real Estate and Personal Property Taxes					
4	Real and Personal Property - West Virginia	34,549,317	34,549,317			
5	Real and Personal Property - Virginia	15,173,148	15,173,148			
6	Real and Personal Property - Tennessee	734,598	734,598			
7	Real and Personal Property - Other Jurisdictions	466,316	466,316			
8	Payroll Taxes					
9	Federal Insurance Contribution (FICA)	8,566,234		8,566,234		
10	Federal Unemployment Tax	27,378		27,378		
11	State Unemployment Insurance	236,519		236,519		
12	Production Taxes					
13	State Severance Taxes	-				-
14	Miscellaneous Taxes					
15	State Business & Occupation Tax	20,401,461				20,401,461
16	State Public Service Commission Fees	4,616,176			4,616,176	
17	State Franchise Taxes	3,519,086			3,519,086	
18	State Lic/Registration Fee	1,899			1,899	
19	Misc. State and Local Tax	546			546	
20	Sales & Use	540				540
21	Federal Excise Tax	6,986				6,986
22	Michigan Single Business Tax	-				-
23	Total Taxes by Allocable Basis	101,615,477	50,923,379	8,830,131	8,137,707	33,724,260

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

NOTE 1: The detail of each total company number and its source in the FERC Form 1 is shown on WS H-1.

Functional Property Tax Allocation						
	Production	Transmission	Distribution	General	Total	
24	Functionalized Net Plant (Hist. TCOS, Lns 212 thru 222)	3,557,160,051	1,410,464,970	2,070,419,551	131,036,156	7,169,080,727
VIRGINIA JURISDICTION						
25	Percentage of Plant in VIRGINIA JURISDICTION	14.60%	44.97%	55.78%	51.49%	
26	Net Plant in VIRGINIA JURISDICTION (Ln 24 * Ln 25)	519,520,961	634,267,997	1,154,977,049	67,468,340	2,376,234,348
27	Less: Net Value of Exempted Generation Plant	126,497,409				
28	Taxable Property Basis (Ln 26 - Ln 27)	393,023,552	634,267,997	1,154,977,049	67,468,340	2,249,736,939
29	Relative Valuation Factor	100%	100%	100%	100%	
30	Weighted Net Plant (Ln 28 * Ln 29)	393,023,552	634,267,997	1,154,977,049	67,468,340	
31	General Plant Allocator (Ln 30 / (Total - General Plant))	18.01%	29.06%	52.93%	-100.00%	
32	Functionalized General Plant (Ln 31 * General Plant)	12,150,955	19,609,414	35,707,971	(67,468,340)	-
33	Weighted VIRGINIA JURISDICTION Plant (Ln 30 + 32)	405,174,507	653,877,412	1,190,685,020	0	2,249,736,939
34	Functional Percentage (Ln 33/Total Ln 33)	18.01%	29.06%	52.93%		
35	Functionalized Expense in VIRGINIA JURISDICTION	2,732,663	4,410,017	8,030,468		15,173,148
WEST VA JURISDICTION						
36	Percentage of Plant in WEST VA JURISDICTION	85.40%	51.89%	44.21%	48.34%	
37	Net Plant in WEST VA JURISDICTION (Ln 24 * Ln 36)	3,037,639,090	731,940,783	915,410,634	63,338,743	4,748,329,251
38	Less: Net Value of Exempted Generation Plant	1,954,604,153				
39	Taxable Property Basis (Ln 37 - Ln 38)	1,083,034,937	731,940,783	915,410,634	63,338,743	2,793,725,098
40	Relative Valuation Factor	100%	100%	100%	100%	
41	Weighted Net Plant (Ln 39 * Ln 40)	1,083,034,937	731,940,783	915,410,634	63,338,743	
42	General Plant Allocator (Ln 41 / (Total - General Plant))	39.67%	26.81%	33.53%	-100.00%	
43	Functionalized General Plant (Ln 42 * General Plant)	25,123,943	16,979,359	21,235,441	(63,338,743)	-
44	Weighted WEST VA JURISDICTION Plant (Ln 41 + 43)	1,108,158,880	748,920,142	936,646,075	0	2,793,725,098
45	Functional Percentage (Ln 44/Total Ln 44)	39.67%	26.81%	33.53%		
46	Functionalized Expense in WEST VA JURISDICTION	13,704,331	9,261,713	11,583,274		34,549,317
TENNESSEE JURISDICTION						
47	Net Plant in TENNESSEE JURISDICTION (Ln 24 - Ln 26 - Ln 37)	-	44,256,189	31,867	229,072	44,517,128
48	Less: Net Value Exempted Generation Plant					
49	Taxable Property Basis	-	44,256,189	31,867	229,072	44,517,128
50	Relative Valuation Factor	100%	100%	100%	100%	
51	Weighted Net Plant (Ln 49 * Ln 50)	-	44,256,189	31,867	229,072	
52	General Plant Allocator (Ln 51 / (Total - General Plant))	0.00%	99.93%	0.07%	-100.00%	
53	Functionalized General Plant (Ln 53 * General Plant)	-	228,907	165	(229,072)	
54	Weighted TENNESSEE JURISDICTION Plant (Ln 51 + 53)	-	44,485,096	32,032	0	44,517,128
55	Functional Percentage (Ln 54/Total Ln 54)	0.00%	99.93%	0.07%		
56	Functionalized Expense in TENNESSEE JURISDICTION	-	734,069	529		734,598
57	Total Other Jurisdictions: (Line 7 * Net Plant Allocator)		89,526			466,316
58	Total Func. Property Taxes (Sum Lns 35, 46 56, 57)	16,436,994	14,495,326	19,614,270		50,923,379

Line No.	(A) Annual Tax Expenses by Type (Note 1)	(B) Total Company	(C) FERC FORM 1 Tie-Back	(D) FERC FORM 1 Reference
1	Revenue Taxes			
2	Gross Receipts Tax	13,315,273	12,477,550 145,133 692,590	P.263.1 ln 4 (i) P.263.1 ln 33 (i) P.263.1 ln 34 (i)
3	Real Estate and Personal Property Taxes			
4	Real and Personal Property - West Virginia	34,549,317	16,414,766 18,184,510 (82,556) (28,406) 61,003	P.263 ln 34 (i) P.263 ln 35 (i) P.263 ln 38 (i) P.263 ln 39 (i) P.263 ln 40 (i)
5	Real and Personal Property - Virginia	15,173,148	23 191 (29,546) 14,980,441 (2,240) (100,722) 325,001	P.263.2 ln 22 (i) P.263.2 ln 23 (i) P.263.2 ln 24 (i) P.263.2 ln 25 (i) P.263.2 ln 29 (i) P.263.2 ln 30 (i) P.263.2 ln 31 (i)
6	Real and Personal Property - Tennessee	734,598	(64,602) 799,200	P.263.3 ln 10 (i) P.263.3 ln 11 (i)
7	Real and Personal Property - Other Jurisdictions	466,316	704 465,612	P.263.1 ln 36 (i) P.263.1 ln 37 (i)
8	Payroll Taxes			
9	Federal Insurance Contribution (FICA)	8,566,234	8,566,234	P.263 ln 6 (i)
10	Federal Unemployment Tax	27,378	27,378	P.263 ln 9 (i)
11	State Unemployment Insurance	236,519	111,767 14,244 110,391 117	P.263.1 ln 17 (i) P.263.1 ln 40 (i) P.263.2 ln 38 (i) P.263.3 ln 22 (i)
12	Production Taxes			
13	State Severance Taxes	-	-	
14	Miscellaneous Taxes			
15	State Business & Occupation Tax	20,401,461	390,088 19,769,873 241,500	P.263 ln 21 (i) P.263 ln 22 (i) P.263 ln 23 (i)
16	State Public Service Commission Fees	4,616,176	1,599,615 3,016,561	P.263 ln 26 (i) P.263 ln 27 (i)
17	State Franchise Taxes	3,519,086	(266,239) 282,774 (322,867) (25,537) 89,833 6,672,000 (2,897,155) (41,712) 14,876 13,113	P.263.1 ln 20 (i) P.263.1 ln 21 (i) P.263.1 ln 23 (i) P.263.1 ln 25 (i) P.263.1 ln 26 (i) P.263.2 ln 11 (i) P.263.2 ln 10 (i) P.263.3 ln 5 (i) P.263.3 ln 6 (i) P.263.3 ln 7 (i)
18	State Lic/Registration Fee	1,899	25 1,700 22 52 100	P.263.1 ln 10 (i) P.263.2 ln 13 (i) P.263.3 ln 14 (i) P.263.4 ln 25 (i) P.263.3 ln 26 (i)
19	Misc. State and Local Tax	546	546	P.263.1 ln 8 (i)
20	Sales & Use	540	688 1,172 (583) 24 (761)	P.263 ln 30 (i) P.263 ln 31(i) P.263.1 ln 32(i) P.263.2 ln 16 (i) P.263.2 ln 17 (i)
21	Federal Excise Tax	6,986	6,986	P.263 ln 14 (i)
22	Michigan Single Business Tax	-	-	
23	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	101,615,477	101,615,477	

Note 1: The taxes assessed on each operating company can differ from year to year and between operating companies by both the type of taxes and the states in which they were assessed. Therefore, for each company, the types and jurisdictions of tax expense recorded on this page could differ from the same page in the same company's prior year template or from this page in other operating companies' current year templates. For each update, this sheet will be revised to ensure that the total activity recorded hereon equals the total reported in account 408.1 on P. 114, Ln 14 of the Ferc Form 1.

AEP East Companies
Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet I Supporting Transmission Plant in Service Additions
APPALACHIAN POWER COMPANY

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

I. Calculation of Composite Depreciation Rate

1	Transmission Plant @ Beginning of Historic Period (2012) (P.206, In 58,(b)):	1,942,021,775
2	Transmission Plant @ End of Historic Period (2012) (P.207, In 58,(g)):	2,040,266,144
3		<u>3,982,287,919</u>
4	Average Balance of Transmission Investment	1,991,143,960
5	Annual Depreciation Expense, Historic TCOS, In 276	32,626,776
6	Composite Depreciation Rate	1.64%
7	Round to 1.64% to Reflect a Composite Life of 61 Years	1.64%

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	\$ 71,997,178	1.64%	\$ 1,180,754	\$ 98,396	11	\$ 1,082,356
10	February	\$ 5,649,481	1.64%	\$ 92,651	\$ 7,721	10	\$ 77,210
11	March	\$ 4,359,926	1.64%	\$ 71,503	\$ 5,959	9	\$ 53,631
12	April	\$ 3,540,020	1.64%	\$ 58,056	\$ 4,838	8	\$ 38,704
13	May	\$ 2,897,989	1.64%	\$ 47,527	\$ 3,961	7	\$ 27,727
14	June	\$ 5,135,780	1.64%	\$ 84,227	\$ 7,019	6	\$ 42,114
15	July	\$ 29,357,907	1.64%	\$ 481,470	\$ 40,122	5	\$ 200,610
16	August	\$ 4,600,335	1.64%	\$ 75,445	\$ 6,287	4	\$ 25,148
17	September	\$ 2,149,084	1.64%	\$ 35,245	\$ 2,937	3	\$ 8,811
18	October	\$ 1,559,798	1.64%	\$ 25,581	\$ 2,132	2	\$ 4,264
19	November	\$ 1,547,549	1.64%	\$ 25,380	\$ 2,115	1	\$ 2,115
20	December	\$ 8,029,318	1.64%	\$ 131,681	\$ 10,973	0	-
21	Investment	<u>\$ 140,824,365</u>				Depreciation Expense	<u>\$ 1,562,690</u>

III. Plant Transferred

22	\$ -	<== This input area is for original cost plant
23	\$ -	<== This input area is for accumulated depreciation that may be associated with capital expenditures. It would have an impact if a company had assets transferred from a subsidiary.
24 (Ln 7 * Ln 22)	\$ -	<== This input area is for additional Depreciation Expense

IV. List of Major Projects Expected to be In-Service in 2013

	<u>Estimated Cost</u> <u>(000's)</u>	<u>Month in</u> <u>Service</u>
25 Major Zonal Projects		
26 VIRGINIA SYS REHAB	\$5,558	Aug-13
27 Line Rehab/Replace	\$5,621	Dec-13
	<u>Subtotal</u>	
	\$11,179	
28 PJM Socialized/Beneficiary Allocated Regional Projects		
29	\$0	
30	<u>Subtotal</u>	
	\$0	

AEP East Companies
Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet J Supporting Calculation of PROJECTED PJM RTEP Project Revenue Requirement Billed to Benefiting Zones
APPALACHIAN POWER COMPANY

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

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

ROE w/o incentives (Projected TCOS, In 164) 11.49%
 Project ROE Incentive Adder 11.49% ←ROE Adder Cannot Exceed 125 Basis Points
 ROE with additional basis point incentive 11.49% ←ROE Including Incentives Cannot Exceed 12.74% Until July 1, 2012
 Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the Projected TCOS, Ins 162 through 164)

	%	Cost	Weighted cost
Long Term Debt	54.63%	5.14%	2.805%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	45.37%	11.49%	5.213%
		R =	8.018%

SUMMARY OF PROJECTED ANNUAL RTEP REVENUE REQUIREMENTS				
	Rev Require	W Incentives	Incentive Amounts	
PROJECTED YEAR	2013	1,956,928	1,956,928	\$ -

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

Rate Base (Projected TCOS, In 78) 1,237,984,496
 R (from A, above) 8.018%
 Return (Rate Base x R) 99,264,090

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

Return (from B, above) 99,264,090
 Effective Tax Rate (Projected TCOS, In 126) 42.12%
 Income Tax Calculation (Return x CIT) 41,810,070
 ITC Adjustment (125,661)
 Income Taxes 41,684,409

II. Calculate Net Plant Carrying Charge Rate (Fixed Charge Rate or FCR) with hypothetical basis point ROE increase.

A. Determine Annual Revenue Requirement less return and Income Taxes.

Annual Revenue Requirement (Projected TCOS, In 1) 232,463,494
 T.E.A. & Lease Payments (Projected TCOS, Lns 105 & 106) -
 Return (Projected TCOS, In 134) 99,264,090
 Income Taxes (Projected TCOS, In 133) 41,684,409
 Annual Revenue Requirement, Less TEA Charges, Return and Taxes 91,514,995

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes 91,514,995
 Return (from I.B. above) 99,264,090
 Income Taxes (from I.C. above) 41,684,409
 Annual Revenue Requirement, with Basis Point ROE increase 232,463,494
 Depreciation (Projected TCOS, In 111) 32,054,077
 Annual Rev. Req, w/ Basis Point ROE increase, less Depreciation 200,409,417

C. Determine FCR with hypothetical basis point ROE increase.

Net Transmission Plant (Projected TCOS, In 48) 1,370,918,678
 Annual Revenue Requirement, with Basis Point ROE increase 232,463,494
 FCR with Basis Point increase in ROE 16.96%
 Annual Rev. Req, w / Basis Point ROE increase, less Dep. 200,409,417
 FCR with Basis Point ROE increase, less Depreciation 14.62%
 FCR less Depreciation (Projected TCOS, In 9) 13.45%
 Incremental FCR with Basis Point ROE increase, less Depreciation 1.17%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Historic Period (2012) (P.206, In 58,(b)): 1,942,021,775
 Transmission Plant @ End of Historic Period (2012) (P.207, In 58,(g)): 2,040,266,144
 Subtotal 3,982,287,919
 Average Transmission Plant Balance for 2012 1,991,143,960
 Annual Depreciation Rate (Projected TCOS, In 111) 32,626,776
 Composite Depreciation Rate 1.64%
 Depreciable Life for Composite Depreciation Rate 61.03
 Round to nearest whole year 61

APCo Worksheet J - ATRR PROJECTED Calculation for PJM Projects Charged to Benefiting Zones:

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

A. Base Plan Facilities

Facilities receiving incentives accepted by FERC in Docket No. [REDACTED] (e.g. ER05-925-000)

Project Description: RTEP ID: b0318 (Amos 765/138 kV Transformer)

Current Projected Year ARR	1,915,150
Current Projected Year ARR w/ Incentive	1,915,150
Current Projected Year Incentive ARR	-

Details			
Investment	13,796,879	Current Year	2013
Service Year (yyyy)	2008	ROE increase accepted by FERC (Basic Points)	-
Service Month (1-12)	6	FCR w/o incentives, less depreciation	13.45%
Useful life	61	FCR w/incentives approved for these facilities, less dep.	13.45%
CIAC (Yes or No)	No	Annual Depreciation Expense	226,211

CUMULATIVE HISTORY OF PROJECTED ANNUAL REVENUE REQUIREMENT:
CUMULATIVE HISTORY OF PROJECTED ANNUAL REVENUE REQUIREMENTS:
INPUT PROJECTED ARR (WITH & WITHOUT INCENTIVES) FROM EACH PRIOR YEAR
TEMPLATE BELOW TO MAINTAIN HISTORY OF PROJECTED ARRS OVER THE
LIFE OF THE PROJECT.

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement #	RTEP Projected Rev. Req't. From Prior Year Template w/o Incentives	RTEP Projected Rev. Req't. From Prior Year Template with Incentives **
2008	13,796,879	113,106	13,683,773	1,954,201	1,954,201	\$ -		
2009	13,685,773	226,211	13,459,562	2,036,875	2,036,875	\$ -	\$ 1,124,469	\$ 1,124,469
2010	13,459,562	226,211	13,233,351	2,006,444	2,006,444	\$ -	\$ 2,027,403	\$ 2,027,403
2011	13,233,351	226,211	13,007,140	1,976,012	1,976,012	\$ -	\$ 2,050,107	\$ 2,050,107
2012	13,007,140	226,211	12,780,929	1,945,581	1,945,581	\$ -	\$ 1,906,118	\$ 1,906,118
2013	12,780,929	226,211	12,554,718	1,915,150	1,915,150	\$ -		
2014	12,554,718	226,211	12,328,507	1,884,718	1,884,718	\$ -		
2015	12,328,507	226,211	12,102,296	1,854,287	1,854,287	\$ -		
2016	12,102,296	226,211	11,876,084	1,823,856	1,823,856	\$ -		
2017	11,876,084	226,211	11,649,873	1,793,424	1,793,424	\$ -		
2018	11,649,873	226,211	11,423,662	1,762,993	1,762,993	\$ -		
2019	11,423,662	226,211	11,197,451	1,732,562	1,732,562	\$ -		
2020	11,197,451	226,211	10,971,240	1,702,130	1,702,130	\$ -		
2021	10,971,240	226,211	10,745,029	1,671,699	1,671,699	\$ -		
2022	10,745,029	226,211	10,518,818	1,641,268	1,641,268	\$ -		
2023	10,518,818	226,211	10,292,606	1,610,836	1,610,836	\$ -		
2024	10,292,606	226,211	10,066,395	1,580,405	1,580,405	\$ -		
2025	10,066,395	226,211	9,840,184	1,549,974	1,549,974	\$ -		
2026	9,840,184	226,211	9,613,973	1,519,543	1,519,543	\$ -		
2027	9,613,973	226,211	9,387,762	1,489,111	1,489,111	\$ -		
2028	9,387,762	226,211	9,161,551	1,458,680	1,458,680	\$ -		
2029	9,161,551	226,211	8,935,340	1,428,249	1,428,249	\$ -		
2030	8,935,340	226,211	8,709,129	1,397,817	1,397,817	\$ -		
2031	8,709,129	226,211	8,482,917	1,367,386	1,367,386	\$ -		
2032	8,482,917	226,211	8,256,706	1,336,955	1,336,955	\$ -		
2033	8,256,706	226,211	8,030,495	1,306,523	1,306,523	\$ -		
2034	8,030,495	226,211	7,804,284	1,276,092	1,276,092	\$ -		
2035	7,804,284	226,211	7,578,073	1,245,661	1,245,661	\$ -		
2036	7,578,073	226,211	7,351,862	1,215,229	1,215,229	\$ -		
2037	7,351,862	226,211	7,125,651	1,184,798	1,184,798	\$ -		
2038	7,125,651	226,211	6,899,440	1,154,367	1,154,367	\$ -		
2039	6,899,440	226,211	6,673,228	1,123,935	1,123,935	\$ -		
2040	6,673,228	226,211	6,447,017	1,093,504	1,093,504	\$ -		
2041	6,447,017	226,211	6,220,806	1,063,073	1,063,073	\$ -		
2042	6,220,806	226,211	5,994,595	1,032,641	1,032,641	\$ -		
2043	5,994,595	226,211	5,768,384	1,002,210	1,002,210	\$ -		
2044	5,768,384	226,211	5,542,173	971,779	971,779	\$ -		
2045	5,542,173	226,211	5,315,962	941,347	941,347	\$ -		
2046	5,315,962	226,211	5,089,750	910,916	910,916	\$ -		
2047	5,089,750	226,211	4,863,539	880,485	880,485	\$ -		
2048	4,863,539	226,211	4,637,328	850,053	850,053	\$ -		
2049	4,637,328	226,211	4,411,117	819,622	819,622	\$ -		
2050	4,411,117	226,211	4,184,906	789,191	789,191	\$ -		
2051	4,184,906	226,211	3,958,695	758,759	758,759	\$ -		
2052	3,958,695	226,211	3,732,484	728,328	728,328	\$ -		
2053	3,732,484	226,211	3,506,273	697,897	697,897	\$ -		
2054	3,506,273	226,211	3,280,061	667,465	667,465	\$ -		
2055	3,280,061	226,211	3,053,850	637,034	637,034	\$ -		
2056	3,053,850	226,211	2,827,639	606,603	606,603	\$ -		
2057	2,827,639	226,211	2,601,428	576,171	576,171	\$ -		
2058	2,601,428	226,211	2,375,217	545,740	545,740	\$ -		
2059	2,375,217	226,211	2,149,006	515,309	515,309	\$ -		
2060	2,149,006	226,211	1,922,795	484,877	484,877	\$ -		
2061	1,922,795	226,211	1,696,583	454,446	454,446	\$ -		
2062	1,696,583	226,211	1,470,372	424,015	424,015	\$ -		
2063	1,470,372	226,211	1,244,161	393,583	393,583	\$ -		
2064	1,244,161	226,211	1,017,950	363,152	363,152	\$ -		
2065	1,017,950	226,211	791,739	332,721	332,721	\$ -		
2066	791,739	226,211	565,528	302,289	302,289	\$ -		
2067	565,528	226,211	339,317	271,858	271,858	\$ -		
Project Totals		13,459,562		70,061,829	70,061,829	-		

** This is the total amount that needs to be reported to PJM for billing to all regions.

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 PJM should be incremented by the amount of the incentive revenue calculated for that year on this project.

In order to calculate the proper monthly RTEP billing amount, PJM requires a 12 month revenue requirement for each RTEP project. As a result, notwithstanding the fact that the project was in service for a partial year, the project revenue requirement in the year that the project goes into service has been annualized (shown at the full-year level) so that PJM will collect the correct monthly billings.

APCo Worksheet J - ATRR PROJECTED Calculation for PJM Projects Charged to Benefiting Zones:

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

A. Base Plan Facilities

Facilities receiving incentives accepted by FERC in Docket No. [redacted] (e.g. ER05-925-000)

Project Description: RTEP ID: b1712.2 (Altavista-Leesville 138kV line)

Current Projected Year ARR	41,778
Current Projected Year ARR w/ Incentive	41,778
Current Projected Year Incentive ARR	

Details		2011	2013
Investment	267,989	Current Year	2013
Service Year (yyyy)	2011	ROE increase accepted by FERC (Basis Points)	
Service Month (1-12)	12	FCR w/o incentives, less depreciation	13.45%
Useful life	61	FCR w/incentives approved for these facilities, less dep.	13.45%
CIAC (Yes or No)	No	Annual Depreciation Expense	4,393

CUMULATIVE HISTORY OF PROJECTED ANNUAL REVENUE REQUIREMENT:
 CUMULATIVE HISTORY OF PROJECTED ANNUAL REVENUE REQUIREMENTS:
 INPUT PROJECTED ARR (WITH & WITHOUT INCENTIVES) FROM EACH PRIOR YEAR
 TEMPLATE BELOW TO MAINTAIN HISTORY OF PROJECTED ARRS OVER THE
 LIFE OF THE PROJECT.

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement #	RTEP Projected Rev. Req't. From Prior Year Template w/o Incentives	RTEP Projected Rev. Req't. From Prior Year Template with Incentives **
2011	267,989	-	267,989	36,052	36,052	\$ -	\$ -	
2012	267,989	226,211	41,778	231,831	231,831	\$ -	\$ -	
2013	41,778	41,778	-	41,778	41,778	\$ -	\$ -	
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	-	-	-	-	-	\$ -	\$ -	
2063	-	-	-	-	-	\$ -	\$ -	
2064	-	-	-	-	-	\$ -	\$ -	
2065	-	-	-	-	-	\$ -	\$ -	
2066	-	-	-	-	-	\$ -	\$ -	
2067	-	-	-	-	-	\$ -	\$ -	
2068	-	-	-	-	-	\$ -	\$ -	
2069	-	-	-	-	-	\$ -	\$ -	
2070	-	-	-	-	-	\$ -	\$ -	
Project Totals	267,989			309,661	309,661	-		

** This is the total amount that needs to be reported to PJM for billing to all regions.

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 PJM should be incremented by the amount of the incentive revenue calculated for that year on this project.

In order to calculate the proper monthly RTEP billing amount, PJM requires a 12 month revenue requirement for each RTEP project. As a result, notwithstanding the fact that the project was in service for a partial year, the project revenue requirement in the year that the project goes into service has been annualized (shown at the full-year level) so that PJM will collect the correct monthly billings.

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

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

ROE w/o incentives (True-Up TCOS, In 164)	11.49%	
Project ROE Incentive Adde	0	ROE Adder Cannot Exceed 100 Basis Point:
ROE with additional 0 basis point incentive	11.49%	ROE Including Incentives Cannot Exceed 12.5% Until July 1, 2012
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the True-Up TCOS, Ins 162 through 164)		
	%	Cost
Long Term Debt	55.07%	5.33%
Preferred Stock	0.00%	0.00%
Common Stock	44.93%	11.49%
		Weighted cost
		2.934%
		5.163%
	R =	8.097%

SUMMARY OF TRUE-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPROJECTS				
TRUE-UP YEAR	2012	Rev Require	W Incentives	Incentive Amounts
As Projected in Prior Year WS J	\$	1,906,118	\$	1,906,118
Actual after True-up	\$	2,055,441	\$	2,055,441
True-up of ARR For 2012		149,323		149,323

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

Rate Base (True-Up TCOS, In 78)	1,119,671,594
R (from A. above)	8.097%
Return (Rate Base x R)	90,660,890

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

Return (from B. above)	90,660,890
Effective Tax Rate (True-Up TCOS, In 126)	41.31%
Income Tax Calculation (Return x CIT)	37,451,121
ITC Adjustment	(127,206)
Income Taxes	37,323,915

II. Calculate Net Plant Carrying Charge Rate (Fixed Charge Rate or FCR) with hypothetical 0 basis point ROE increase.

A. Determine Annual Revenue Requirement less return and Income Taxes.

Annual Revenue Requirement (True-Up TCOS, In 1)	218,162,992
T.E.A. & Lease Payments (True-Up TCOS, Lns 105 & 106)	-
Return (True-Up TCOS, In 134)	90,660,890
Income Taxes (True-Up TCOS, In 133)	37,323,915
Annual Revenue Requirement, Less TEA Charges, Return and Taxes	90,178,187

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	90,178,187
Return (from I.B. above)	90,660,890
Income Taxes (from I.C. above)	37,323,915
Annual Revenue Requirement, with 0 Basis Point ROE increase	218,162,992
Depreciation (True-Up TCOS, In 111)	32,077,595
Annual Rev. Req. w/ 0 Basis Point ROE increase, less Depreciation	186,085,397

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

Net Transmission Plant (True-Up TCOS, In 48)	1,341,956,486
Annual Revenue Requirement, with 0 Basis Point ROE increase	218,162,992
FCR with 0 Basis Point increase in ROE	16.26%
Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep.	186,085,397
FCR with 0 Basis Point ROE increase, less Depreciation	13.87%
FCR less Depreciation (True-Up TCOS, In 9)	13.87%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Historic Period () (P.206, In 58,(b)):	1,942,021,775
Transmission Plant @ End of Historic Period () (P.207, In 58,(g)):	2,040,266,144
Subtotal	3,982,287,919
Average Transmission Plant Balance for	1,991,143,960
Annual Depreciation Rate (True-Up TCOS, In 111)	32,626,776
Composite Depreciation Rate	1.64%
Depreciable Life for Composite Depreciation Rate	61.03
Round to nearest whole year	61

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

A. Base Plan Facilities

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

(e.g. ER05-925-000)

Project Description: RTEP ID: b1712.2 (Altavista-Leesville 138kV line)

2012	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	-	-	-
Prior Yr True-Up	41,250	41,250	-
True-Up Adjustment	41,250	41,250	-

Investment	267,989	Current Year	2012
Service Year (yyyy)	2011	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	12	FCR w/o incentives, less depreciation	13.87%
Useful life	61	FCR w/incentives approved for these facilities, less dep.	13.87%
CIAC (Yes or No)	No	Annual Depreciation Expense	4,393

TRUE UP OF PROJECT REVENUE REQUIREMENT FOR PRIOR YEAR:
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 ARRS OVER THE
LIFE OF THE PROJECT.

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	Average Balance	RTEP Rev. Req't w/o Incentives	RTEP Rev. Req't with Incentives **	Incentive Rev. Requirement ##	RTEP Projected Rev. Req't From Prior Year WS J w/o Incentives	RTEP Rev Req't True-up w/o Incentives	RTEP Projected Rev. Req't From Prior Year WS J with Incentives **	RTEP Rev Req't True-up with Incentives **	True-up of Incentive with Incentives **
2011	267,989	-	267,989	267,989	37,161	37,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	267,989	4,393	263,596	265,792	41,250	41,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2013	263,596	4,393	259,202	261,399	40,641	40,641	corrected depreciation expense reference	\$ -	\$ -	\$ -	\$ -	\$ -
2014	259,202	4,393	254,809	257,006	40,032	40,032		\$ -	\$ -	\$ -	\$ -	\$ -
2015	254,809	4,393	250,416	252,613	39,422	39,422		\$ -	\$ -	\$ -	\$ -	\$ -
2016	250,416	4,393	246,023	248,219	38,813	38,813		\$ -	\$ -	\$ -	\$ -	\$ -
2017	246,023	4,393	241,629	243,826	38,204	38,204		\$ -	\$ -	\$ -	\$ -	\$ -
2018	241,629	4,393	237,236	239,433	37,595	37,595		\$ -	\$ -	\$ -	\$ -	\$ -
2019	237,236	4,393	232,843	235,040	36,986	36,986		\$ -	\$ -	\$ -	\$ -	\$ -
2020	232,843	4,393	228,450	230,646	36,376	36,376		\$ -	\$ -	\$ -	\$ -	\$ -
2021	228,450	4,393	224,056	226,253	35,767	35,767		\$ -	\$ -	\$ -	\$ -	\$ -
2022	224,056	4,393	219,663	221,860	35,158	35,158		\$ -	\$ -	\$ -	\$ -	\$ -
2023	219,663	4,393	215,270	217,466	34,549	34,549		\$ -	\$ -	\$ -	\$ -	\$ -
2024	215,270	4,393	210,877	213,073	33,940	33,940		\$ -	\$ -	\$ -	\$ -	\$ -
2025	210,877	4,393	206,483	208,680	33,330	33,330		\$ -	\$ -	\$ -	\$ -	\$ -
2026	206,483	4,393	202,090	204,287	32,721	32,721		\$ -	\$ -	\$ -	\$ -	\$ -
2027	202,090	4,393	197,697	199,893	32,112	32,112		\$ -	\$ -	\$ -	\$ -	\$ -
2028	197,697	4,393	193,304	195,500	31,503	31,503		\$ -	\$ -	\$ -	\$ -	\$ -
2029	193,304	4,393	188,910	191,107	30,894	30,894		\$ -	\$ -	\$ -	\$ -	\$ -
2030	188,910	4,393	184,517	186,714	30,284	30,284		\$ -	\$ -	\$ -	\$ -	\$ -
2031	184,517	4,393	180,124	182,320	29,675	29,675		\$ -	\$ -	\$ -	\$ -	\$ -
2032	180,124	4,393	175,730	177,927	29,066	29,066		\$ -	\$ -	\$ -	\$ -	\$ -
2033	175,730	4,393	171,337	173,534	28,457	28,457		\$ -	\$ -	\$ -	\$ -	\$ -
2034	171,337	4,393	166,944	169,141	27,848	27,848		\$ -	\$ -	\$ -	\$ -	\$ -
2035	166,944	4,393	162,551	164,747	27,238	27,238		\$ -	\$ -	\$ -	\$ -	\$ -
2036	162,551	4,393	158,157	160,354	26,629	26,629		\$ -	\$ -	\$ -	\$ -	\$ -
2037	158,157	4,393	153,764	155,961	26,020	26,020		\$ -	\$ -	\$ -	\$ -	\$ -
2038	153,764	4,393	149,371	151,568	25,411	25,411		\$ -	\$ -	\$ -	\$ -	\$ -
2039	149,371	4,393	144,978	147,174	24,802	24,802		\$ -	\$ -	\$ -	\$ -	\$ -
2040	144,978	4,393	140,584	142,781	24,192	24,192		\$ -	\$ -	\$ -	\$ -	\$ -
2041	140,584	4,393	136,191	138,388	23,583	23,583		\$ -	\$ -	\$ -	\$ -	\$ -
2042	136,191	4,393	131,798	133,995	22,974	22,974		\$ -	\$ -	\$ -	\$ -	\$ -
2043	131,798	4,393	127,405	129,601	22,365	22,365		\$ -	\$ -	\$ -	\$ -	\$ -
2044	127,405	4,393	123,011	125,208	21,756	21,756		\$ -	\$ -	\$ -	\$ -	\$ -
2045	123,011	4,393	118,618	120,815	21,146	21,146		\$ -	\$ -	\$ -	\$ -	\$ -
2046	118,618	4,393	114,225	116,421	20,537	20,537		\$ -	\$ -	\$ -	\$ -	\$ -
2047	114,225	4,393	109,832	112,028	19,928	19,928		\$ -	\$ -	\$ -	\$ -	\$ -
2048	109,832	4,393	105,438	107,635	19,319	19,319		\$ -	\$ -	\$ -	\$ -	\$ -
2049	105,438	4,393	101,045	103,242	18,709	18,709		\$ -	\$ -	\$ -	\$ -	\$ -
2050	101,045	4,393	96,652	98,848	18,100	18,100		\$ -	\$ -	\$ -	\$ -	\$ -
2051	96,652	4,393	92,259	94,455	17,491	17,491		\$ -	\$ -	\$ -	\$ -	\$ -
2052	92,259	4,393	87,865	90,062	16,882	16,882		\$ -	\$ -	\$ -	\$ -	\$ -
2053	87,865	4,393	83,472	85,669	16,273	16,273		\$ -	\$ -	\$ -	\$ -	\$ -
2054	83,472	4,393	79,079	81,275	15,663	15,663		\$ -	\$ -	\$ -	\$ -	\$ -
2055	79,079	4,393	74,685	76,882	15,054	15,054		\$ -	\$ -	\$ -	\$ -	\$ -
2056	74,685	4,393	70,292	72,489	14,445	14,445		\$ -	\$ -	\$ -	\$ -	\$ -
2057	70,292	4,393	65,899	68,096	13,836	13,836		\$ -	\$ -	\$ -	\$ -	\$ -
2058	65,899	4,393	61,506	63,702	13,227	13,227		\$ -	\$ -	\$ -	\$ -	\$ -
2059	61,506	4,393	57,112	59,309	12,617	12,617		\$ -	\$ -	\$ -	\$ -	\$ -
2060	57,112	4,393	52,719	54,916	12,008	12,008		\$ -	\$ -	\$ -	\$ -	\$ -
2061	52,719	4,393	48,326	50,523	11,399	11,399		\$ -	\$ -	\$ -	\$ -	\$ -
2062	48,326	4,393	43,933	46,129	10,790	10,790		\$ -	\$ -	\$ -	\$ -	\$ -
2063	43,933	4,393	39,539	41,736	10,181	10,181		\$ -	\$ -	\$ -	\$ -	\$ -
2064	39,539	4,393	35,146	37,343	9,571	9,571		\$ -	\$ -	\$ -	\$ -	\$ -
2065	35,146	4,393	30,753	32,949	8,962	8,962		\$ -	\$ -	\$ -	\$ -	\$ -
2066	30,753	4,393	26,359	28,556	8,353	8,353		\$ -	\$ -	\$ -	\$ -	\$ -
2067	26,359	4,393	21,966	24,163	7,744	7,744		\$ -	\$ -	\$ -	\$ -	\$ -
2068	21,966	4,393	17,573	19,770	7,135	7,135		\$ -	\$ -	\$ -	\$ -	\$ -
2069	17,573	4,393	13,180	15,376	6,525	6,525		\$ -	\$ -	\$ -	\$ -	\$ -
2070	13,180	4,393	8,787	10,983	5,916	5,916		\$ -	\$ -	\$ -	\$ -	\$ -
Project Totals		259,202			1,428,565	1,428,565						

** This is the total amount that needs to be reported to PJM for billing to all regions.

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 PJM should be incremented by the amount of the incentive revenue calculated for that year on this project.

AEP East Companies
Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet L Supporting Projected Cost of Debt
APPALACHIAN POWER COMPANY

Calculation of Projected Interest Expense Based on Outstanding Debt at Year End

<u>Line Number</u>	<u>(A) Issuance</u>	<u>(B) Principle Outstanding</u>	<u>(C) Interest Rate</u>	<u>(D) Annual Expense (See Note S on Projected Template)</u>	<u>(E) Notes</u>
1	Long Term Debt (FF1.p. 256-257.h)				
2	Advances From Associated Co.	-	4.708%	-	
3					
4	Installment Purchase Contracts (FF1.p. 256-257.h, a)				
5	WV EDA Amos Project, Series 2009A	54,375,000	0.150%	81,563	
6	WV EDA Amos Project, Series 2009B	50,000,000	0.500%	250,000	
7	IPC Mason Series L	100,000,000	2.000%	2,000,000	
8	WV EDA IPC Mountaineer Project, Series 2008A	75,000,000	0.120%	90,000	
9	WV EDA IPC Mountaineer Project, Series 2008B	50,275,000	0.160%	80,440	
10	IPC Putnam County, WV, Series 2008C	30,000,000	4.850%	1,455,000	
11	IPC Putnam County, WV, Series 2008D	40,000,000	4.850%	1,940,000	
12	Russell County, Va Series K	17,500,000	4.625%	809,375	
13	Amos Project, Series 2010A	50,000,000	5.375%	2,687,500	
14	Amos Project, Series 2011A	65,350,000	2.250%	1,470,375	
15	Senior Unsecured Notes - Series S	300,000,000	3.400%	10,200,000	
16	Senior Unsecured Notes - Series T	350,000,000	4.600%	16,100,000	
17	Senior Unsecured Notes - Series I	200,000,000	4.950%	9,900,000	
18	Senior Unsecured Notes - Series K	250,000,000	5.000%	12,500,000	
19	Senior Unsecured Notes - Series L	250,000,000	5.800%	14,500,000	
20	Senior Unsecured Notes - Series H	200,000,000	5.950%	11,900,000	
21	Senior Unsecured Notes - Series N	250,000,000	6.375%	15,937,500	
22	Senior Unsecured Notes - Series P	250,000,000	6.700%	16,750,000	
23	Senior Unsecured Notes - Series Q	500,000,000	7.000%	35,000,000	
24	Senior Unsecured Notes - Series R	350,000,000	7.950%	27,825,000	
25	Floating Rate Senior Unsecured Notes - Series D	275,000,000	0.685%	1,883,750	
26	Sale/Leaseback	2,383,415	13.641%	325,126	
27	<u>Issuance Discount, Premium, & Expenses:</u>				
28	Auction Fees	FF1.p. 256 & 257.Lines Described as Fees		-	
29	Allowable Hedge Amortization (See Ln 45 Below)			1,619,222	
30	Amort of Debt Discount and Expenses	FF1.p. 117.63.c		3,859,577	
31	Amort of Debt Premimums (Enter Negative)	FF1.p. 117.65.c		-	
32	<u>Reacquired Debt:</u>				
33	Amortization of Loss	FF1.p. 117.64.c		1,342,096	
34	Amortization of Gain	FF1.p. 117.66.c		-	
35	Total Interest on Long Term Debt	3,709,883,415	5.14%	190,506,524	
36	Preferred Stock (FF1.p. 250-251)	Preferred Shares Outstanding			
37	4.5% Series - \$100 - 177,465 Shares O/S		4.50%	-	
38				-	
39				-	
40	Dividends on Preferred Stock	-	0.00%	-	
41	Eligible Hedging Gains and Losses (WS M, Ln 34, (E))			1,619,222	
42	Total Projected Capital Structure Balance for 2013 (Projected TCOS, Ln 165)			6,790,690,020	
43	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005	
44	Limit of Recoverable Amount			3,395,345	
45	Recoverable Hedge Amortization (Lesser of Ln 41 or Ln 44)			1,619,222	

Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2011 & 12/31/2012

(A)	(B)	(C)	(D)	(E)
Line		Balances @ 12/31/2012	Balances @ 12/31/2011	Average
Development of Average Balance of Common Equity				
1	Proprietary Capital (112.16.c&d)	3,052,563,357	2,936,414,454	2,994,488,906
2	Less Preferred Stock (Ln 54 Below)	0	0	-
3	Less Account 216.1 (112.12.c&d)	1,654,344	1,610,810	1,632,577
4	Less Account 219.1 (112.15.c&d)	(29,897,592)	(58,543,154)	(44,220,373)
5	Average Balance of Common Equity	3,080,806,605	2,993,346,798	3,037,076,702

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

6	Bonds (112.18.c&d)	-	-	-
7	Less: Reacquired Bonds (112.19.c&d)	-	-	-
8	LT Advances from Assoc. Companies (112.20.c&d)	-	-	-
9	Senior Unsecured Notes (112.21.c&d)	3,709,883,415	3,734,408,392	3,722,145,904
10	Less: Fair Value Hedges (See Note on Ln 12 below)	-	-	-
11	Total Average Debt	3,709,883,415	3,734,408,392	3,722,145,904

12 NOTE: The balance of fair value hedges on outstanding long term debt are to be excluded from the balance of long term debt included in the formula's capital structure. (Column H of the FF1)

13	Annual Interest Expense for 2012			
14	Interest on Long Term Debt (256-257.33.i)			193,138,993
15	Less: Total Hedge Gain/Expense Accumulated from p 256-257, col. (i) of FERC Form 1 included in Ln 14 and shown in Ln 33 below.			1,619,222
16	Plus: Allowed Hedge Recovery From Ln 38 below.			1,619,222
17	Amort of Debt Discount & Expense (117.63.c)			3,859,577
18	Amort of Loss on Reacquired Debt (117.64.c)			1,342,096
19	Less: Amort of Premium on Debt (117.65.c)			-
20	Less: Amort of Gain on Reacquired Debt (117.66.c)			-
21	Total Interest Expense (Ln 14 + Ln 17 + Ln 18 - Ln 19 - Ln 20)			198,340,666
22	Average Cost of Debt for 2012 (Ln 21/Ln 11)			5.33%

CALCULATION OF RECOVERABLE HEDGE GAINS/LOSSES

23 NOTE: The net amount of hedging gains or losses recorded in account 427 to be recovered in this formula rate should be limited to the effective portion of pre-issuance cash flow hedges that are amortized over the life of the underlying debt issuances. The recovery of a net loss or passback of a net gain will be limited to five basis points of the total Capital Structure. Amounts related to the ineffective portion of pre-issuance hedges, cash settlements of fair value hedges issued on Long Term Debt, post-issuance cash flow hedges, and cash flow hedges of variable rate debt issuances are not recoverable in this formula and are to be recorded in the "Excludable" column below.

HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)	Total Hedge (Gain)/Loss for 2012	Less Excludable Amounts (See NOTE on Line 23)	Net Includable Hedge Amount	Remaining Unamortized Balance	Amortization Period	
					Beginning	Ending
24 Senior Unsecured Notes - Series I	764,169	-	764,169	1,209,935	Jan-05	Feb-15
25 Senior Unsecured Notes - Series K	1,336,324	-	1,336,324	3,229,451	Jun-05	Jun-17
26 Senior Unsecured Notes - Series O	60,287	-	60,287	(0)	Aug-07	Aug-12
27 Senior Unsecured Notes - Series L	(238,880)	-	(238,880)	(656,918)	Sep-05	Oct-35
28 Senior Unsecured Notes - Series H	37,068	-	37,068	753,816	May-03	May-33
29 Senior Unsecured Notes - Series N	(194,198)	-	(194,198)	(4,515,114)	Apr-06	Apr-36
30 Senior Unsecured Notes - Series Q	159,672	-	159,672	4,025,043	Mar-08	Apr-38
31 Senior Unsecured Notes - Series S	826,212	-	826,212	1,981,131	May-10	May-15
32 Senior Unsecured Notes - Series T	(1,131,432)	-	(1,131,432)	(9,302,888)	Mar-11	Mar-21
33 Total Hedge Amortization	1,619,222	-	-	-		
34 Hedge Gain or Loss Prior to Application of Recovery Limit (Sum of Lines 24 to 32)	-	-	1,619,222	-		
35 Total Average Capital Structure Balance for 2012 (True-UP TCOS, Ln 165)	-	-	6,759,222,605	-		
36 Financial Hedge Recovery Limit - Five Basis Points of Total Capital	-	-	0.0005	-		
37 Limit of Recoverable Amount	-	-	3,379,611	-		
38 Recoverable Hedge Amortization (Lesser of Ln 34 or Ln 37)	-	-	1,619,222	-		

Development of Cost of Preferred Stock

Preferred Stock			Average
39 4.5% Series - 100 - Dividend Rate (p. 250-251. 7 & 10.a)	4.50%	4.50%	-
40 4.5% Series - 100 - Par Value (p. 250-251. 8.c)	\$ 100.00	\$ 100.00	-
41 4.5% Series - 100 - Shares O/S (p.250-251. 8 & 11.e)	-	-	-
42 4.5% Series - 100 - Monetary Value (Ln 40 * Ln 41)	-	-	-
43 4.5% Series - 100 - Dividend Amount (Ln 39 * Ln 42)	-	-	-
44 0% Series - - Dividend Rate (p. 250-251.a)	-	-	-
45 0% Series - - Par Value (p. 250-251.c)	-	-	-
46 0% Series - - Shares O/S (p.250-251. e)	-	-	-
47 4.5% Series - 100 - Monetary Value (Ln 45 * Ln 46)	-	-	-
48 0% Series - - Dividend Amount (Ln 44 * Ln 47)	-	-	-
49 0% Series - - Dividend Rate (p. 250-251.a)	-	-	-
50 0% Series - - Par Value (p. 250-251.c)	-	-	-
51 0% Series - - Shares O/S (p.250-251.e)	-	-	-
52 4.5% Series - 100 - Monetary Value (Ln * Ln 49)	-	-	-
53 0% Series - - Dividend Amount (Ln 49 * Ln 52)	-	-	-
54 Balance of Preferred Stock (Lns 42, 47, 52)	-	-	- Year End Total Agrees to FF1 p.112, Ln 3, col (c) & (d)
55 Dividends on Preferred Stock (Lns 43, 48, 53)	-	-	-
56 Average Cost of Preferred Stock (Ln 55/54)	0.00%	0.00%	0.00%

AEP East Companies
Cost of Service Formula Rate Using 2012 FF1 Balances
Worksheet N - Gains (Losses) on Sales of Plant Held For Future Use
APPALACHIAN POWER COMPANY

Note: Gain or loss on plant held for future are recorded in accounts 411.6 or 411.7 respectively. Sales will be funtionalized based on the description of that asset. Sales of transmission assets will be direct assigned; sales of general assets will be functionalized on labor. Sales of plant held for future use related to generation or distribution will not be included in the formula.

Line	(A) Date	(B) Property Description	(C) Function (T) or (G) T = Transmission G = General	(D) Basis	(E) Proceeds	(F) (Gain) / Loss	(G) Functional Allocator	(H) Functionalized Proceeds (Gain) / Loss	(I) FERC Account
1						-	0.000%	-	
2						-	0.000%	-	
3						-	0.000%	-	
4				Net (Gain) or Loss for 2012		<u><u>-</u></u>		<u><u>-</u></u>	

AEP East Companies
 Cost of Service Formula Rate Using 2012 FF1 Balances
 Worksheet O - Calculation of Postemployment Benefits Other than Pensions Expenses Allocable to Transmission Service
 APPALACHIAN POWER COMPANY

Total AEP East Operating Company PBOP Settlement Amount 48,100,000

Allocation of PBOP Settlement Amount for 2012:

Line#	Company	Total Company Amount						
		Actual Expense (Including AEPSC Billed OPEB)	Ratio of Company Actual to Total	Allocation of PBOP Recovery Allowance	Labor Allocator for 2012	Actual Expense	Allowable Expense	One Year Functional Expense (Over)/Under
		(A)	(B)=(A)/Total (A)	(C) =(B) * 48100000	(D)	(E)=(A) * (D)	(F)=(C) * (D)	(G)=(E) - (F)
		(Line 14)						
1	APCo	11,359,793	27.78%	13,362,440	7.081%	804,397	946,207	(141,809)
2								
3	I&M	10,586,657	25.89%	12,453,006	4.206%	445,250	523,744	(78,494)
4	KPCo	2,188,039	5.35%	2,573,774	9.694%	212,116	249,511	(37,394)
5	KNGP	277,875	0.68%	326,862	13.137%	36,506	42,941	(6,436)
6	OPCo	16,164,303	39.53%	19,013,950	6.771%	1,094,477	1,287,425	(192,948)
7	WPCo	314,520	0.77%	369,968	7.846%	24,676	29,026	(4,350)
8	Sum of Lines 1 to 7	40,891,187		48,100,000		2,617,422	3,078,853	(461,432)

Detail of Actual PBOP Expenses to be Removed in Cost of Service

	APCo	I&M	KPCo	KNGSPT	OPCo	WPCo	AEP East Total
9 Direct Charged PBOP Expense per Actuarial Report *	10,991,074	9,836,923	1,994,927	247,734	13,628,228	282,183	36,981,069
10 Additional PBOP Ledger Entries (from Company Records)	(669,581)	(45,394)	-	-	1,105,077	-	-
11 Medicare Subsidy *	-	-	-	-	-	-	-
12 Net Company Expense (Ln 9 + Ln 10 + Ln 11)	10,321,493	9,791,529	1,994,927	247,734	14,733,305	282,183	37,371,171
13 PBOP Expenses From AEP Service Corporation (from Company Records)	1,038,300	795,128	193,112	30,141	1,430,998	32,337	3,520,016
14 Company PBOP Expense (Ln 12 + Ln 13)	11,359,793	10,586,657	2,188,039	277,875	16,164,303	314,520	40,891,187

* Sourced from Actuarial Report

AEP EAST COMPANIES
Worksheet - P CALCULATION OF
TOTAL WEIGHTED AVERAGE DEPRECIATION RATES
FOR TRANSMISSION PLANT PROPERTY ACCOUNT
EFFECTIVE AS OF 2/1/2012
FOR MULTIPLE JURISDICTION COMPANIES
APPALACHIAN POWER COMPANY

	VIRGINIA			WEST VIRGINIA			FERC WHOLESALE			FERC KINGSFORT			COMPANY	
	(1) PLANT ACCT.	VA SCC RATES	ALLOCATION FACTOR (5)	WTD AVG. DEPREC. RATE	(2) PSC OF WV APPROVED RATES	ALLOCATION FACTOR (5)	WTD AVG. DEPREC. RATE	(3) FERC RATES	ALLOCATION FACTOR (5)	WTD AVG. DEPREC. RATE	(4) FERC RATES	ALLOCATION FACTOR (5)	WTD AVG. DEPREC. RATE	WTD AVG. DEPREC. RATE
TRANSMISSION PLANT														
Land Rights - Va.	350.1	0.66%	1.000000	0.66%										0.66%
Structures & Improvements	352.0	1.55%	0.455791	0.71%	1.55%	0.444609	0.69%	2.19%	0.039062	0.09%	2.19%	0.060538	0.13%	1.62%
Station Equipment	353.0	1.95%	0.455791	0.89%	1.95%	0.444609	0.87%	2.19%	0.039062	0.09%	2.19%	0.060538	0.13%	1.98%
Towers & Fixtures	354.0	1.14%	0.455791	0.52%	1.14%	0.444609	0.51%	2.19%	0.039062	0.09%	2.19%	0.060538	0.13%	1.25%
Poles & Fixtures	355.0	2.77%	0.455791	1.26%	2.77%	0.444609	1.23%	2.19%	0.039062	0.09%	2.19%	0.060538	0.13%	2.71%
Overhead Conductor	356.0	1.01%	0.455791	0.46%	1.01%	0.444609	0.45%	2.19%	0.039062	0.09%	2.19%	0.060538	0.13%	1.13%
Underground Conduit	357.0	1.23%	0.455791	0.56%	1.24%	0.444609	0.55%	2.19%	0.039062	0.09%	2.19%	0.060538	0.13%	1.33%
Underground Conductors	358.0	3.18%	0.455791	1.45%	3.18%	0.444609	1.41%	2.19%	0.039062	0.09%	2.19%	0.060538	0.13%	3.08%

(1) As approved in VA Case No. PUE 2006-00065 on May 15, 2007.
Depreciation rates were made effective on January 1, 2006.

(3) Approved by FERC March 2, 1990 in Docket ER90-132

(2) Approved by PSC of WV Order dated July 26, 2006 in
Case No. 05-1278-E-PC-PW-42T effective July 1, 2006.

(4) Approved by FERC March 2, 1990 in Docket ER90-133

(5) 2009 Allocation factors based on APCo's 12 monthly Coincident Peaks for twelve months ended September 30, 2008 as provided by AEPSC Regulated Pricing. The demand allocation factors are updated annually as of January 1, based on the 12 monthly CP's as of the previous September 30th.

GENERAL NOTES:

The rates for each AEP company have been approved by their respective regulatory commissions.

APCo falls under the authority of Virginia, West Virginia and the FERC. Therefore, APCo's rates are a composite of the jurisdictions under which it operates. Each jurisdictions' rate is multiplied by an allocation factor, and the product for each jurisdiction is added with the other jurisdictions to derive the composite rate for the company.

Per the terms of the settlement in this case, AEP will make a 205 filing whenever a company's rates are changed by their commission(s), or if the methodology to calculate the jurisdictional allocator in multiple-state companies changes. Changes in the allocation factors will not necessitate a 205 filing.