

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2013 and Projected Net Plant at Year-End 2014

APPALACHIAN POWER COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 138)			\$222,628,602
2	REVENUE CREDITS	(Note A) (Worksheet E)	6,073,231	DA 1.00000	\$ 6,073,231
3	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 2)			<u>\$ 216,555,371</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)		2,222,035	DA 1.00000	\$ 2,222,035
5	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
6	Annual Rate	((ln 1 - ln 105 - ln 106) / ((ln 48 + ln 49 + ln 50 + ln 51 + ln 53) x 100))			14.84%
7	Monthly Rate	(ln 6 / 12)			1.24%
8	NET PLANT CARRYING CHARGE ON LINE 6 , w/o depreciation or ROE incentives (Note B)				
9	Annual Rate	((ln 1 - ln 105 - ln 106 - ln 111 - ln 112) / ((ln 48 + ln 49 + ln 50 + ln 51 + ln 53) x 100))			12.59%
10	NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B)				
11	Annual Rate	((ln 1 - ln 105 - ln 106 - ln 111 - ln 112 - ln 133 - ln 134) / ((ln 48 + ln 49 + ln 50 + ln 51 + ln 53) x 100))			3.65%
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			9,727,640
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				4,669,413
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				1,097,849
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			<u>3,960,378</u>

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	(1)	(2)	(3)	(4)	(5)
Line No.	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u> <u>NOTE C</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.C)	6,695,720,999	NA 0.00000	-
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(109,439,035)	NA 0.00000	-
20	Transmission	(Worksheet A In 3.C & Ln 142)	2,158,782,674	DA	2,097,206,265
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C & Ln 143)	-	TP 0.97148	-
22	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.D)		80,536,661	DA 1.00000	80,536,661
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I, In 22.D)		-	DA 1.00000	-
24	Distribution	(Worksheet A In 5.C)	3,136,652,594	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)	198,036,633	W/S 0.07115	14,090,943
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(811,747)	W/S 0.07115	(57,758)
28	Intangible Plant	(Worksheet A In 9.C)	106,769,319	W/S 0.07115	7,596,980
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	12,266,245,029		2,199,373,091
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.C)	2,393,959,634	NA 0.00000	-
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(45,104,260)	NA 0.00000	-
33	Transmission	(Worksheet A In 14.C & 28.C)	661,847,646	TP1= 0.97283	643,865,375
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 0.97283	-
35	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.I)		424,805	DA 1.00000	424,805
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I In. 24.D)		-	DA 1.00000	-
37	Plus: Additional Transmission Depreciation for 2014 (In 111)		34,299,015	TP1 0.97283	33,367,117
38	Plus: Additional General & Intangible Depreciation for 2014 (In 113 + In 114)		19,746,131	W/S 0.07115	1,405,001
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I In 23.D)		-	DA 1.00000	-
40	Distribution	(Worksheet A In 16.C)	976,128,323	NA 0.00000	-
41	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	(1,585)	NA 0.00000	-
42	General Plant	(Worksheet A In 18.C)	67,198,578	W/S 0.07115	4,781,395
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(611,733)	W/S 0.07115	(43,527)
44	Intangible Plant	(Worksheet A In 20.C)	78,567,127	W/S 0.07115	5,590,304
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	4,186,453,681		689,390,470
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	4,237,426,590		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	1,496,935,028		1,453,340,890
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		80,111,856		80,111,856
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		-		-
51	Plus: Additional Transmission Depreciation for 2014 (-In 37)		(34,299,015)		(33,367,117)
52	Plus: Additional General & Intangible Depreciation for 2014 (-In 38)		(19,746,131)		(1,405,001)
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		-		-
54	Distribution	(In 24 + In 25 - In 40 - In 41)	2,160,522,787		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	130,638,041		9,295,317
56	Intangible Plant	(In 28 - In 44)	28,202,192		2,006,677
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	8,079,791,348		1,509,982,621
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(290,874,325)	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(1,465,038,128)	DA	(315,764,238)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(402,059,616)	DA	(34,734,688)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	428,919,990	DA	49,974,895
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(1,862,705)	DA	(391,881)
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(1,730,914,784)		(300,915,912)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	40,346,487	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)	2,931,151		2,847,543
69	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	1,454,529	TP 0.97148	1,413,040
70	A&G Materials & Supplies	(Worksheet C, In 3.(D))	578,913	W/S 0.07115	41,192
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h) 0.17388	-
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	181,790,160	W/S 0.07115	12,934,954
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	2,866,325	GP(h) 0.17388	498,393
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	4,719	DA 1.00000	4,719
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(179,446,736)	NA 0.00000	-
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	10,179,061		17,739,842
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	(2,526,174)	DA 1.00000	(2,526,174)
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		6,396,875,938		1,226,158,052

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Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
	OPERATION & MAINTENANCE EXPENSE				
79	Production	321.80.b	2,052,094,405		
80	Distribution	322.156.b	168,578,963		
81	Customer Related Expense	322.164,171,178.b	42,688,728		
82	Regional Marketing Expenses	322.131.b	4,797,601		
83	Transmission	321.112.b	76,711,381		
84	TOTAL O&M EXPENSES	(sum Ins 79 to 83)	2,344,871,078		
85	Less: Total Account 561	(Note G) (Worksheet F, In 15.C)	9,727,640		
86	Less: Account 565	(Note H) 321.96.b	57,719,444		
87	Less: State Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	(14,184,908)		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	23,449,205	TP 0.97148	22,780,348
89	Administrative and General	323.197.b (Note J)	104,512,487		
90	Less: Acct. 924, Property Insurance	323.185.b	2,516,603		
91	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	(3,830,870)		
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)	(384,689)		
94	Acct. 928, Reg. Com. Exp.	323.189.b	2,123,779		
95	Acct. 930.1, Gen. Advert. Exp.	323.191.b	808,674		
96	Acct. 930.2, Misc. Gen. Exp.	323.192.b	6,694,594		
97	Balance of A & G	(In 89 - sum In 90 to In 96)	96,584,396	W/S 0.07115	6,872,290
98	Plus: Acct. 924, Property Insurance	(In 90)	2,516,603	GP(h) 0.17388	437,584
99	Acct. 928 - Transmission Specific	Worksheet F In 19.(E) (Note L)	-	TP 0.97148	-
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 36.(E) (Note L)	-	TP 0.97148	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 44.(E) (Note L)	2,951,521	DA 1.00000	2,951,521
102	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 1, (Note M)	14,511,689	W/S 0.07115	1,032,553
103	A & G Subtotal	(sum Ins 97 to 102)	116,564,209		11,293,949
104	O & M EXPENSE SUBTOTAL	(In 88 + In 103)	140,013,414		34,074,296
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)	140,013,414		34,074,296
108	DEPRECIATION AND AMORTIZATION EXPENSE				
109	Production	336.2-6.f	172,609,328	NA 0.00000	-
110	Distribution	336.8.f	107,596,422	NA 0.00000	-
111	Transmission	336.7.f	34,299,015	TP1 0.97283	33,367,117
112	Plus: Transmission Plant-in-Service Additions (Worksheet I In 21.I)		424,805	DA 1.00000	424,805
113	General	336.10.f	2,979,674	W/S 0.07115	212,013
114	Intangible	336.1.f	16,766,457	W/S 0.07115	1,192,987
115	TOTAL DEPRECIATION AND AMORTIZATION	(Ins 109+110+111 +112+113+114)	334,675,701		35,196,923
116	TAXES OTHER THAN INCOME				
117	Labor Related	(Note N)			
118	Payroll	Worksheet H In 23.(D)	8,754,632	W/S 0.07115	622,920
119	Plant Related				
120	Property	Worksheet H In 23.(C) & In 58.(C)	54,607,668	DA	15,565,022
121	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	29,577,587	NA 0.00000	-
122	Other	Worksheet H In 23.(E)	17,285,848	GP(h) 0.17388	3,005,643
123	TOTAL OTHER TAXES	(sum Ins 118 to 122)	110,225,735		19,193,585
124	INCOME TAXES				
125	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		39.16%		
126	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		41.57%		
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)		1.6437		
130	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(260,410)		
131	Income Tax Calculation	(In 126 * In 134)	205,513,291		39,392,944
132	ITC adjustment	(In 129 * In 130)	(428,024)	NP(h) 0.18186	(77,840)
133	TOTAL INCOME TAXES	(sum Ins 131 to 132)	205,085,267		39,315,104
134	RETURN ON RATE BASE (Rate Base * WACC)	(In 78 * In 165)	494,406,603		94,768,234
135	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		80,459	DA 1.00000	80,459
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)	1,284,487,178		222,628,602

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
139	Total transmission plant	(In 20)						2,158,782,674
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>61,576,409</u>
142	Transmission plant included in PJM Tariff	(In 139 - In 140 - In 141)						2,097,206,265
143	Percent of transmission plant in PJM Tariff	(In 142 / In 139)					TP	0.97148
144	WAGES & SALARY ALLOCATOR (W/S)	(Note R)						
			Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
145	Production	354.20.b	56,730,712	17,719,946	74,450,658	NA	0.00000	-
146	Transmission	354.21.b	3,857,212	6,054,541	9,911,753	TP	0.97148	9,629,033
147	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000	-
148	Distribution	354.23.b	30,620,620	2,773,270	33,393,890	NA	0.00000	-
149	Other (Excludes A&G)	354.24,25,26.b	9,035,499	8,536,355	17,571,854	NA	0.00000	-
150	Total	(sum Ins 145 to 149)	<u>100,244,043</u>	<u>35,084,112</u>	<u>135,328,155</u>			<u>9,629,033</u>
151	Transmission related amount						W/S=	0.07115
152	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
153	Long Term Interest	(Worksheet L, In. 38, col. (D))						<u>203,340,221</u>
154	Preferred Dividends	(Worksheet L, In. 43, col. (D))						-
155	<u>Development of Common Stock:</u>							
156	Proprietary Capital	(FF1 p 112, Ln 16.c)						3,231,334,227
157	Less: Preferred Stock	(FF1 p 112, Ln 3.c)						-
158	Less: Account 216.1	(FF1 p 112, Ln 12.c)						1,639,734
159	Less: Account 219	(FF1 p 112, Ln 15.c)						<u>2,951,210</u>
160	Common Stock	(In 156 - In 157 - In 158 - In 159)						3,226,743,283
161			\$	%			Cost (Note S)	Weighted
162	Long Term Debt (Note T) Worksheet L, In 38, col. (B))		<u>4,201,154,787</u>	56.56%			0.0484	0.0274
163	Preferred Stock (In 157)		-	0.00%			-	0.0000
164	Common Stock (In 160)		<u>3,226,743,283</u>	43.44%			11.49%	<u>0.0499</u>
165	Total (Sum Ins 162 to 164)		<u>7,427,898,070</u>				WACC=	0.0773

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, 2014. Other ratebase amounts are as of December 31, 2013.
- 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) (ln 130) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
Inputs Required: FIT = 35.00%
SIT= 6.40% (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 153) / long term debt (ln 162). Preferred Stock cost rate = preferred dividends (ln 154) / preferred outstanding (ln 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.

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Utilizing Historic Cost Data for 2013 with Year-End Rate Base Balances

APPALACHIAN POWER COMPANY

Line No.			Total	Allocator	Transmission Amount
166	REVENUE REQUIREMENT (w/o incentives)	(In 303)			\$217,242,909
167	REVENUE CREDITS	(Note A) (Worksheet E)	6,073,231	DA 1.00000	\$ 6,073,231
168	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 167)			<u>\$ 211,169,678</u>

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)			14.95%
172	Monthly Rate	(In 171 / 12)			1.25%
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)			12.65%
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)			3.77%
177	Not applicable on this template				

REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES					
178					
179	Total Load Dispatch & Scheduling (Account 561)	Line 250 Below			9,727,640
180	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				4,669,413
181	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				1,097,849
182	Total 561 Internally Developed Costs	(Line 179 - Line 180 - Line 181)			<u>3,960,378</u>

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2013 with Year-End Rate Base Balances

APPALACHIAN POWER COMPANY

	(1)	(2)	(3)	(4)	(5)
Line No.	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u> <u>NOTE C</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>
183	GROSS PLANT IN SERVICE				
183	Production	(Worksheet A In 1.C)	6,695,720,999	NA	0.00000
184	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(109,439,035)	NA	0.00000
185	Transmission	(Worksheet A In 3.C & Ln 307)	2,158,782,674	DA	2,097,206,265
186	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C & Ln 308)	-	TP	0.97148
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)	3,136,652,594	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)	198,036,633	W/S	0.07115
192	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(811,747)	W/S	0.07115
193	Intangible Plant	(Worksheet A In 9.C)	106,769,319	W/S	0.07115
194	TOTAL GROSS PLANT	(sum Ins 183 to 193)	12,185,708,368	GP(h)=	0.173879
				GTD=	0.39604
195	ACCUMULATED DEPRECIATION AND AMORTIZATION				
196	Production	(Worksheet A In 12.C)	2,393,959,634	NA	0.00000
197	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(45,104,260)	NA	0.00000
198	Transmission	(Worksheet A In 14.C & 28.C)	661,847,646	TP1=	0.97283
199	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.97283
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 2014 (In 276)		N/A	TP1	0.97283
203	Plus: Additional General & Intangible Depreciation for 2014 (In 275 + In 276)		N/A	W/S	0.07115
204	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
205	Distribution	(Worksheet A In 16.C)	976,128,323	NA	0.00000
206	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	(1,585)	NA	0.00000
207	General Plant	(Worksheet A In 18.C)	67,198,578	W/S	0.07115
208	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(611,733)	W/S	0.07115
209	Intangible Plant	(Worksheet A In 20.C)	78,567,127	W/S	0.07115
210	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 196 to 209)	4,131,983,730		654,193,547
211	NET PLANT IN SERVICE				
212	Production	(In 183 + In 184 - In 196 - In 197)	4,237,426,590		-
213	Transmission	(In 185 + In 186 - In 198 - In 199)	1,496,935,028		1,453,340,890
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 2014 (-In 202)		N/A		N/A
217	Plus: Additional General & Intangible Depreciation for 2014 (-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)	2,160,522,787		-
220	General Plant	(In 191 + In 192 - In 207 - In 208)	130,638,041		9,295,317
221	Intangible Plant	(In 193 - In 209)	28,202,192		2,006,677
222	TOTAL NET PLANT IN SERVICE	(sum Ins 212 to 221)	8,053,724,638	NP(h)=	0.181859
223	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
224	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(290,874,325)	NA	-
225	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(1,465,038,128)	DA	(315,764,238)
226	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(402,059,616)	DA	(34,734,688)
227	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	428,919,990	DA	49,974,895
228	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(1,862,705)	DA	(391,881)
229	TOTAL ADJUSTMENTS	(sum Ins 224 to 228)	(1,730,914,784)		(300,915,912)
230	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	40,346,487	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)	2,931,151		2,847,543
234	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	1,454,529	TP	0.97148
235	A&G Materials & Supplies	(Worksheet C, In 3.(D))	578,913	W/S	0.07115
236	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.17388
237	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	181,790,160	W/S	0.07115
238	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	2,866,325	GP(h)	0.17388
239	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	4,719	DA	1.00000
240	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(179,446,736)	NA	0.00000
241	TOTAL WORKING CAPITAL	(sum Ins 233 to 240)	10,179,061		17,739,842
242	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	(2,526,174)	DA	1.00000
243	RATE BASE (sum Ins 222, 229, 230, 231, 241, 242)		6,370,809,228		1,180,818,314

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2013 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	2,052,094,405		
245	Distribution	322.156.b	168,578,963		
246	Customer Related Expense	322 & 323.164,171,178.b	42,688,728		
247	Regional Marketing Expenses	322.131.b	4,797,601		
248	Transmission	321.112.b	76,711,381		
249	TOTAL O&M EXPENSES	(sum lns 244 to 248)	2,344,871,078		
250	Less: Total Account 561	(Note G) (Worksheet F, In 15.C)	9,727,640		
251	Less: Account 565	(Note H) 321.96.b	57,719,444		
252	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	(14,184,908)		
253	Total O&M Allocable to Transmission	(lns 248 - 250 - 251 - 252)	23,449,205	TP	0.97148
254	Administrative and General	323.197.b (Note J)	104,512,487		
255	Less: Acct. 924, Property Insurance	323.185.b	2,516,603		
256	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	(3,830,870)		
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)	(384,689)		
259	Acct. 928, Reg. Com. Exp.	323.189.b	2,123,779		
260	Acct. 930.1, Gen. Advert. Exp.	323.191.b	808,674		
261	Acct. 930.2, Misc. Gen. Exp.	323.192.b	6,694,594		
262	Balance of A & G	(ln 254 - sum ln 255 to ln 261)	96,584,396	W/S	0.07115
263	Plus: Acct. 924, Property Insurance	(ln 255)	2,516,603	GP(h)	0.17388
264	Acct. 928 - Transmission Specific	Worksheet F ln 19.(E) (Note L)	-	TP	0.97148
265	Acct 930.1 - Only safety related ads -Direct	Worksheet F ln 36.(E) (Note L)	-	TP	0.97148
266	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F ln 44.(E) (Note L)	2,951,521	DA	1.00000
267	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 1, (Note M)	14,511,689	W/S	0.07115
268	A & G Subtotal	(sum lns 262 to 267)	116,564,209		
269	O & M EXPENSE SUBTOTAL	(ln 253 + ln 268)	140,013,414		
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	(ln 269 + ln 270 + ln 271)	140,013,414		
273	DEPRECIATION AND AMORTIZATION EXPENSE				
274	Production	336.2-6.f	172,609,328	NA	0.00000
275	Distribution	336.8.f	107,596,422	NA	0.00000
276	Transmission	336.7.f	34,299,015	TP1	0.97283
277	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
278	General	336.10.f	2,979,674	W/S	0.07115
279	Intangible	336.1.f	16,766,457	W/S	0.07115
280	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 274+275+276+277+278+279)	334,250,896		
281	TAXES OTHER THAN INCOME	(Note N)			
282	Labor Related				
283	Payroll	Worksheet H ln 23.(D)	8,754,632	W/S	0.07115
284	Plant Related				
285	Property	Worksheet H ln 23.(C) & ln 58.(C)	54,607,668	DA	15,565,022
286	Gross Receipts/Sales & Use	Worksheet H ln 23.(F)	29,577,587	NA	0.00000
287	Other	Worksheet H ln 23.(E)	17,285,848	GP(h)	0.17388
288	TOTAL OTHER TAXES	(sum lns 283 to 287)	110,225,735		
289	INCOME TAXES	(Note O)			
290	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		39.16%		
291	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		41.57%		
292	where WCLTD=(ln 327) and WACC = (ln 330)				
293	and FIT, SIT & p are as given in Note O.				
294	$GRCF=1 / (1 - T) =$ (from ln 290)		1.6437		
295	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	(260,410)		
296	Income Tax Calculation	(ln 291 * ln 299)	204,675,842		
297	ITC adjustment	(ln 294 * ln 295)	(428,024)	NP(h)	0.18186
298	TOTAL INCOME TAXES	(sum lns 296 to 297)	204,247,818		
299	RETURN ON RATE BASE (Rate Base*WACC)	(ln 243 * ln 330)	492,391,939		
300	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, ln 2.(B))		80,459	DA	1.00000
301	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, ln 4, Cols. ((F) & (H))		-		
302	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (ln 301 * ln 291)		-		
303	TOTAL REVENUE REQUIREMENT	(sum lns 272, 280, 288, 298, 299, 300, 301, 302)	1,281,210,261		

AEP East Companies
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APPALACHIAN POWER COMPANY

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
304	Total transmission plant	(In 185)						2,158,782,674
305	Less transmission plant excluded from PJM Tariff (Note P)							61,576,409
306	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note Q)							2,097,206,265
307	Transmission plant included in PJM Tariff	(In 304 - In 305 - In 306)						
308	Percent of transmission plant in PJM Tariff	(In 307 / In 304)					TP=	0.97148
309	WAGES & SALARY ALLOCATOR (W/S)	(Note R)						
			Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
310	Production	354.20.b	56,730,712	17,719,946	74,450,658	NA	0.00000	-
311	Transmission	354.21.b	3,857,212	6,054,541	9,911,753	TP	0.97148	9,629,033
312	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000	-
313	Distribution	354.23.b	30,620,620	2,773,270	33,393,890	NA	0.00000	-
314	Other (Excludes A&G)	354.24,25,26.b	9,035,499	8,536,355	17,571,854	NA	0.00000	-
315	Total	(sum Ins 310 to 314)	100,244,043	35,084,112	135,328,155			9,629,033
316	Transmission related amount		✓	✓			W/S=	0.07115
317	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
318	Long Term Interest	(Worksheet L, In. 38, col. (D))						203,340,221
319	Preferred Dividends	(Worksheet L, In. 43, col. (D))						-
320	Development of Common Stock:							
321	Proprietary Capital	(FF1 p 112, Ln 16.c)						3,231,334,227
322	Less: Preferred Stock	(FF1 p 112, Ln 3.c)						-
323	Less: Account 216.1	(FF1 p 112, Ln 12.c)						1,639,734
324	Less: Account 219	(FF1 p 112, Ln 15.c)						2,951,210
325	Common Stock	(In 321 - In 322 - In 323 - In 324)						3,226,743,283
326			\$	%		Cost (Note S)	Weighted	
327	Long Term Debt (Note T) Worksheet L, In 38, col. (B)		4,201,154,787	56.56%		0.0484	0.0274	
328	Preferred Stock (In 322)		-	0.00%		-	0.0000	
329	Common Stock (In 325)		3,226,743,283	43.44%		11.49%	0.0499	
330	Total (Sum Ins 327 to 329)		7,427,898,070				WACC=	0.0773

AEP East Companies
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Utilizing Historic Cost Data for 2013 with Year-End Rate Base 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 are historic as of December 31, 2013.
- 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 252
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= 6.40% (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.

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APPALACHIAN POWER COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 138)			\$216,099,075
2	REVENUE CREDITS	(Note A) (Worksheet E)	6,073,231	DA 1.00000	\$ 6,073,231
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			\$ 210,025,844

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)		1,902,195	DA 1.00000	\$ 1,902,195
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)			15.30%
7	Monthly Rate	(In 6 / 12)			1.28%
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)			12.93%
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)			3.89%
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			9,727,640
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				4,669,413
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				1,097,849
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			3,960,378

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2013 with Average Ratebase Balances

APPALACHIAN POWER COMPANY

	(1)	(2)	(3)	(4)	(5)
Line No.	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u> <u>NOTE C</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>
	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.E)	6,158,079,809	NA	0.00000
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.E)	(90,712,776)	NA	0.00000
20	Transmission	(Worksheet A In 3.E & Ln 142)	2,099,524,409	DA	2,043,435,595
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E & Ln 143)	-	TP	0.97328
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)	3,062,786,494	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)	196,638,214	W/S	0.07129
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	(811,747)	W/S	0.07129
28	Intangible Plant	(Worksheet A In 9.E)	115,197,816	W/S	0.07129
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	11,540,699,149	GP(h)=	0.17898
				GTD=	0.00000
	ACCUMULATED DEPRECIATION AND AMORTIZATION				
30	Production	(Worksheet A In 12.E)	2,208,032,484	NA	0.00000
31	Less: Production ARO (Enter Negative)	(Worksheet A In 13.E)	(37,958,771)	NA	0.00000
32	Transmission	(Worksheet A In 14.E & 28.E)	645,824,410	TP1=	0.97752
33	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	0.97752
34	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	1.00000
35	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
36	Plus: Additional Transmission Depreciation for 2014 (In 111)		N/A	TP1	0.97752
37	Plus: Additional General & Intangible Depreciation for 2014 (In 110 + In 111)		N/A	W/S	0.07129
38	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
39	Distribution	(Worksheet A In 16.E)	947,313,807	NA	0.00000
40	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.E)	(1,551)	NA	0.00000
41	General Plant	(Worksheet A In 18.E)	65,592,457	W/S	0.07129
42	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	(603,088)	W/S	0.07129
43	Intangible Plant	(Worksheet A In 20.E)	85,276,820	W/S	0.07129
44	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	3,913,476,566		642,017,639
	NET PLANT IN SERVICE				
45	Production	(In 18 + In 19 - In 31 - In 32)	3,897,293,320		-
46	Transmission	(In 20 + In 21 - In 33 - In 34)	1,453,699,999		1,412,129,784
47	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		N/A		N/A
48	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		N/A		N/A
49	Plus: Additional Transmission Depreciation for 2014 (-In 37)		N/A		N/A
50	Plus: Additional General & Intangible Depreciation for 2014 (-In 38)		N/A		N/A
51	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		N/A		N/A
52	Distribution	(In 24 + In 25 - In 40 - In 41)	2,115,471,169		-
53	General Plant	(In 26 + In 27 - In 42 - In 43)	130,837,098		9,326,812
54	Intangible Plant	(In 28 - In 44)	29,920,996		2,132,939
55	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	7,627,222,582	NP(h)=	0.18665
	DEFERRED TAX ADJUSTMENTS TO RATE BASE				
56	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	(244,097,289)	NA	-
57	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(1,347,228,136)	DA	(302,612,680)
58	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(416,955,805)	DA	(32,489,705)
59	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	414,455,230	DA	50,109,598
60	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	(2,342,685)	DA	(516,655)
61	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(1,596,168,684)		(285,509,442)
62	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	22,832,779	DA	1,877,675
63	REGULATORY ASSETS	(Worksheet A In 36. (E))	-	DA	-
64	WORKING CAPITAL				
65	Cash Working Capital	(Note E) (1/8 * In 88)	2,931,151		2,852,845
66	Transmission Materials & Supplies	(Worksheet C, In 2.F)	1,481,505	TP	0.97328
67	A&G Materials & Supplies	(Worksheet C, In 3.F)	702,360	W/S	0.07129
68	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.17898
69	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 8.G)	192,779,104	W/S	0.07129
70	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 8.F)	2,962,049	GP(h)	0.17898
71	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 8.E)	8,768	DA	1.00000
72	Prepayments (Account 165) - Unallocable	(Worksheet C, In 8.D)	(190,476,830)	NA	0.00000
73	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	10,388,105		18,626,158
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8 (B))	(2,485,945)	DA	1.00000
75	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		6,061,788,838		1,156,097,982

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2013 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	2,052,094,405		
80	Distribution	322.156.b	168,578,963		
81	Customer Related Expense	322.164,171,178.b	42,688,728		
82	Regional Marketing Expenses	322.131.b	4,797,601		
83	Transmission	321.112.b	76,711,381		
84	TOTAL O&M EXPENSES	(sum Ins 79 to 83)	2,344,871,078		
85	Less: Total Account 561	(Note G) (Worksheet F, In 15.C)	9,727,640		
86	Less: Account 565	(Note H) 321.96.b	57,719,444		
87	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	(14,184,908)		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	23,449,205	TP	0.97328
					22,822,759
89	Administrative and General	323.197.b (Note J)	104,512,487		
90	Less: Acct. 924, Property Insurance	323.185.b	2,516,603		
91	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	(3,830,870)		
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)	(384,689)		
94	Acct. 928, Reg. Com. Exp.	323.189.b	2,123,779		
95	Acct. 930.1, Gen. Advert. Exp.	323.191.b	808,674		
96	Acct. 930.2, Misc. Gen. Exp.	323.192.b	6,694,594		
97	Balance of A & G	(In 89 - sum In 90 to In 96)	96,584,396	W/S	0.07129
98	Plus: Acct. 924, Property Insurance	(In 90)	2,516,603	GP(h)	0.17898
99	Acct. 928 - Transmission Specific	Worksheet F In 19.(E) (Note L)	-	TP	0.97148
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 36.(E) (Note L)	-	TP	0.97148
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 44.(E) (Note L)	2,951,521	DA	1.00000
102	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 1, (Note M)	14,511,689	W/S	0.07129
103	A & G Subtotal	(sum Ins 97 to 102)	116,564,209		11,321,515
104	O & M EXPENSE SUBTOTAL	(In 88 + In 103)	140,013,414		34,144,274
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)	140,013,414		34,144,274
DEPRECIATION AND AMORTIZATION EXPENSE					
109	Production	336.2-6.f	172,609,328	NA	0.00000
110	Distribution	336.8.f	107,596,422	NA	0.00000
111	Transmission	336.7.f	34,299,015	TP1	0.97752
112	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
113	General	336.10.f	2,979,674	W/S	0.07129
114	Intangible	336.1.f	16,766,457	W/S	0.07129
115	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 109+110+ 111+112+113+114)	334,250,896		34,935,565
TAXES OTHER THAN INCOME					
117	Labor Related				
118	Payroll	Worksheet H In 23.(D)	8,754,632	W/S	0.07129
119	Plant Related				
120	Property	Worksheet H In 23.(C) & In 58.(C)	54,607,668	DA	15,565,022
121	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	29,577,587	NA	0.00000
122	Other	Worksheet H In 23.(E)	17,285,848	GP(h)	0.17898
123	TOTAL OTHER TAXES	(sum Ins 118 to 122)	110,225,735		19,283,002
INCOME TAXES					
125	T=1 - ((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p) =		39.16%		
126	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		42.23%		
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)		1.6437		
130	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(260,410)		
131	Income Tax Calculation	(In 126 * In 134)	198,874,239		37,929,085
132	ITC adjustment	(In 129 * In 130)	(428,024)	NP(h)	0.18665
133	TOTAL INCOME TAXES	(sum Ins 131 to 132)	198,446,215		37,849,196
134	RETURN ON RATE BASE (Rate Base*WACC)	(In 78 * In 165)	470,884,409		89,806,578
135	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		80,459	DA	1.00000
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		1,253,901,127		216,099,075
	(sum Ins 107, 115, 123, 133, 134, 135)				

APPALACHIAN POWER COMPANY

SUPPORTING CALCULATIONS

In											
<u>No.</u>	<u>TRANSMISSION PLANT INCLUDED IN PJM TARIFF</u>										
139	Total transmission plant	(In 20)								2,099,524,409	
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)								56,088,814	
142	Transmission plant included in PJM Tariff	(In 139 - In 140 - In 141)								2,043,435,595	
143	Percent of transmission plant in PJM Tariff	(In 142 / In 139)								TF	0.97328
144	WAGES & SALARY ALLOCATOR (W/S)	(Note R)			Payroll Billed from						
145	Production	354.20.b	Direct Payroll	AEP Service Corp.	Total						
146	Transmission	354.21.b	56,730,712	17,719,946	74,450,658	NA	0.00000		-		
147	Regional Market Expenses	354.22.b	3,857,212	6,054,541	9,911,753	TP	0.97328		9,646,960		
148	Distribution	354.23.b	0	0	-	NA	0.00000		-		
149	Other (Excludes A&G)	354.24,25,26.b	30,620,620	2,773,270	33,393,890	NA	0.00000		-		
150	Total	(sum Ins 145 to 149)	9,035,499	8,536,355	17,571,854	NA	0.00000		-		
			100,244,043	35,084,112	135,328,155				9,646,960		
151	Transmission related amount									W/S=	0.07129
152	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$	
153	Long Term Interest	(Worksheet M, In. 21, col. (E))								189,886,676	
154	Preferred Dividends	(Worksheet M, In. 55, col. (E))								-	
155	<u>Development of Common Stock:</u>									<u>Average</u>	
156	Proprietary Capital	(Worksheet M, In. 1, col. (E))								3,141,948,792	
157	Less: Preferred Stock	(Worksheet M, In. 2, col. (E))								-	
158	Less: Account 216.1	(Worksheet M, In. 3, col. (E))								1,647,039	
159	Less: Account 219	(Worksheet M, In. 4, col. (E))								(13,473,191)	
160	Common Stock	(In 156 - In 157 - In 158 - In 159)								3,153,774,944	
161			<u>Capital Structure Weighting</u>		Cost						
			Average \$	Actual	Cap Limit	(Note S)	Weighted				
162	Long Term Debt (Note T) W/S M, In 11, In 22, col. (E))		3,955,519,101	55.64%	0.00%	0.0480	0.0267				
163	Preferred Stock (In 157)		-	0.00%	0.00%	-	0.0000				
164	Common Stock (In 160)		3,153,774,944	44.36%	0.00%	11.49%	0.0510				
165	Total (Sum Ins 162 to 164)		7,109,294,045			WACC=	0.0777				
166	Capital Structure Equity Limit (Note U)		100.0%								

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2013 with Average Ratebase 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 reflect the average of the balances at December 31, 2012 and December 31, 2013.
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 = 6.40% (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 2013 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, 2013	Balance @ December 31, 2012	Average Balance for 2013
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
Plant Investment Balances					
1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 46	6,695,720,999	5,620,438,618	6,158,079,809
2	Production Asset Retirement Obligation (ARO)	FF1, page 205&204, Col.(g)&(b), Ins 15,24,34,44	109,439,035	71,986,517	90,712,776
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	2,158,782,674	2,040,266,144	2,099,524,409
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	-	-	-
5	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 75	3,136,652,594	2,988,920,393	3,062,786,494
6	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 74	3,069	3,069	3,069
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	198,036,633	195,239,795	196,638,214
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	811,747	811,747	811,747
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	106,769,319	123,626,312	115,197,816
10	Total Property Investment Balance	(Sum of Lines: 3, 1, 5, 7, 9)	12,295,962,219	10,968,491,262	11,632,226,741
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 2, 6, 8)	110,253,851	72,801,333	91,527,592
Accumulated Depreciation & Amortization Balances					
12	Production Accumulated Depreciation	FF1, page 219, Ins 20-24, Col. (b)	2,393,959,634	2,022,105,333	2,208,032,484
13	Production ARO Accumulated Depreciation	Company Records - Note 1	45,104,260	30,813,283	37,958,771
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	661,847,646	629,801,174	645,824,410
15	Transmission ARO Accumulated Depreciation	Company Records - Note 1	-	-	-
16	Distribution Accumulated Depreciation	FF1, page 219, In 26, Col. (b)	976,128,323	918,499,290	947,313,807
17	Distribution ARO Accumulated Depreciation	Company Records - Note 1	1,585	1,517	1,551
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	67,198,578	63,986,336	65,592,457
19	General ARO Accumulated Depreciation	Company Records - Note 1	611,733	594,444	603,088
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	78,567,127	91,986,512	85,276,820
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 12, 16, 18, 20)	4,177,701,308	3,726,378,645	3,952,039,977
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 13, 17, 19)	45,717,578	31,409,243	38,563,410
Generation Step-Up Units					
23	GSU Investment Amount	Company Records - Note 1	61,576,409	50,601,219	56,088,814
24	GSU Accumulated Depreciation	Company Records - Note 1	17,982,271	11,054,926	14,518,599
25	GSU Net Balance	(Line 23 - Line 24)	43,594,138	39,546,292	41,570,215
Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation					
26	Transmission Accumulated Depreciation	(Line 14 Above)	661,847,646	629,801,174	645,824,410
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	17,982,271	11,054,926	14,518,599
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	643,865,375	618,746,248	631,305,811
Plant Held For Future Use					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	40,346,487	5,319,071	22,832,779
30	Transmission Plant Held For Future	Company Records - Note 1	1,877,675	1,877,675	1,877,675
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 2013 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, 2013</u>	<u>(D) Balance @ December 31, 2012</u>	<u>(E) Average Balance for 2013</u>
1	<u>Account 281</u>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, In 8, Col. (k)	290,874,325	197,320,252	244,097,289
3	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
4	Less: Other Excluded Deferrals	Company Records - Note 1	290,874,325	197,320,252	244,097,289
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)	1,465,038,128	1,229,418,143	1,347,228,136
8	Less: ARO Related Deferrals	Company Records - Note 1	14,225,977	5,314,689	9,770,333
9	Less: Other Excluded Deferrals	Company Records - Note 1	1,135,047,913	934,642,332	1,034,845,123
10	Transmission Related Deferrals	Ln 7 - In 8 - In 9	315,764,238	289,461,122	302,612,680
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, In 9, Col. (k)	402,059,616	431,851,994	416,955,805
13	Less: ARO Related Deferrals	Company Records - Note 1	2,258,617	2,971,021	2,614,819
14	Less: Other Excluded Deferrals	Company Records - Note 1	365,066,312	398,636,251	381,851,282
15	Transmission Related Deferrals	Ln 12 - In 13 - In 14	34,734,688	30,244,723	32,489,705
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, In 8, Col. (c)	428,919,990	399,990,470	414,455,230
18	Less: ARO Related Deferrals	Company Records - Note 1	53,614,775	40,515,848	47,065,312
19	Less: Other Excluded Deferrals	Company Records - Note 1	325,330,320	309,230,321	317,280,321
20	Transmission Related Deferrals	Ln 17 - In 18 - In 19	49,974,895	50,244,301	50,109,598
21	<u>Account 255</u>				
22	Year End ITC Balances	FF1, p. 266-267, In 8, Col. (h)	1,984,658	3,205,027	2,594,843
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	121,953	382,363	252,158
24	ITC Balances Includeable Ratebase	Ln 22 - In 23	1,862,705	2,822,664	2,342,685
25	Transmission Related Deferrals	Company Records - Note 1	391,881	641,429	516,655

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 2013 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, 2013	Balance @ December 31, 2012	Average Balance for 2013				
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c) & (b)	1,454,529	1,508,480	1,481,505			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c) & (b)	578,913	825,807	702,360			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c) & (b)	0	0	-			

Prepayment Balance Summary

Average of YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)
Totals as of December 31, 2013	5,214,468	(179,446,736)	4,719	2,866,325	181,790,160
Totals as of December 31, 2012	5,331,711	(201,506,924)	12,816	3,057,772	203,768,047
Average Balance	5,273,090	(190,476,830)	8,768	2,962,049	192,779,104

Prepayments Account 165 - Balance @ 12/31/2013

2013 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
1650001 Prepaid Insurance	1,810,059	-	1,810,059	-	1,810,059	Plant Related Insurance Policies
165000213 Prepaid Taxes	2,060,961	2,060,961	-	-	-	Prepaid Taxes - Distribution
1650003 Prepaid Rents	0	-	-	-	-	Prepaid Distribution Rent Expense
1650004 Prepaid Interest	26,614	26,614	-	-	-	Prepaid Interest - Distribution
1650005 Prepaid Employee Benefits	0	-	-	-	-	
1650006 Other Prepayments	4,719	-	4,719	-	4,719	PPD Sales
1650009 Prepaid Carry Cost-Factored AR	97,338	97,338	-	-	-	AR Factoring - Retail Only
1650010 Prepaid Pension Benefits	181,790,160	-	-	181,790,160	181,790,160	Prefunded Pension Expense
1650014 FAS 158 Qual Contra Asset	(181,790,160)	(181,790,160)	-	-	-	SFAS 158 Offset
1650016 FAS 112 ASSETS	0	-	-	-	-	SFAS 112 Overfunding Asset
1650021 Prepaid Insurance - EIS	1,056,266	-	-	1,056,266	1,056,266	
1650023 Prepaid Lease	137,659	137,659	-	-	-	Prepaid Lease Distribution
165001113 Prepaid Sales Taxes	852	852	-	-	-	Prepaid Taxes - Distribution
165001213 Prepaid Use Tax	20,000	20,000	-	-	-	Prepaid Use Tax - Generation
Subtotal - Form 1, p 111.57.c	5,214,468	(179,446,736)	4,719	2,866,325	181,790,160	184,661,204

Prepayments Account 165 - Balance @ 12/31/ 2012

2012 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
1650001 Prepaid Insurance	1,844,047	-	1,844,047	-	1,844,047	Plant Related Insurance Policies
165000212 Prepaid Taxes	1,809,578	1,809,578	0	-	-	Prepaid Taxes
1650003 Prepaid Rents	0	0	-	-	-	Prepaid Distribution Rent Expense
1650004 Prepaid Interest	26,938	26,938	-	-	-	
1650005 Prepaid Employee Benefits	0	-	-	-	-	
1650006 Other Prepayments	12,816	-	12,816	0	12,816	PPD Sales
1650009 Prepaid Carry Cost-Factored AR	62,549	62,549	-	-	-	AR Factoring - Retail Only
1650010 Prepaid Pension Benefits	203,768,047	-	-	203,768,047	203,768,047	Prefunded Pension Expense
1650014 FAS 158 Qual Contra Asset	(203,768,047)	(203,768,047)	-	-	-	SFAS 158 Offset
1650016 FAS 112 ASSETS	0	0	-	-	-	SFAS 112 Overfunding Asset
1650021 Prepaid Insurance - EIS	1,213,725	-	-	1,213,725	1,213,725	
1650023 Prepaid Lease	361,859	361,859	-	-	-	
165001112 Prepaid Sales Taxes	199	199	-	-	-	
Subtotal - Form 1, p 111.57.d	5,331,711	(201,506,924)	12,816	3,057,772	203,768,047	206,838,635

AEP East Companies
Cost of Service Formula Rate Using 2013 FF1 Balances
Worksheet D Supporting IPP Credits
APPALACHIAN POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2013</u>
1	Net Funds from IPP Customers 12/31/2012 (2013 FORM 1, P269, line 17.b)	(2,445,715.00)
2	Interest Accrual (Company Records - Note 1)	(80,459.00)
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 12/31/2013 (2013 FORM 1, P269, line 17.f)	(2,526,174.00)
8	Average Balance for Year as Indicated in Column ((In 1 + In 7)/2)	(2,485,944.50)

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

AEP East Companies
Cost of Service Formula Rate Using 2013 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)	5,459,992	5,459,992	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	1,935,571	1,577,670	357,901
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	14,809,995	12,706,591	2,103,404
4	Account 4560015, Associated Business Development - (Company Records - Note 1)	7,668,494	4,056,568	3,611,926
5	Account 456 - Other Electric Revenues - (Company Records - Note 1)	74,256,547	74,256,547	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	104,130,599	98,057,368	6,073,231
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	-	-	-
8	Total Other Operating Revenues To Reduce Revenue Requirement	104,130,599	98,057,368	6,073,231

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 2013 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 Number</u>	<u>Item No.</u>	<u>Description</u>	<u>2013 Expense</u>	<u>100% Non-Transmission</u>	<u>100% Transmission Specific</u>	<u>Explanation</u>
Regulatory O&M Deferrals & Amortizations						
1	5700005	Maint Station-Reliability-Df	4,551			
2	5660007	Virginia T-RAC UnderRecovery	(14,329,909)			
3	5660000	Amortization Severance	140,450			
4						
5		Total	\$ (14,184,908)			
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	38,765			
8	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	3,273,897			
9	FF1 p 321.87.b	561.3 - Load Dispatch - Trans Service & Scheduling	0			
10	FF1 p 321.88.b	561.4 - Scheduling, System Control & Dispatch	4,669,413			
11	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	647,716			
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	1,097,849			
15		Total of Account 561	9,727,640			
Account 928						
16	9280000	Regulatory Commission Exp	4,592	4,592		-
17	9280001	Regulatory Commission Exp-Adm	1,423,684	1,423,684		-
18	9280002	Regulatory Commission Exp-Case	695,504	695,504		-
19		Total	2,123,780	2,123,780		-
Account 930.1						
20	9301000	General Advertising Expenses	45,230	45,230		-
21	9301001	Newspaper Advertising Space	318,992	318,992		-
22	9301002	Radio Station Advertising Time	9,487	9,487		-
23	9301003	TV Station Advertising Time	38,905	38,905		-
24	9301004	Newspaper Advertising Prod Exp	10,021	10,021		-
25	9301005	Radio & TV Advertising Prod Exp	-	-		-
26	9301006	Spec Corporate Comm Info Proj	-	-		-
27	9301007	Special Adv Space & Prod Exp	-	-		-
28	9301008	Direct Mail and Handouts	-	-		-
29	9301009	Fairs, Shows, and Exhibits	98	98		-
30	9301010	Publicity	20,342	20,342		-
31	9301011	Dedications, Tours, & Openings	-	-		-
32	9301012	Public Opinion Surveys	24,356	24,356		-
33	9301013	Movies Slide Films & Speeches	-	-		-
34	9301014	Video Communications	41	41		-
35	9301015	Other Corporate Comm Exp	341,202	341,202		-
36		Total	808,674	808,674		-
Account 930.2						
37	9302000	Misc General Expenses	974,260	974,260		0
38	9302003	Corporate & Fiscal Expenses	113,201	113,201		0
39	9302004	Research, Develop&Demonstr Exp	15,854	15,854		
40	9302006	Assoc Bus Dev - Materials Sold	240,037	240,037		
41	9302007	Assoc Business Development Exp	5,351,195	2,399,674	2,951,521	
43	9302458	Non Affiliated Expense	47	47		
44		Total	6,694,594	3,743,073	2,951,521	

AEP East Companies
Cost of Service Formula Rate Using 2013 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	2.04%	
Effective State Tax Rate		0.13%
West Virginia Net Income Tax Rate	7.00%	
Apportionment Factor - Note 2	53.86%	
Effective State Tax Rate		3.77%
Virginia Income Tax Rate	6.00%	
Apportionment Factor - Note 2	39.24%	
Effective State Tax Rate		2.35%
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	1.43%	
Effective State Tax Rate		0.14%
Total Effective State Income Tax Rate		<u>6.40%</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 2013 FF1 Balances
 Worksheet H Supporting Taxes Other than Income
 APPALACHIAN POWER COMPANY

Line No.	(A) Account	(B) Total Company NOTE 1	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
1	Revenue Taxes					
2	Gross Receipts Tax	12,890,651				12,890,651
3	Real Estate and Personal Property Taxes					
4	Real and Personal Property - West Virginia	37,284,770	37,284,770			
5	Real and Personal Property - Virginia	15,977,336	15,977,336			
6	Real and Personal Property - Tennessee	901,443	901,443			
7	Real and Personal Property - Other Jurisdictions	444,119	444,119			
8	Payroll Taxes					
9	Federal Insurance Contribution (FICA)	8,307,041		8,307,041		
10	Federal Unemployment Tax	79,240		79,240		
11	State Unemployment Insurance	368,351		368,351		
12	Production Taxes					
13	State Severance Taxes	-				-
14	Miscellaneous Taxes					
15	State Business & Occupation Tax	16,585,443				16,585,443
16	State Public Service Commission Fees	4,938,331			4,938,331	
17	State Franchise Taxes	12,346,425			12,346,425	
18	State Lic/Registration Fee	1,067			1,067	
19	Misc. State and Local Tax	25			25	
20	Sales & Use	84,068				84,068
21	Federal Excise Tax	17,425				17,425
22	Michigan Single Business Tax	-				-
23	Total Taxes by Allocable Basis (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.	110,225,735	54,607,668	8,754,632	17,285,848	29,577,587
	Functional Property Tax Allocation					
		Production	Transmission	Distribution	General	Total
24	Functionalized Net Plant (Hist. TCOS, Lns 212 thru 222)	4,237,426,590	1,496,935,028	2,160,522,787	130,638,041	8,025,522,446
	VIRGINIA JURISDICTION					
25	Percentage of Plant in VIRGINIA JURISDICTION	12.29%	45.11%	56.10%	51.36%	
26	Net Plant in VIRGINIA JURISDICTION (Ln 24 * Ln 25)	520,779,728	675,267,391	1,212,053,284	67,095,698	2,475,196,100
27	Less: Net Value of Exempted Generation Plant	124,731,990				
28	Taxable Property Basis (Ln 26 - Ln 27)	396,047,738	675,267,391	1,212,053,284	67,095,698	2,350,464,110
29	Relative Valuation Factor	100%	100%	100%	100%	
30	Weighted Net Plant (Ln 28 * Ln 29)	396,047,738	675,267,391	1,212,053,284	67,095,698	
31	General Plant Allocator (Ln 30 / (Total - General Plant))	17.34%	29.57%	53.08%	-100.00%	
32	Functionalized General Plant (Ln 31 * General Plant)	11,637,675	19,842,412	35,615,611	(67,095,698)	-
33	Weighted VIRGINIA JURISDICTION Plant (Ln 30 + 32)	407,685,413	695,109,803	1,247,668,895	(0)	2,350,464,110
34	Functional Percentage (Ln 33/Total Ln 33)	17.34%	29.57%	53.08%		
35	Functionalized Expense in VIRGINIA JURISDICTION	2,771,251	4,725,026	8,481,059		15,977,336
	WEST VA JURISDICTION					
36	Percentage of Plant in WEST VA JURISDICTION	87.57%	51.90%	43.89%	48.47%	
37	Net Plant in WEST VA JURISDICTION (Ln 24 * Ln 36)	3,710,714,465	776,909,280	948,253,451	63,320,258	5,499,197,454
38	Less: Net Value of Exempted Generation Plant	2,529,499,405				
39	Taxable Property Basis (Ln 37 - Ln 38)	1,181,215,060	776,909,280	948,253,451	63,320,258	2,969,698,049
40	Relative Valuation Factor	100%	100%	100%	100%	
41	Weighted Net Plant (Ln 39 * Ln 40)	1,181,215,060	776,909,280	948,253,451	63,320,258	
42	General Plant Allocator (Ln 41 / (Total - General Plant))	40.64%	26.73%	32.63%	-100.00%	
43	Functionalized General Plant (Ln 42 * General Plant)	25,734,728	16,926,257	20,659,273	(63,320,258)	-
44	Weighted WEST VA JURISDICTION Plant (Ln 41 + 43)	1,206,949,788	793,835,536	968,912,724	0	2,969,698,049
45	Functional Percentage (Ln 44/Total Ln 44)	40.64%	26.73%	32.63%		
46	Functionalized Expense in WEST VA JURISDICTION	15,153,340	9,966,662	12,164,768		37,284,770
	TENNESSEE JURISDICTION					
47	Net Plant in TENNESSEE JURISDICTION (Ln 24 - Ln 26 - Ln 37)	5,932,397	44,758,357	216,052	222,085	51,128,892
48	Less: Net Value Exempted Generation Plant					
49	Taxable Property Basis	5,932,397	44,758,357	216,052	222,085	51,128,892
50	Relative Valuation Factor	100%	100%	100%	100%	
51	Weighted Net Plant (Ln 49 * Ln 50)	5,932,397	44,758,357	216,052	222,085	
52	General Plant Allocator (Ln 51 / (Total - General Plant))	11.65%	87.92%	0.42%	-100.00%	
53	Functionalized General Plant (Ln 53 * General Plant)	25,881	195,262	943	(222,085)	
54	Weighted TENNESSEE JURISDICTION Plant (Ln 51 + 53)	5,958,278	44,953,619	216,995	(0)	51,128,892
55	Functional Percentage (Ln 54/Total Ln 54)	11.65%	87.92%	0.42%		
56	Functionalized Expense in TENNESSEE JURISDICTION	105,049	792,568	3,826		901,443
57	Total Other Jurisdictions: (Line 7 * Net Plant Allocator)		80,767			444,119
58	Total Func. Property Taxes (Sum Lns 35, 46 56, 57)	18,029,641	15,565,022	20,649,653		54,607,668

AEP East Companies
Cost of Service Formula Rate Using 2013 FF1 Balances
Worksheet H-1 Form 1 Source Reference of Company Amounts on WS H
APPALACHIAN POWER COMPANY

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	12,890,651	12,625,331	P.263.1 ln 4 (i)
			(146,665)	P.263.1 ln 31 (i)
			254,210	P.263.1 ln 32 (i)
			(188,547)	P.263.1 ln 33 (i)
			346,322	P.263.4 ln 12 (i)
3	Real Estate and Personal Property Taxes			
4	Real and Personal Property - West Virginia	37,284,770	18,247,334	P.263 ln 34 (i)
			18,891,984	P.263 ln 35 (i)
			(9,858)	P.263 ln 38 (i)
			85,812	P.263 ln 39 (i)
			69,498	P.263 ln 40 (i)
5	Real and Personal Property - Virginia	15,977,336	420	P.263.2 ln 19 (i)
			429	P.263.2 ln 20 (i)
			683	P.263.2 ln 21 (i)
			5,545	P.263.2 ln 22 (i)
			15,686,545	P.263.2 ln 23 (i)
			(127)	P.263.2 ln 26 (i)
			106	P.263.2 ln 27 (i)
			(3,995)	P.263.2 ln 28 (i)
			287,730	P.263.2 ln 29 (i)
6	Real and Personal Property - Tennessee	901,443	18,419	P.263.3 ln 7 (i)
			883,024	P.263.3 ln 8 (i)
7	Real and Personal Property - Other Jurisdictions	444,119	(22,998)	P.263.1 ln 34 (i)
			466,212	P.263.1 ln 35 (i)
			905	P.263.3 ln 35 (i)
8	Payroll Taxes			
9	Federal Insurance Contribution (FICA)	8,307,041	8,307,041	P.263 ln 6 (i)
10	Federal Unemployment Tax	79,240	79,240	P.263 ln 9 (i)
11	State Unemployment Insurance	368,351	184,220	P.263.1 ln 17 (i)
			10,806	P.263.1 ln 38 (i)
			173,166	P.263.2 ln 36 (i)
			159	P.263.3 ln 19 (i)
12	Production Taxes			
13	State Severance Taxes	-	-	
14	Miscellaneous Taxes			
15	State Business & Occupation Tax	16,585,443	(129,451)	P.263 ln 21 (i)
			19,409,494	P.263 ln 22 (i)
			(2,694,600)	P.263 ln 23 (i)
16	State Public Service Commission Fees	4,938,331	1,713,171	P.263 ln 26 (i)
			3,225,160	P.263 ln 27 (i)
17	State Franchise Taxes	12,346,425	266,239	P.263.1 ln 20 (i)
			-	P.263.1 ln 21 (i)
			(30,190)	P.263.1 ln 22 (i)
			(76,647)	P.263.1 ln 23 (i)
			53,041	P.263.1 ln 24 (i)
			9,270,865	P.263.2 ln 9 (i)
			2,598,863	P.263.2 ln 8 (i)
			-	P.263.3 ln 2 (i)
			94,134	P.263.3 ln 3 (i)
			170,000	P.263.3 ln 4 (i)
			60	P.263.3 ln 29 (i)
			60	P.263.3 ln 30 (i)
18	State Lic/Registration Fee	1,067	-	P.263.1 ln 10 (i)
			-	P.263.2 ln 11 (i)
			-	P.263.3 ln 11 (i)
			967	P.263.4 ln 17 (i)
			100	P.263.3 ln 21 (i)
19	Misc. State and Local Tax	25	25	P.263.1 ln 36 (i)
20	Sales & Use	84,068	77	P.263 ln 30 (i)
			63	P.263 ln 31(i)
			84,292	P.263 ln 32 (i)
			-	P.263.1 ln 30(i)
			(3)	P.263.2 ln 14 (i)
			(430)	P.263.2 ln 15 (i)
			69	P.263.3 ln 23 (i)
21	Federal Excise Tax	17,425	17,425	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))	<u>110,225,735</u>	<u>110,225,735</u>	

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 2013 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 (2013) (P.206, In 58,(b)):	2,040,266,144
2	Transmission Plant @ End of Historic Period (2013) (P.207, In 58,(g)):	2,158,782,674
3		4,199,048,818
4	Average Balance of Transmission Investment	2,099,524,409
5	Annual Depreciation Expense, Historic TCOS, In 276	34,299,015
6	Composite Depreciation Rate	1.63%
7	Round to 1.63% to Reflect a Composite Life of 61 Years	1.63%

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	\$ 7,259,855	1.63%	\$ 118,336	\$ 9,861	11 \$	108,471
10	February	\$ 7,353,395	1.63%	\$ 119,860	\$ 9,988	10 \$	99,880
11	March	\$ 3,277,003	1.63%	\$ 53,415	\$ 4,451	9 \$	40,059
12	April	\$ 3,439,234	1.63%	\$ 56,060	\$ 4,672	8 \$	37,376
13	May	\$ 3,160,426	1.63%	\$ 51,515	\$ 4,293	7 \$	30,051
14	June	\$ 5,692,617	1.63%	\$ 92,790	\$ 7,732	6 \$	46,392
15	July	\$ 3,167,017	1.63%	\$ 51,622	\$ 4,302	5 \$	21,510
16	August	\$ 2,958,394	1.63%	\$ 48,222	\$ 4,018	4 \$	16,072
17	September	\$ 2,750,466	1.63%	\$ 44,833	\$ 3,736	3 \$	11,208
18	October	\$ 3,534,798	1.63%	\$ 57,617	\$ 4,801	2 \$	9,602
19	November	\$ 3,080,482	1.63%	\$ 50,212	\$ 4,184	1 \$	4,184
20	December	\$ 34,862,974	1.63%	\$ 568,266	\$ 47,356	0 \$	-
21	Investment	\$ 80,536,661				Depreciation Expense	\$ 424,805

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 2014

	<u>Estimated Cost</u> <u>(000's)</u>	<u>Month in</u> <u>Service</u>
25 Major Zonal Projects		
26 2012 Line Asset Replacement Program	\$6,107	Various
27 2012 Spare Program	\$10,159	Various
28 2013 Asset Replacement Program	\$14,231	Various
29 Pax Branch Station	\$10,494	Dec-14
	Subtotal	
	\$40,991	
30 PJM Socialized/Beneficiary Allocated Regional Projects		
31	\$0	
32	Subtotal	
	\$0	

AEP East Companies
Cost of Service Formula Rate Using 2013 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			<==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	56.56%	4.84%	2.738%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	43.44%	11.49%	4.991%
		R =	7.729%

SUMMARY OF PROJECTED ANNUAL RTEP REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR	2014	2,222,035	2,222,035 \$ -

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

Rate Base (Projected TCOS, In 78)	1,226,158,052
R (from A. above)	7.729%
Return (Rate Base x R)	94,768,234

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

Return (from B. above)	94,768,234
Effective Tax Rate (Projected TCOS, In 126)	41.57%
Income Tax Calculation (Return x CIT)	39,392,944
ITC Adjustment	(77,840)
Income Taxes	39,315,104

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)	222,628,602
T.E.A. & Lease Payments (Projected TCOS, Lns 105 & 106)	-
Return (Projected TCOS, In 134)	94,768,234
Income Taxes (Projected TCOS, In 133)	39,315,104
Annual Revenue Requirement, Less TEA Charges, Return and Taxes	88,545,263

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	88,545,263
Return (from I.B. above)	94,768,234
Income Taxes (from I.C. above)	39,315,104
Annual Revenue Requirement, with Basis Point ROE increase	222,628,602
Depreciation (Projected TCOS, In 111)	33,367,117
Annual Rev. Req. w/ Basis Point ROE increase, less Depreciation	189,261,484

C. Determine FCR with hypothetical basis point ROE increase.

Net Transmission Plant (Projected TCOS, In 48)	1,453,340,890
Annual Revenue Requirement, with Basis Point ROE increase	222,628,602
FCR with Basis Point increase in ROE	15.32%
Annual Rev. Req. w/ Basis Point ROE increase, less Dep.	189,261,484
FCR with Basis Point ROE increase, less Depreciation	13.02%
FCR less Depreciation (Projected TCOS, In 9)	12.59%
Incremental FCR with Basis Point ROE increase, less Depreciation	0.43%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Historic Period (2013) (P.206, In 58,(b)):	2,040,266,144
Transmission Plant @ End of Historic Period (2013) (P.207, In 58,(g)):	2,158,782,674
Subtotal	4,199,048,818
Average Transmission Plant Balance for 2013	2,099,524,409
Annual Depreciation Rate (Projected TCOS, In 111)	34,299,015
Composite Depreciation Rate	1.63%
Depreciable Life for Composite Depreciation Rate	61.21
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	1,778,172
Current Projected Year ARR w/ Incentive	1,778,172
Current Projected Year Incentive ARR	-

Details		Current Year	2014
Investment	13,798,879		
Service Year (yyyy)	2008	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	6	FCR w/o incentives, less depreciation	12.59%
Useful life	61	FCR w/incentives approved for these facilities, less dep.	12.59%
CIAC (Yes or No)	No	Annual Depreciation Expense	226,211

CUMULATIVE HISTORY OF PROJECTED ANNUAL REVENUE REQUIREMENTS:
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	13,798,879	113,106	13,685,773	1,835,925	1,835,925	\$ -		
2009	13,685,773	226,211	13,459,562	1,920,554	1,920,554	\$ -	\$ 1,124,469	\$ 1,124,469
2010	13,459,562	226,211	13,233,351	1,892,077	1,892,077	\$ -	\$ 2,027,403	\$ 2,027,403
2011	13,233,351	226,211	13,007,140	1,863,601	1,863,601	\$ -	\$ 2,050,107	\$ 2,050,107
2012	13,007,140	226,211	12,780,929	1,835,125	1,835,125	\$ -	\$ 1,906,118	\$ 1,906,118
2013	12,780,929	226,211	12,554,718	1,806,648	1,806,648	\$ -	\$ 1,915,150	\$ 1,915,150
2014	12,554,718	226,211	12,328,507	1,778,172	1,778,172	\$ -		
2015	12,328,507	226,211	12,102,296	1,749,696	1,749,696	\$ -		
2016	12,102,296	226,211	11,876,084	1,721,219	1,721,219	\$ -		
2017	11,876,084	226,211	11,649,873	1,692,743	1,692,743	\$ -		
2018	11,649,873	226,211	11,423,662	1,664,267	1,664,267	\$ -		
2019	11,423,662	226,211	11,197,451	1,635,790	1,635,790	\$ -		
2020	11,197,451	226,211	10,971,240	1,607,314	1,607,314	\$ -		
2021	10,971,240	226,211	10,745,029	1,578,838	1,578,838	\$ -		
2022	10,745,029	226,211	10,518,818	1,550,361	1,550,361	\$ -		
2023	10,518,818	226,211	10,292,606	1,521,885	1,521,885	\$ -		
2024	10,292,606	226,211	10,066,395	1,493,409	1,493,409	\$ -		
2025	10,066,395	226,211	9,840,184	1,464,932	1,464,932	\$ -		
2026	9,840,184	226,211	9,613,973	1,436,456	1,436,456	\$ -		
2027	9,613,973	226,211	9,387,762	1,407,980	1,407,980	\$ -		
2028	9,387,762	226,211	9,161,551	1,379,503	1,379,503	\$ -		
2029	9,161,551	226,211	8,935,340	1,351,027	1,351,027	\$ -		
2030	8,935,340	226,211	8,709,129	1,322,550	1,322,550	\$ -		
2031	8,709,129	226,211	8,482,917	1,294,074	1,294,074	\$ -		
2032	8,482,917	226,211	8,256,706	1,265,598	1,265,598	\$ -		
2033	8,256,706	226,211	8,030,495	1,237,121	1,237,121	\$ -		
2034	8,030,495	226,211	7,804,284	1,208,645	1,208,645	\$ -		
2035	7,804,284	226,211	7,578,073	1,180,169	1,180,169	\$ -		
2036	7,578,073	226,211	7,351,862	1,151,692	1,151,692	\$ -		
2037	7,351,862	226,211	7,125,651	1,123,216	1,123,216	\$ -		
2038	7,125,651	226,211	6,899,440	1,094,740	1,094,740	\$ -		
2039	6,899,440	226,211	6,673,228	1,066,263	1,066,263	\$ -		
2040	6,673,228	226,211	6,447,017	1,037,787	1,037,787	\$ -		
2041	6,447,017	226,211	6,220,806	1,009,311	1,009,311	\$ -		
2042	6,220,806	226,211	5,994,595	980,834	980,834	\$ -		
2043	5,994,595	226,211	5,768,384	952,358	952,358	\$ -		
2044	5,768,384	226,211	5,542,173	923,882	923,882	\$ -		
2045	5,542,173	226,211	5,315,962	895,405	895,405	\$ -		
2046	5,315,962	226,211	5,089,750	866,929	866,929	\$ -		
2047	5,089,750	226,211	4,863,539	838,453	838,453	\$ -		
2048	4,863,539	226,211	4,637,328	809,976	809,976	\$ -		
2049	4,637,328	226,211	4,411,117	781,500	781,500	\$ -		
2050	4,411,117	226,211	4,184,906	753,024	753,024	\$ -		
2051	4,184,906	226,211	3,958,695	724,547	724,547	\$ -		
2052	3,958,695	226,211	3,732,484	696,071	696,071	\$ -		
2053	3,732,484	226,211	3,506,273	667,595	667,595	\$ -		
2054	3,506,273	226,211	3,280,061	639,118	639,118	\$ -		
2055	3,280,061	226,211	3,053,850	610,642	610,642	\$ -		
2056	3,053,850	226,211	2,827,639	582,165	582,165	\$ -		
2057	2,827,639	226,211	2,601,428	553,689	553,689	\$ -		
2058	2,601,428	226,211	2,375,217	525,213	525,213	\$ -		
2059	2,375,217	226,211	2,149,006	496,736	496,736	\$ -		
2060	2,149,006	226,211	1,922,795	468,260	468,260	\$ -		
2061	1,922,795	226,211	1,696,583	439,784	439,784	\$ -		
2062	1,696,583	226,211	1,470,372	411,307	411,307	\$ -		
2063	1,470,372	226,211	1,244,161	382,831	382,831	\$ -		
2064	1,244,161	226,211	1,017,950	354,355	354,355	\$ -		
2065	1,017,950	226,211	791,739	325,878	325,878	\$ -		
2066	791,739	226,211	565,528	297,402	297,402	\$ -		
2067	565,528	226,211	339,317	268,926	268,926	\$ -		
Project Totals		13,459,562		66,425,568	66,425,568	-		

** 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	36,470
Current Projected Year ARR w/ Incentive	36,470
Current Projected Year Incentive ARR	-

Details		2014
Investment	267,989	2014
Service Year (yyyy)	2011	ROE increase accepted by FERC (Basis Points)
Service Month (1-12)	12	FCR w/o incentives, less depreciation
Useful life	61	FCR w/incentives approved for these facilities, less dep.
CIAC (Yes or No)	No	Annual Depreciation Expense

CUMULATIVE HISTORY OF PROJECTED ANNUAL REVENUE REQUIREMENTS:
CUMULATIVE HISTORY OF PROJECTED ANNUAL REVENUE REQUIREMENTS:
INPUT PROJECTED ARR (WITH & WITHOUT INCENTIVES) FROM EACH PRIOR YEAR
TEMPLATE BELOW TO MAINTAIN HISTORY OF PROJECTED ARR'S 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	33,736	33,736	\$ -	\$ -	\$ -
2012	267,989	4,393	263,596	37,576	37,576	\$ -	\$ 39,854	\$ 39,854
2013	263,596	4,393	259,202	37,023	37,023	\$ -	\$ 41,778	\$ 41,778
2014	259,202	4,393	254,809	36,470	36,470	\$ -		
2015	254,809	4,393	250,416	35,917	35,917	\$ -		
2016	250,416	4,393	246,023	35,364	35,364	\$ -		
2017	246,023	4,393	241,629	34,811	34,811	\$ -		
2018	241,629	4,393	237,236	34,257	34,257	\$ -		
2019	237,236	4,393	232,843	33,704	33,704	\$ -		
2020	232,843	4,393	228,450	33,151	33,151	\$ -		
2021	228,450	4,393	224,056	32,598	32,598	\$ -		
2022	224,056	4,393	219,663	32,045	32,045	\$ -		
2023	219,663	4,393	215,270	31,492	31,492	\$ -		
2024	215,270	4,393	210,877	30,939	30,939	\$ -		
2025	210,877	4,393	206,483	30,386	30,386	\$ -		
2026	206,483	4,393	202,090	29,833	29,833	\$ -		
2027	202,090	4,393	197,697	29,280	29,280	\$ -		
2028	197,697	4,393	193,304	28,727	28,727	\$ -		
2029	193,304	4,393	188,910	28,174	28,174	\$ -		
2030	188,910	4,393	184,517	27,621	27,621	\$ -		
2031	184,517	4,393	180,124	27,068	27,068	\$ -		
2032	180,124	4,393	175,730	26,515	26,515	\$ -		
2033	175,730	4,393	171,337	25,962	25,962	\$ -		
2034	171,337	4,393	166,944	25,409	25,409	\$ -		
2035	166,944	4,393	162,551	24,856	24,856	\$ -		
2036	162,551	4,393	158,157	24,303	24,303	\$ -		
2037	158,157	4,393	153,764	23,750	23,750	\$ -		
2038	153,764	4,393	149,371	23,197	23,197	\$ -		
2039	149,371	4,393	144,978	22,644	22,644	\$ -		
2040	144,978	4,393	140,584	22,091	22,091	\$ -		
2041	140,584	4,393	136,191	21,538	21,538	\$ -		
2042	136,191	4,393	131,798	20,984	20,984	\$ -		
2043	131,798	4,393	127,405	20,431	20,431	\$ -		
2044	127,405	4,393	123,011	19,878	19,878	\$ -		
2045	123,011	4,393	118,618	19,325	19,325	\$ -		
2046	118,618	4,393	114,225	18,772	18,772	\$ -		
2047	114,225	4,393	109,832	18,219	18,219	\$ -		
2048	109,832	4,393	105,438	17,666	17,666	\$ -		
2049	105,438	4,393	101,045	17,113	17,113	\$ -		
2050	101,045	4,393	96,652	16,560	16,560	\$ -		
2051	96,652	4,393	92,259	16,007	16,007	\$ -		
2052	92,259	4,393	87,865	15,454	15,454	\$ -		
2053	87,865	4,393	83,472	14,901	14,901	\$ -		
2054	83,472	4,393	79,079	14,348	14,348	\$ -		
2055	79,079	4,393	74,685	13,795	13,795	\$ -		
2056	74,685	4,393	70,292	13,242	13,242	\$ -		
2057	70,292	4,393	65,899	12,689	12,689	\$ -		
2058	65,899	4,393	61,506	12,136	12,136	\$ -		
2059	61,506	4,393	57,112	11,583	11,583	\$ -		
2060	57,112	4,393	52,719	11,030	11,030	\$ -		
2061	52,719	4,393	48,326	10,477	10,477	\$ -		
2062	48,326	4,393	43,933	9,924	9,924	\$ -		
2063	43,933	4,393	39,539	9,371	9,371	\$ -		
2064	39,539	4,393	35,146	8,818	8,818	\$ -		
2065	35,146	4,393	30,753	8,265	8,265	\$ -		
2066	30,753	4,393	26,360	7,712	7,712	\$ -		
2067	26,360	4,393	21,966	7,158	7,158	\$ -		
2068	21,966	4,393	17,573	6,605	6,605	\$ -		
2069	17,573	4,393	13,180	6,052	6,052	\$ -		
2070	13,180	4,393	8,787	5,499	5,499	\$ -		
Project Totals		259,202		1,304,450	1,304,450	-		

** 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: b2020 (Rebuild Amos-Kanawha River 138 kV corridor)

Current Projected Year ARR	184,681
Current Projected Year ARR w/ Incentive	184,681
Current Projected Year Incentive ARR	-

Details		2014
Investment	1,426,480	Current Year
Service Year (yyyy)	2014	ROE increase accepted by FERC (Basis Points)
Service Month (1-12)	9	FCR w/o incentives, less depreciation
Useful life	61	FCR w/incentives approved for these facilities, less dep.
CIAC (Yes or No)	No	Annual Depreciation Expense

CUMULATIVE HISTORY OF PROJECTED ANNUAL REVENUE REQUIREMENTS:
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 **
2014	1,426,480	5,846	1,420,634	184,681	184,681	\$ -		
2015	1,420,634	23,385	1,397,249	199,276	199,276	\$ -		
2016	1,397,249	23,385	1,373,864	196,332	196,332	\$ -		
2017	1,373,864	23,385	1,350,479	193,389	193,389	\$ -		
2018	1,350,479	23,385	1,327,094	190,445	190,445	\$ -		
2019	1,327,094	23,385	1,303,709	187,501	187,501	\$ -		
2020	1,303,709	23,385	1,280,324	184,557	184,557	\$ -		
2021	1,280,324	23,385	1,256,939	181,613	181,613	\$ -		
2022	1,256,939	23,385	1,233,554	178,670	178,670	\$ -		
2023	1,233,554	23,385	1,210,170	175,726	175,726	\$ -		
2024	1,210,170	23,385	1,186,785	172,782	172,782	\$ -		
2025	1,186,785	23,385	1,163,400	169,838	169,838	\$ -		
2026	1,163,400	23,385	1,140,015	166,894	166,894	\$ -		
2027	1,140,015	23,385	1,116,630	163,951	163,951	\$ -		
2028	1,116,630	23,385	1,093,245	161,007	161,007	\$ -		
2029	1,093,245	23,385	1,069,860	158,063	158,063	\$ -		
2030	1,069,860	23,385	1,046,475	155,119	155,119	\$ -		
2031	1,046,475	23,385	1,023,090	152,176	152,176	\$ -		
2032	1,023,090	23,385	999,705	149,232	149,232	\$ -		
2033	999,705	23,385	976,320	146,288	146,288	\$ -		
2034	976,320	23,385	952,935	143,344	143,344	\$ -		
2035	952,935	23,385	929,550	140,400	140,400	\$ -		
2036	929,550	23,385	906,166	137,457	137,457	\$ -		
2037	906,166	23,385	882,781	134,513	134,513	\$ -		
2038	882,781	23,385	859,396	131,569	131,569	\$ -		
2039	859,396	23,385	836,011	128,625	128,625	\$ -		
2040	836,011	23,385	812,626	125,681	125,681	\$ -		
2041	812,626	23,385	789,241	122,738	122,738	\$ -		
2042	789,241	23,385	765,856	119,794	119,794	\$ -		
2043	765,856	23,385	742,471	116,850	116,850	\$ -		
2044	742,471	23,385	719,086	113,906	113,906	\$ -		
2045	719,086	23,385	695,701	110,963	110,963	\$ -		
2046	695,701	23,385	672,316	108,019	108,019	\$ -		
2047	672,316	23,385	648,931	105,075	105,075	\$ -		
2048	648,931	23,385	625,547	102,131	102,131	\$ -		
2049	625,547	23,385	602,162	99,187	99,187	\$ -		
2050	602,162	23,385	578,777	96,244	96,244	\$ -		
2051	578,777	23,385	555,392	93,300	93,300	\$ -		
2052	555,392	23,385	532,007	90,356	90,356	\$ -		
2053	532,007	23,385	508,622	87,412	87,412	\$ -		
2054	508,622	23,385	485,237	84,468	84,468	\$ -		
2055	485,237	23,385	461,852	81,525	81,525	\$ -		
2056	461,852	23,385	438,467	78,581	78,581	\$ -		
2057	438,467	23,385	415,082	75,637	75,637	\$ -		
2058	415,082	23,385	391,697	72,693	72,693	\$ -		
2059	391,697	23,385	368,312	69,750	69,750	\$ -		
2060	368,312	23,385	344,928	66,806	66,806	\$ -		
2061	344,928	23,385	321,543	63,862	63,862	\$ -		
2062	321,543	23,385	298,158	60,918	60,918	\$ -		
2063	298,158	23,385	274,773	57,974	57,974	\$ -		
2064	274,773	23,385	251,388	55,031	55,031	\$ -		
2065	251,388	23,385	228,003	52,087	52,087	\$ -		
2066	228,003	23,385	204,618	49,143	49,143	\$ -		
2067	204,618	23,385	181,233	46,199	46,199	\$ -		
2068	181,233	23,385	157,848	43,255	43,255	\$ -		
2069	157,848	23,385	134,463	40,312	40,312	\$ -		
2070	134,463	23,385	111,078	37,368	37,368	\$ -		
2071	111,078	23,385	87,693	34,424	34,424	\$ -		
2072	87,693	23,385	64,309	31,480	31,480	\$ -		
2073	64,309	23,385	40,924	28,537	28,537	\$ -		
Project Totals		1,385,556		6,905,154	6,905,154	-		

** 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. (e.g. ER05-925-000)

Project Description: RTEP ID: b2021 (Kanawha River Gen Retirement - Upgrades)

Current Projected Year ARR	222,712
Current Projected Year ARR w/ Incentive	222,712
Current Projected Year Incentive ARR	-

Details		Current Year	2014
Investment	1,769,186		
Service Year (yyyy)	2014	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	12	FCR w/o incentives, less depreciation	12.59%
Useful life	61	FCR w/incentives approved for these facilities, less dep.	12.59%
CIAC (Yes or No)	No	Annual Depreciation Expense	29,003

CUMULATIVE HISTORY OF PROJECTED ANNUAL REVENUE REQUIREMENTS:
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 **
2014	1,769,186	-	1,769,186	222,712	222,712	\$ -		
2015	1,769,186	29,003	1,740,183	248,064	248,064	\$ -		
2016	1,740,183	29,003	1,711,180	244,413	244,413	\$ -		
2017	1,711,180	29,003	1,682,177	240,762	240,762	\$ -		
2018	1,682,177	29,003	1,653,174	237,111	237,111	\$ -		
2019	1,653,174	29,003	1,624,171	233,460	233,460	\$ -		
2020	1,624,171	29,003	1,595,168	229,809	229,809	\$ -		
2021	1,595,168	29,003	1,566,165	226,158	226,158	\$ -		
2022	1,566,165	29,003	1,537,162	222,507	222,507	\$ -		
2023	1,537,162	29,003	1,508,159	218,856	218,856	\$ -		
2024	1,508,159	29,003	1,479,156	215,205	215,205	\$ -		
2025	1,479,156	29,003	1,450,152	211,554	211,554	\$ -		
2026	1,450,152	29,003	1,421,149	207,903	207,903	\$ -		
2027	1,421,149	29,003	1,392,146	204,252	204,252	\$ -		
2028	1,392,146	29,003	1,363,143	200,601	200,601	\$ -		
2029	1,363,143	29,003	1,334,140	196,950	196,950	\$ -		
2030	1,334,140	29,003	1,305,137	193,299	193,299	\$ -		
2031	1,305,137	29,003	1,276,134	189,648	189,648	\$ -		
2032	1,276,134	29,003	1,247,131	185,997	185,997	\$ -		
2033	1,247,131	29,003	1,218,128	182,346	182,346	\$ -		
2034	1,218,128	29,003	1,189,125	178,695	178,695	\$ -		
2035	1,189,125	29,003	1,160,122	175,044	175,044	\$ -		
2036	1,160,122	29,003	1,131,119	171,393	171,393	\$ -		
2037	1,131,119	29,003	1,102,116	167,742	167,742	\$ -		
2038	1,102,116	29,003	1,073,113	164,091	164,091	\$ -		
2039	1,073,113	29,003	1,044,110	160,440	160,440	\$ -		
2040	1,044,110	29,003	1,015,107	156,789	156,789	\$ -		
2041	1,015,107	29,003	986,104	153,138	153,138	\$ -		
2042	986,104	29,003	957,101	149,487	149,487	\$ -		
2043	957,101	29,003	928,098	145,836	145,836	\$ -		
2044	928,098	29,003	899,095	142,185	142,185	\$ -		
2045	899,095	29,003	870,091	138,534	138,534	\$ -		
2046	870,091	29,003	841,088	134,883	134,883	\$ -		
2047	841,088	29,003	812,085	131,232	131,232	\$ -		
2048	812,085	29,003	783,082	127,581	127,581	\$ -		
2049	783,082	29,003	754,079	123,930	123,930	\$ -		
2050	754,079	29,003	725,076	120,278	120,278	\$ -		
2051	725,076	29,003	696,073	116,627	116,627	\$ -		
2052	696,073	29,003	667,070	112,976	112,976	\$ -		
2053	667,070	29,003	638,067	109,325	109,325	\$ -		
2054	638,067	29,003	609,064	105,674	105,674	\$ -		
2055	609,064	29,003	580,061	102,023	102,023	\$ -		
2056	580,061	29,003	551,058	98,372	98,372	\$ -		
2057	551,058	29,003	522,055	94,721	94,721	\$ -		
2058	522,055	29,003	493,052	91,070	91,070	\$ -		
2059	493,052	29,003	464,049	87,419	87,419	\$ -		
2060	464,049	29,003	435,046	83,768	83,768	\$ -		
2061	435,046	29,003	406,043	80,117	80,117	\$ -		
2062	406,043	29,003	377,040	76,466	76,466	\$ -		
2063	377,040	29,003	348,037	72,815	72,815	\$ -		
2064	348,037	29,003	319,034	69,164	69,164	\$ -		
2065	319,034	29,003	290,030	65,513	65,513	\$ -		
2066	290,030	29,003	261,027	61,862	61,862	\$ -		
2067	261,027	29,003	232,024	58,211	58,211	\$ -		
2068	232,024	29,003	203,021	54,560	54,560	\$ -		
2069	203,021	29,003	174,018	50,909	50,909	\$ -		
2070	174,018	29,003	145,015	47,258	47,258	\$ -		
2071	145,015	29,003	116,012	43,607	43,607	\$ -		
2072	116,012	29,003	87,009	39,956	39,956	\$ -		
2073	87,009	29,003	58,006	36,305	36,305	\$ -		
Project Totals		1,711,180		8,611,604	8,611,604	-		

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

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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 Adder		0	<==ROE Adder Cannot Exceed 100 Basis Points
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 through164)			
	%	Cost	Weighted cost
Long Term Debt	55.64%	4.80%	2.671%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	44.36%	11.49%	5.097%
		R =	7.768%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPPROJECTS					
TRUE-UP YEAR	2013	Rev Require	W Incentives	Incentive Amounts	
As Projected in Prior Year WS J	\$	1,956,928	\$	1,956,928	\$ -
Actual after True-up	\$	1,902,195	\$	1,902,195	\$ -
True-up of ARR For 2013		(54,733)		(54,733)	-

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

Rate Base (True-Up TCOS, In 78)	1,156,097,982
R (from A. above)	7.768%
Return (Rate Base x R)	89,806,578

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

Return (from B. above)	89,806,578
Effective Tax Rate (True-Up TCOS, In 126)	42.23%
Income Tax Calculation (Return x CIT)	37,929,085
ITC Adjustment	(79,889)
Income Taxes	37,849,196

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)	216,099,075
T.E.A. & Lease Payments (True-Up TCOS, Lns 105 & 106)	-
Return (True-Up TCOS, In 134)	89,806,578
Income Taxes (True-Up TCOS, In 133)	37,849,196
Annual Revenue Requirement, Less TEA	88,443,300
Charges, Return and Taxes	

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	88,443,300
Return (from I.B. above)	89,806,578
Income Taxes (from I.C. above)	37,849,196
Annual Revenue Requirement, with 0 Basis Point ROE increase	216,099,075
Depreciation (True-Up TCOS, In 111)	33,527,948
Annual Rev. Req. w/ 0 Basis Point ROE increase, less Depreciation	182,571,127

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

Net Transmission Plant (True-Up TCOS, In 48)	1,412,129,784
Annual Revenue Requirement, with 0 Basis Point ROE increase	216,099,075
FCR with 0 Basis Point increase in ROE	15.30%

Annual Rev. Req. w/ 0 Basis Point ROE increase, less Dep.	182,571,127
FCR with 0 Basis Point ROE increase, less Depreciation	12.93%
FCR less Depreciation (True-Up TCOS, In 9)	12.93%
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)):	2,040,266,144
Transmission Plant @ End of Historic Period () (P.207, In 58,(g)):	2,158,782,674
Subtotal	4,199,048,818
Average Transmission Plant Balance for	2,099,524,409
Annual Depreciation Rate (True-Up TCOS, In 111)	34,299,015
Composite Depreciation Rate	1.63%
Depreciable Life for Composite Depreciation Rate	61.21
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)

2013	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	41,778	41,778	-
Prior Yr True-Up	38,189	38,189	-
True-Up Adjustment	(3,589)	(3,589)	-

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

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	34,647.70	34,648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	267,989	4,393	263,596	265,792	38,757	38,757	\$ -	\$ 39,854	\$ (1,097)	\$ 39,854	\$ (1,097)	\$ -
2013	263,596	4,393	259,202	261,399	38,189	38,189	\$ -	\$ 41,778	\$ (3,589)	\$ 41,778	\$ (3,589)	\$ -
2014	259,202	4,393	254,809	257,006	37,621	37,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	254,809	4,393	250,416	252,613	37,053	37,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	250,416	4,393	246,023	248,219	36,485	36,485	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	246,023	4,393	241,629	243,826	35,917	35,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	241,629	4,393	237,236	239,433	35,349	35,349	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	237,236	4,393	232,843	235,040	34,781	34,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	232,843	4,393	228,450	230,646	34,213	34,213	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	228,450	4,393	224,056	226,253	33,645	33,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	224,056	4,393	219,663	221,860	33,077	33,077	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	219,663	4,393	215,270	217,466	32,509	32,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2024	215,270	4,393	210,877	213,073	31,941	31,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2025	210,877	4,393	206,483	208,680	31,373	31,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2026	206,483	4,393	202,090	204,287	30,805	30,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2027	202,090	4,393	197,697	199,893	30,237	30,237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2028	197,697	4,393	193,304	195,500	29,669	29,669	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2029	193,304	4,393	188,910	191,107	29,101	29,101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2030	188,910	4,393	184,517	186,714	28,533	28,533	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2031	184,517	4,393	180,124	182,320	27,965	27,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2032	180,124	4,393	175,730	177,927	27,397	27,397	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2033	175,730	4,393	171,337	173,534	26,829	26,829	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2034	171,337	4,393	166,944	169,141	26,261	26,261	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2035	166,944	4,393	162,551	164,747	25,693	25,693	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2036	162,551	4,393	158,157	160,354	25,125	25,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2037	158,157	4,393	153,764	155,961	24,557	24,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2038	153,764	4,393	149,371	151,568	23,989	23,989	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2039	149,371	4,393	144,978	147,174	23,421	23,421	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2040	144,978	4,393	140,584	142,781	22,853	22,853	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2041	140,584	4,393	136,191	138,388	22,285	22,285	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2042	136,191	4,393	131,798	133,995	21,717	21,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2043	131,798	4,393	127,405	129,601	21,149	21,149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2044	127,405	4,393	123,011	125,208	20,581	20,581	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2045	123,011	4,393	118,618	120,815	20,013	20,013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2046	118,618	4,393	114,225	116,421	19,445	19,445	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2047	114,225	4,393	109,832	112,028	18,877	18,877	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2048	109,832	4,393	105,438	107,635	18,309	18,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2049	105,438	4,393	101,045	103,242	17,741	17,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2050	101,045	4,393	96,652	98,848	17,173	17,173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2051	96,652	4,393	92,259	94,455	16,605	16,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2052	92,259	4,393	87,865	90,062	16,037	16,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2053	87,865	4,393	83,472	85,669	15,469	15,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2054	83,472	4,393	79,079	81,275	14,901	14,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2055	79,079	4,393	74,685	76,882	14,333	14,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2056	74,685	4,393	70,292	72,489	13,765	13,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2057	70,292	4,393	65,899	68,096	13,197	13,197	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2058	65,899	4,393	61,506	63,702	12,629	12,629	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2059	61,506	4,393	57,112	59,309	12,061	12,061	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2060	57,112	4,393	52,719	54,916	11,493	11,493	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2061	52,719	4,393	48,326	50,523	10,925	10,925	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2062	48,326	4,393	43,933	46,129	10,357	10,357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2063	43,933	4,393	39,539	41,736	9,789	9,789	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2064	39,539	4,393	35,146	37,343	9,221	9,221	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2065	35,146	4,393	30,753	32,949	8,653	8,653	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2066	30,753	4,393	26,360	28,556	8,085	8,085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2067	26,360	4,393	21,966	24,163	7,517	7,517	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2068	21,966	4,393	17,573	19,770	6,949	6,949	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2069	17,573	4,393	13,180	15,376	6,381	6,381	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2070	13,180	4,393	8,787	10,983	5,813	5,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Totals		259,202			1,349,469	1,349,469	-					

** 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.

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: b2021 (Kanawha River Gen Retirement - Upgrades)

2013	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	#N/A	#N/A	#N/A
Prior Yr True-Up	#N/A	#N/A	#N/A
True-Up Adjustment	#N/A	#N/A	#N/A

Details		2013
Investment	1,769,186	Current Year
Service Year (yyyy)	2014	ROE increase accepted by FERC (Basis Points)
Service Month (1-12)	12	FCR w/o incentives, less depreciation
Useful life	61	FCR w/incentives approved for these facilities, less dep.
CIAC (Yes or No)	No	Annual Depreciation Expense

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 **
2014	1,769,186	-	1,769,186	1,769,186	228,734.13	228,734	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	1,769,186	29,003	1,740,183	1,754,684	255,862	255,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	1,740,183	29,003	1,711,180	1,725,681	252,113	252,113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	1,711,180	29,003	1,682,177	1,696,678	248,363	248,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	1,682,177	29,003	1,653,174	1,667,675	244,613	244,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	1,653,174	29,003	1,624,171	1,638,672	240,863	240,863	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	1,624,171	29,003	1,595,168	1,609,669	237,114	237,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	1,595,168	29,003	1,566,165	1,580,666	233,364	233,364	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	1,566,165	29,003	1,537,162	1,551,663	229,614	229,614	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	1,537,162	29,003	1,508,159	1,522,660	225,864	225,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2024	1,508,159	29,003	1,479,156	1,493,657	222,115	222,115	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2025	1,479,156	29,003	1,450,152	1,464,654	218,365	218,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2026	1,450,152	29,003	1,421,149	1,435,651	214,615	214,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2027	1,421,149	29,003	1,392,146	1,406,648	210,865	210,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2028	1,392,146	29,003	1,363,143	1,377,645	207,116	207,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2029	1,363,143	29,003	1,334,140	1,348,642	203,366	203,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2030	1,334,140	29,003	1,305,137	1,319,639	199,616	199,616	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2031	1,305,137	29,003	1,276,134	1,290,636	195,866	195,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2032	1,276,134	29,003	1,247,131	1,261,633	192,117	192,117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2033	1,247,131	29,003	1,218,128	1,232,630	188,367	188,367	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2034	1,218,128	29,003	1,189,125	1,203,627	184,617	184,617	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2035	1,189,125	29,003	1,160,122	1,174,623	180,868	180,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2036	1,160,122	29,003	1,131,119	1,145,620	177,118	177,118	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2037	1,131,119	29,003	1,102,116	1,116,617	173,368	173,368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2038	1,102,116	29,003	1,073,113	1,087,614	169,618	169,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2039	1,073,113	29,003	1,044,110	1,058,611	165,869	165,869	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2040	1,044,110	29,003	1,015,107	1,029,608	162,119	162,119	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2041	1,015,107	29,003	986,104	1,000,605	158,369	158,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2042	986,104	29,003	957,101	971,602	154,619	154,619	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2043	957,101	29,003	928,098	942,599	150,870	150,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2044	928,098	29,003	899,095	913,596	147,120	147,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2045	899,095	29,003	870,091	884,593	143,370	143,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2046	870,091	29,003	841,088	855,590	139,620	139,620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2047	841,088	29,003	812,085	826,587	135,871	135,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2048	812,085	29,003	783,082	797,584	132,121	132,121	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2049	783,082	29,003	754,079	768,581	128,371	128,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2050	754,079	29,003	725,076	739,578	124,621	124,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2051	725,076	29,003	696,073	710,575	120,872	120,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2052	696,073	29,003	667,070	681,572	117,122	117,122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2053	667,070	29,003	638,067	652,569	113,372	113,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2054	638,067	29,003	609,064	623,566	109,622	109,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2055	609,064	29,003	580,061	594,563	105,873	105,873	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2056	580,061	29,003	551,058	565,559	102,123	102,123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2057	551,058	29,003	522,055	536,556	98,373	98,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2058	522,055	29,003	493,052	507,553	94,623	94,623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2059	493,052	29,003	464,049	478,550	90,874	90,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2060	464,049	29,003	435,046	449,547	87,124	87,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2061	435,046	29,003	406,043	420,544	83,374	83,374	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2062	406,043	29,003	377,040	391,541	79,625	79,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2063	377,040	29,003	348,037	362,538	75,875	75,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2064	348,037	29,003	319,034	333,535	72,125	72,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2065	319,034	29,003	290,030	304,532	68,375	68,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2066	290,030	29,003	261,027	275,529	64,626	64,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2067	261,027	29,003	232,024	246,526	60,876	60,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2068	232,024	29,003	203,021	217,523	57,126	57,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2069	203,021	29,003	174,018	188,520	53,376	53,376	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2070	174,018	29,003	145,015	159,517	49,627	49,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2071	145,015	29,003	116,012	130,514	45,877	45,877	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2072	116,012	29,003	87,009	101,511	42,127	42,127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2073	87,009	29,003	58,006	72,508	38,377	38,377	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Totals			1,711,180		8,908,806	8,908,806	-					

** 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 2013 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.	86,000,000	3.125%	2,687,500	
3	Appalachian Consumer Rate Relief Funding Debenture:				
4	Tranche A-1 Due 2024	215,800,000	2.008%	4,332,401	
5	Tranche A-2 Due 2031	164,500,000	3.772%	6,205,269	
6	Installment Purchase Contracts (FF1.p. 256-257.h, a)				
7	WV EDA Amos Project, Series 2009A	54,375,000	0.060%	32,625	
8	WV EDA Amos Project, Series 2009B	50,000,000	0.050%	25,000	
9	IPC Mason Series L	100,000,000	2.000%	2,000,000	
10	WV EDA IPC Mountaineer Project, Series 2008A	75,000,000	0.050%	37,500	
11	WV EDA IPC Mountaineer Project, Series 2008B	50,275,000	0.060%	30,165	
12	IPC Putnam County, WV, Series 2008C	-	4.850%	-	
13	IPC Putnam County, WV, Series 2008D	-	4.850%	-	
14	Russell County, Va Series K	17,500,000	4.625%	809,375	
15	Amos Project, Series 2010A	50,000,000	5.375%	2,687,500	
16	Amos Project, Series 2011A	65,350,000	2.250%	1,470,375	
17	IPC Putnam County, WV, Series 2008C	30,000,000	3.250%	975,000	
18	IPC Putnam County, WV, Series 2008D	40,000,000	3.250%	1,300,000	
17	Senior Unsecured Notes - Series S	300,000,000	3.400%	10,200,000	
18	Senior Unsecured Notes - Series T	350,000,000	4.600%	16,100,000	
19	Senior Unsecured Notes - Series I	200,000,000	4.950%	9,900,000	
20	Senior Unsecured Notes - Series K	250,000,000	5.000%	12,500,000	
21	Senior Unsecured Notes - Series L	250,000,000	5.800%	14,500,000	
22	Senior Unsecured Notes - Series H	200,000,000	5.950%	11,900,000	
23	Senior Unsecured Notes - Series N	250,000,000	6.375%	15,937,500	
24	Senior Unsecured Notes - Series P	250,000,000	6.700%	16,750,000	
25	Senior Unsecured Notes - Series Q	500,000,000	7.000%	35,000,000	
26	Senior Unsecured Notes - Series R	350,000,000	7.950%	27,825,000	
27	Floating Rate Senior Unsecured Notes - Series D	-	0.685%	-	
28	Floating Rate Term Credit Agreement	300,000,000	1.190%	3,570,000	
29	Sale/Leaseback	2,354,787	13.654%	321,516	
30	Issuance Discount, Premium, & Expenses:				
31	Auction Fees	FF1.p. 256 & 257.Lines Described as Fees		-	
32	Allowable Hedge Amortization (See Ln 48 Below)			1,558,935	
33	Amort of Debt Discount and Expenses	FF1.p. 117.63.c		3,337,225	
34	Amort of Debt Premiums (Enter Negative)	FF1.p. 117.65.c		-	
35	Reacquired Debt:				
36	Amortization of Loss	FF1.p. 117.64.c		1,347,335	
37	Amortization of Gain	FF1.p. 117.66.c		-	
38	Total Interest on Long Term Debt	4,201,154,787	4.84%	203,340,221	
39	Preferred Stock (FF1.p. 250-251)	Preferred Shares Outstanding			
40	4.5% Series - \$100 - 177,465 Shares O/S	-	4.50%	-	
41				-	
42				-	
43	Dividends on Preferred Stock	-	0.00%	-	
44	Eligible Hedging Gains and Losses (WS M, Ln 34, (E))			1,558,935	
45	Total Projected Capital Structure Balance for 2014 (Projected TCOS, Ln 165)			7,427,898,070	
46	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005	
47	Limit of Recoverable Amount			3,713,949	
48	Recoverable Hedge Amortization (Lesser of Ln 44 or Ln 47)			1,558,935	

Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2012 & 12/31/2013

(A)	(B)	(C) Balances @ 12/31/2013	(D) Balances @ 12/31/2012	(E) Average
Development of Average Balance of Common Equity				
1	Proprietary Capital (112.16.c&d)	3,231,334,227	3,052,563,357	3,141,948,792
2	Less Preferred Stock (Ln 54 Below)	0	0	-
3	Less Account 216.1 (112.12.c&d)	1,639,734	1,654,344	1,647,039
4	Less Account 219.1 (112.15.c&d)	2,951,210	(29,897,592)	(13,473,191)
5	Average Balance of Common Equity	3,226,743,283	3,080,806,605	3,153,774,944

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

6	Bonds (112.18.c&d)	380,300,000	-	190,150,000
7	Less: Reacquired Bonds (112.19.c&d)	-	-	-
8	LT Advances from Assoc. Companies (112.20.c&d)	86,000,000	-	43,000,000
9	Senior Unsecured Notes (112.21.c&d)	3,734,854,787	3,709,883,415	3,722,369,101
10	Less: Fair Value Hedges (See Note on Ln 12 below)	-	-	-
11	Total Average Debt	4,201,154,787	3,709,883,415	3,955,519,101

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 2013

14	Interest on Long Term Debt (256-257.33.i)			185,202,116
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.			1,558,935
16	Plus: Allowed Hedge Recovery From Ln 38 below.			1,558,935
17	Amort of Debt Discount & Expense (117.63.c)			3,337,225
18	Amort of Loss on Reacquired Debt (117.64.c)			1,347,335
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)			189,886,676

22 **Average Cost of Debt for 2013 (Ln 21/Ln 11)**

4.80%

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 2013	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	445,766	Jan-05	Feb-15
25 Senior Unsecured Notes - Series K	1,336,324	-	1,336,324	1,893,127	Jun-05	Jun-17
26 Senior Unsecured Notes - Series L	(238,880)	-	(238,880)	(418,039)	Sep-05	Oct-35
27 Senior Unsecured Notes - Series H	37,068	-	37,068	716,748	May-03	May-33
28 Senior Unsecured Notes - Series N	(194,198)	-	(194,198)	(4,320,915)	Apr-06	Apr-36
29 Senior Unsecured Notes - Series Q	159,672	-	159,672	3,865,371	Mar-08	Apr-38
30 Senior Unsecured Notes - Series S	826,212	-	826,212	1,154,919	May-10	May-15
31 Senior Unsecured Notes - Series T	(1,131,432)	-	(1,131,432)	(8,171,456)	Mar-11	Mar-21
32						
33 Total Hedge Amortization	1,558,935	-				
34 Hedge Gain or Loss Prior to Application of Recovery Limit (Sum of Lines 24 to)				1,558,935		
35 Total Average Capital Structure Balance for 2013 (True-UP TCOS, Ln 165)				7,109,294,045		
36 Financial Hedge Recovery Limit - Five Basis Points of Total Capital				0.0005		
37 Limit of Recoverable Amount				3,554,647		
38 Recoverable Hedge Amortization (Lesser of Ln 34 or Ln 37)				1,558,935		

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 2013 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						-		-	

AEP East Companies
 Cost of Service Formula Rate Using 2013 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 30,000,000

Allocation of PBOP Settlement Amount for 2013:

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 2013	Actual Expense	Allowable Expense	One Year Functional Expense (Over)/Under
		(A) (Line 14)	(B)=(A)/Total (A)	(C)=(B) * 30000000	(D)	(E)=(A) * (D)	(F)=(C) * (D)	(G)=(E) - (F)
1	APCo	(4,215,559)	48.37%	14,511,689	7.115%	(299,951)	1,032,553	(1,332,504)
2								
3	I&M	(3,395,590)	38.96%	11,689,019	3.672%	(124,685)	429,217	(553,902)
4	KPCo	(1,089,175)	12.50%	3,749,390	10.335%	(112,568)	387,506	(500,074)
5	KNGP	(91,189)	1.05%	313,910	12.878%	(11,743)	40,424	(52,167)
6	OPCo	191,908	-2.20%	(660,626)	6.682%	12,823	(44,141)	56,964
7	WPCo	(115,215)	1.32%	396,617	7.229%	(8,328)	28,670	(36,998)
8	Sum of Lines 1 to 7	(8,714,820)		30,000,000		(544,452)	1,874,228	(2,418,680)

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 *	(4,054,293)	(3,376,008)	(1,007,225)	(81,745)	(4,165,372)	(103,680)	(12,788,323)
10 Additional PBOP Ledger Entries (from Company Records)	223,423	257,059	(0)	0	4,866,605	-	
11 Medicare Subsidy *	-	-	-	-	-	-	-
12 Net Company Expense (Ln 9 + Ln 10 + Ln 11)	(3,830,870)	(3,118,949)	(1,007,225)	(81,745)	701,233	(103,680)	(7,441,236)
13 PBOP Expenses From AEP Service Corporation (from Company Records)	(384,689)	(276,641)	(81,950)	(9,444)	(509,325)	(11,535)	(1,273,584)
14 Company PBOP Expense (Ln 12 + Ln 13)	(4,215,559)	(3,395,590)	(1,089,175)	(91,189)	191,908	(115,215)	(8,714,820)

* 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 WHOLESAL			FERC KINGSPORT			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 jurisdiction's 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.