

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2013 and Projected Net Plant at Year-End 2014

AEP APPALACHIAN TRANSMISSION COMPANY

Line No.				Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 136)			\$178,637
			<u>Total</u>		
2	REVENUE CREDITS	(Note A) (Worksheet E)	-	DA 1.00000	\$ -
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			\$ 178,637
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)		-	DA 1.00000	\$ -
5	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
6	Annual Rate	((In 1 - In 102 - In 103) / ((In 48 + In 49 + In 50 + In 51 + In 53) x 100))			0.00%
7	Monthly Rate	(In 6 / 12)			0.00%
8	NET PLANT CARRYING CHARGE ON LINE 6 , w/o depreciation or ROE incentives (Note B)				
9	Annual Rate	((In 1 - In 102 - In 103 - In 108 - In 109) / ((In 48 + In 49 + In 50 + In 51 + In 53) x 100))			0.00%
10	NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B)				
11	Annual Rate	((In 1 - In 102 - In 103 - In 108 - In 109 - In 131 - In 132) / ((In 48 + In 49 + In 50 + In 51 + In 53) x 100))			0.00%
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			-
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				-
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				-
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			-

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2013 and Projected Net Plant at Year-End 2014

AEP APPALACHIAN TRANSMISSION COMPANY

	(1)	(2)	(3)	(4)	(5)
	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u> <u>NOTE C</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>
Line No.	GROSS PLANT IN SERVICE				
18	<i>Line Deliberately Left Blank</i>				
19	<i>Line Deliberately Left Blank</i>				
20	Transmission	(Worksheet A In 3.C & Ln 140)	-	DA	-
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C & Ln 141)	-	TP	1.00000
22	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.D)		-	DA	1.00000
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I, In 22.D)		-	DA	1.00000
24	<i>Line Deliberately Left Blank</i>				
25	<i>Line Deliberately Left Blank</i>				
26	General Plant	(Worksheet A In 7.C)	-	W/S	1.00000
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S	1.00000
28	Intangible Plant	(Worksheet A In 9.C)	-	W/S	1.00000
29	TOTAL GROSS PLANT	(Sum of Lines: 20 to 23 & 26 to 28)	-		-
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	<i>Line Deliberately Left Blank</i>				
32	<i>Line Deliberately Left Blank</i>				
33	Transmission	(Worksheet A In 14.C & 28.C)	-	TP1=	1.00000
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	1.00000
35	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.I)		-	DA	1.00000
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I In. 24.D)		-	DA	1.00000
37	Plus: Additional Transmission Depreciation for 2014 (In 108)		-	TP1	1.00000
38	Plus: Additional General & Intangible Depreciation for 2014 (In 111 + In 112)		-	W/S	1.00000
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I In 23.D)		-	DA	1.00000
40	<i>Line Deliberately Left Blank</i>				
41	<i>Line Deliberately Left Blank</i>				
42	General Plant	(Worksheet A In 18.C)	-	W/S	1.00000
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	1.00000
44	Intangible Plant	(Worksheet A In 20.C)	-	W/S	1.00000
45	TOTAL ACCUMULATED DEPRECIATION	(Sum of Lines: 33 to 39 & 42 to 44)	-		-
46	NET PLANT IN SERVICE				
47	<i>Line Deliberately Left Blank</i>				
48	Transmission	(In 20 + In 21 - In 33 - In 34)	-		-
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		-		-
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		-		-
51	Plus: Additional Transmission Depreciation for 2014 (-In 37)		-		-
52	Plus: Additional General & Intangible Depreciation for 2014 (-In 38)		-		-
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		-		-
54	<i>Line Deliberately Left Blank</i>				
55	General Plant	(In 26 + In 27 - In 42 - In 43)	-		-
56	Intangible Plant	(In 28 - In 44)	-		-
57	TOTAL NET PLANT IN SERVICE	(Sum of Lines: 48 to 53 & 55, 56)	-		-
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE				
59	Account No. 281.1 (enter negative)	(Note D) (Worksheet B, In 2 & In 5.C)	-	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(2,237)	DA	(2,237)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(15,108)	DA	(15,108)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	131,076	DA	131,076
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	-
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	113,731		113,731
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	-	DA	-
66	REGULATORY ASSETS	(Worksheet A In 41. (C))	-	DA	-
67	WORKING CAPITAL				
68	Cash Working Capital	(Note E) (1/8 * In 88)	3,062		3,062
69	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	-	TP	1.00000
70	A&G Materials & Supplies	(Worksheet C, In 3.(D))	-	W/S	1.00000
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.00000
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	-	W/S	1.00000
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	-	GP(h)	0.00000
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	1.00000
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	-	NA	0.00000
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	3,062		3,062
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	-	DA	1.00000
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		116,793		116,793

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2013 and Projected Net Plant at Year-End 2014

Formula Rate
Projected TCOS
Page 3 of 37

AEP APPALACHIAN TRANSMISSION 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	<i>Line Deliberately Left Blank</i>				
80	<i>Line Deliberately Left Blank</i>				
81	Customer Related Expense	322.164,171,178.b	-		
82	Regional Marketing Expenses	322.131.b	-		
83	Transmission	321.112.b	24,497		
84	TOTAL O&M EXPENSES	(sum Ins 81 to 83)	24,497		
85	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	-		
86	Less: Account 565	(Note H) 321.96.b	-		
87	Less: State Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	24,497	TP 1.00000	24,497
89	Administrative and General	323.197.b (Note J)	121,967		
90	Less: Acct. 924, Property Insurance	323.185.b	-		
91	Acct. 928, Reg. Com. Exp.	323.189.b	-		
92	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-		
93	Acct. 930.2, Misc. Gen. Exp.	323.192.b	-		
94	Balance of A & G	(In 89 - sum In 90 to In 93)	121,967	W/S 1.00000	121,967
95	Plus: Acct. 924, Property Insurance	(In 90)	-	GP(h) 0.00000	-
96	Acct. 928 - Transmission Specific	Worksheet F In 20.(E) (Note L)	-	TP 1.00000	-
97	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 37.(E) (Note L)	-	TP 1.00000	-
98	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 42.(E) (Note L)	-	DA 1.00000	-
99	PBOP Adjustment	Worksheet O Ln 16 (B), (Note K & M)	5,104	W/S 1.00000	5,104
100	A & G Subtotal	(sum Ins 94 to 99)	127,071		127,071
101	O & M EXPENSE SUBTOTAL	(In 88 + In 100)	151,568		151,568
102	Plus: TEA Settlement in Account 565	Company Records (Note H)	-	DA 1.00000	-
103	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA 1.00000	-
104	TOTAL O & M EXPENSE	(In 101 + In 102 + In 103)	151,568		151,568
105	DEPRECIATION AND AMORTIZATION EXPENSE				
106	<i>Line Deliberately Left Blank</i>				
107	<i>Line Deliberately Left Blank</i>				
108	Transmission	336.7.f	-	TP1 1.00000	-
109	Plus: Transmission Plant-in-Service Additions (Worksheet I In 21.I)		-	DA 1.00000	-
110	Plus: Formation Costs Amortization	(Worksheet A In 37.C)	13,404	TP1 1.00000	13,404
111	General	336.10.f	-	W/S 1.00000	-
112	Intangible	336.1.f	-	W/S 1.00000	-
113	TOTAL DEPRECIATION AND AMORTIZATION	(Lns 108+109+111+112)	13,404		13,404
114	TAXES OTHER THAN INCOME				
115	Labor Related				
116	Payroll	Worksheet H In 23.(D)	-	W/S 1.00000	-
117	Plant Related		-		-
118	Property	Worksheet H In 23.(C) & In 58.(C)	-	DA	-
119	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	-	NA 0.00000	-
120	Other	Worksheet H In 23.(E)	-	GP(h) 0.00000	-
121	TOTAL OTHER TAXES	(sum Ins 116 to 120)	-		-
122	INCOME TAXES				
123	$T=1 - \frac{[(1 - SIT) * (1 - FIT)]}{(1 - SIT * FIT * p)}$		38.90%		
124	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		40.56%		
125	where WCLTD=(In 174) and WACC = (In 177)				
126	and FIT, SIT & p are as given in Note O.				
127	$GRCF=1 / (1 - T) =$ (from In 123)		1.6367		
128	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
129	Income Tax Calculation	(In 124 * In 132)	3,943		3,943
130	ITC adjustment	(In 127 * In 128)	-	NP(h) 0.00000	-
131	TOTAL INCOME TAXES	(sum Ins 129 to 130)	3,943		3,943
132	RETURN ON RATE BASE (Rate Base * WACC)	(In 78 * In 177)	9,721		9,721
133	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		-	DA 1.00000	-
134	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-		-
135	Tax Impact on (Gains) / Losses on Sales of Plant Held for Future Use (In 134 * In124)		-		-
136	TOTAL REVENUE REQUIREMENT		178,637		178,637
	(sum Ins 104, 113, 121, 131, 132, 133, 134, 135)				

AEP APPALACHIAN TRANSMISSION COMPANY

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF					
137	Total transmission plant (In 20)					-
138	Less transmission plant excluded from PJM Tariff (Note P)					-
139	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note Q)					-
140	Transmission plant included in PJM Tariff (In 137 - In 138 - In 139)					-
141	Percent of transmission plant in PJM Tariff (In 140 / In 137)				TP=	1.00000
142	WAGES & SALARY ALLOCATOR (W/S) (Note R)					
143	<i>Line Deliberately Left Blank</i>					
144	Transmission	354.21.b	-	10,114	10,114	TP 1.00000 10,114
145	Regional Market Expenses	354.22.b	-	-	-	NA 0.00000 -
146	<i>Line Deliberately Left Blank</i>					
147	Other (Excludes A&G)	354.24,25,26.b	-	-	-	NA 0.00000 -
148	Total (sum Ins 144, 145, & 147)		-	10,114	10,114	10,114
149	Transmission related amount					W/S= 1.00000
150	Actual Capped Capital Cost Structure (Note S)					\$
151	WEIGHTED AVERAGE COST OF CAPITAL (WACC)					-
152	Long Term Interest (Worksheet L, In. 34, col. (D))					-
153	Preferred Dividends (Worksheet L, In. 44, col. (D))					-
154	<u>Development of Common Stock:</u>					
155	Proprietary Capital (FF1 p 112, Ln 16.c)					(579,347)
156	Less: Preferred Stock (FF1 p 112, Ln 3.c)					-
157	Less: Account 216.1 (FF1 p 112, Ln 12.c)					-
158	Less: Account 219 (FF1 p 112, Ln 15.c)					-
158	Common Stock (In 154 - In 155 - In 156 - In 157)					(579,347)
159		\$				
159	Long Term Debt Worksheet L, In 34, col. (B))	-		0.00%	0.00%	0.0000 0.0000
160	Preferred Stock (In 155)	-		0.00%	0.00%	0.0000 0.0000
161	Common Stock (In 158)	(579,347)		0.00%	0.00%	11.49% 0.0000
162	Total (Sum Ins 159 to 161)	(579,347)		0.00%	0.00%	WACC= 0.0000
163	Capital Structure Equity Limit (Note T)	50.0%				
164	AEP OPERATING COMPANIES' COMPOSITE (Note S)					\$
165	WEIGHTED AVERAGE COST OF CAPITAL (WACC)					508,751,624
166	Long Term Interest (Worksheet Q, In. 14)					-
167	Preferred Dividends (Worksheet Q, In. 36)					-
168	<u>Development of Common Stock:</u>					
169	Proprietary Capital (Worksheet Q, In. 37)					7,769,429,769
170	Less: Preferred Stock (Worksheet Q, In. 38)					-
171	Less: Account 216.1 (Worksheet Q, In. 39)					6,459,402
172	Less: Account 219 (Worksheet Q, In. 40)					(9,922,266)
172	Common Stock (In 168 - In 169 - In 170 - In 171)					7,772,892,633
173				%	\$	
174	Long Term Debt (Worksheet Q, In 50)			53.85%	9,069,720,925	5.61% 0.0302
175	Preferred Stock (Worksheet Q, In 51)			0.00%	-	0.0000 0.0000
176	Common Stock (Worksheet Q, In 52)			46.15%	7,772,892,633	11.49% 0.0530
177	Total (Worksheet Q, In 45)				16,842,613,558	WACC= 0.0832

AEP APPALACHIAN TRANSMISSION 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 100.
- 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 133.
- 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 5 through 14, 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 102 and 103 to determine the total O&M collected in the formula. The amounts on lines 102 and 103 are also excluded in the calculation of the FCR percentage calculated on lines 5 through 11.
The addbacks on lines 102 and 103 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 102 and 103 is the AEP APPALACHIAN TRANSMISSION 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 The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor 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 ER10-355, recoverable PBOP expense is based on a rate of 9.4 cents per dollar of direct labor. This rate may be adjusted up or down every four years based on a comparison of the Allowable TransCo PBOP Expense and the Actual PBOP Expense for a four year Historic and four year Projected period. If the over or under collection is greater than plus or minus 20% of the recoverable amount, an adjustment will be proposed in a Section 205 rate filing.
- 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 128) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
Inputs Required: FIT = 35.00%
SIT = 6.00% (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 As shown on Worksheet Q, the AEP Appalachian Transmission Company capital structure and weighted cost of capital (WACC) shall be based on (1) the weighted composite of AEP East Operating Companies' actual end-of-year capital structure, including year-end outstanding long term debt (LTD) and preferred stock (PS) issuances (Projected) or the beginning and ending average capital structure, including the beginning and ending average outstanding LTD and PS issuances (True-Up) with the common equity portion as capped in Docket No. ER08-1329 where any excess common equity is priced at the cost of LTD and the composite equity ratio is further capped at 50%, and (2) the actual weighted composite LTD and PS cost using actual calendar year LTD expense and PS dividends of the AEP East Operating Companies excluding all interest rate hedging costs and/or gains, until the the Company establishes its own actual capital structure.
Upon establishment of actual debt financing for AEP Appalachian Transmission Company, the Company shall use its own actual capital structure capped by a 50% Common Equity Cap and its own LTD costs, excluding all interest rate hedging costs and/or gains, as computed on Worksheet L for the Projected TCOS or Worksheet M for the True Up TCOS.
- T AEP APPALACHIAN TRANSMISSION COMPANY's Common Stock is limited to 50% of the capital structure. This limit may only be changed through a Section 205 or 206 filing effective after June
If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure.

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2013 with Year-End Rate Base Balances

AEP APPALACHIAN TRANSMISSION COMPANY

Line No.			Total	Allocator	Transmission Amount
178	REVENUE REQUIREMENT (w/o incentives)	(ln 313)			\$192,041
179	REVENUE CREDITS	(Note A) (Worksheet E)	-	DA 1.00000	\$ -
180	REVENUE REQUIREMENT For All Company Facilities	(ln 178 less ln 179)			\$ 192,041

MEMO: The Carrying Charge Calculations on lines 183 to 188 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 181 is included in the total on line 180.

181	Not applicable on this template				
182	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
183	Annual Rate	((ln 178 - ln 279 - ln 280) / ln 225 x 100)			0.00%
184	Monthly Rate	(ln 183 / 12)			0.00%
185	NET PLANT CARRYING CHARGE ON LINE 183 , w/o depreciation or ROE incentives (Note B)				
186	Annual Rate	((ln 178 - ln 279 - ln 280 - ln 285) / ln 225 x 100)			0.00%
187	NET PLANT CARRYING CHARGE ON LINE 186, w/o Return, income taxes or ROE incentives (Note B)				
188	Annual Rate	((ln 178 - ln 279 - ln 280 - ln 285 - ln 308 - ln 309) / ln 225 x 100)			0.00%
189	Not applicable on this template				
190	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES				
191	Total Load Dispatch & Scheduling (Account 561)	Line 262 Below			-
192	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				-
193	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				-
194	Total 561 Internally Developed Costs	(Line 191 - Line 192 - Line 193)			-

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2013 with Year-End Rate Base Balances

AEP APPALACHIAN TRANSMISSION COMPANY

Line No.	(1) <u>RATE BASE CALCULATION</u>	(2) <u>Data Sources</u> <u>(See "General Notes")</u>	(3) <u>TO Total</u> <u>NOTE C</u>	(4) <u>Allocator</u>	(5) <u>Total</u> <u>Transmission</u>
	GROSS PLANT IN SERVICE				
195	<i>Line Deliberately Left Blank</i>				
196	<i>Line Deliberately Left Blank</i>				
197	Transmission	(Worksheet A In 3.C & Ln 317)	-	DA	-
198	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C & Ln 318)	-	TP	-
199	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA	N/A
200	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	N/A
201	<i>Line Deliberately Left Blank</i>				
202	<i>Line Deliberately Left Blank</i>				
203	General Plant	(Worksheet A In 7.C)	-	W/S	-
204	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S	-
205	Intangible Plant	(Worksheet A In 9.C)	-	W/S	-
206	TOTAL GROSS PLANT	(Sum of Lines: 197 to 200 & 203 to 205)	-	GP(h)=	0.000000
				GTD=	0.000000
	ACCUMULATED DEPRECIATION AND AMORTIZATION				
207	<i>Line Deliberately Left Blank</i>				
208	<i>Line Deliberately Left Blank</i>				
209	Transmission	(Worksheet A In 14.C & 28.C)	-	TP1=	-
210	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	-
211	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	N/A
212	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	N/A
213	Plus: Additional Transmission Depreciation for 2014 (In 285)		N/A	TP1	N/A
214	Plus: Additional General & Intangible Depreciation for 2014 (In 284 + In 285)		N/A	W/S	N/A
215	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	N/A
216	<i>Line Deliberately Left Blank</i>				
217	<i>Line Deliberately Left Blank</i>				
218	General Plant	(Worksheet A In 18.C)	-	W/S	-
219	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	-
220	Intangible Plant	(Worksheet A In 20.C)	-	W/S	-
221	TOTAL ACCUMULATED DEPRECIATION	(Sum of Lines: 210 to 216 & 219 to 221)	-		-
	NET PLANT IN SERVICE				
222	<i>Line Deliberately Left Blank</i>				
223	Transmission	(In 197 + In 198 - In 210 - In 211)	-		-
224	Plus: Transmission Plant-in-Service Additions (In 199 - In 212)		N/A		N/A
225	Plus: Additional Trans Plant on Transferred Assets (In 200 - In 213)		N/A		N/A
226	Plus: Additional Transmission Depreciation for 2014 (-In 214)		N/A		N/A
227	Plus: Additional General & Intangible Depreciation for 2014 (-In 215)		N/A		N/A
228	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 216)		N/A		N/A
229	<i>Line Deliberately Left Blank</i>				
230	General Plant	(In 203 + In 204 - In 219 - In 220)	-		-
231	Intangible Plant	(In 205 - In 221)	-		-
232	TOTAL NET PLANT IN SERVICE	(Sum of Lines: 225 to 230 & 232, 233)	-	NP(h)=	0.000000
	DEFERRED TAX ADJUSTMENTS TO RATE BASE				
233	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	-	NA	-
234	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(2,237)	DA	(2,237)
235	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(15,108)	DA	(15,108)
236	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	131,076	DA	131,076
237	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	-
238	TOTAL ADJUSTMENTS	(sum Ins 236 to 240)	113,731		113,731
239	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	-	DA	-
240	REGULATORY ASSETS	(Worksheet A In 41. (C))	-	DA	-
241	WORKING CAPITAL	(Note E)			
242	Cash Working Capital	(1/8 * In 265)	3,062		3,062
243	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	-	TP	-
244	A&G Materials & Supplies	(Worksheet C, In 3.(D))	-	W/S	-
245	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	-
246	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	-	W/S	-
247	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	-	GP(h)	-
248	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	-
249	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	-	NA	-
250	TOTAL WORKING CAPITAL	(sum Ins 245 to 252)	3,062		3,062
251	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	-	DA	1.000000
252	RATE BASE (sum Ins 234, 241, 242, 243, 253, 254)		116,793		116,793

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2013 with Year-End Rate Base Balances

AEP APPALACHIAN TRANSMISSION COMPANY

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
256	OPERATION & MAINTENANCE EXPENSE				
257	<i>Line Deliberately Left Blank</i>				
258	Customer Related Expense	322 & 323.164,171,178.b	-		
259	Regional Marketing Expenses	322.131.b	-		
					<i>Per Settlement in FERC Docket No. ER10-355-000, Attachment A-1 to Appendix B, pg. 26, C, 7a.</i>
260	Transmission	321.112.b	24,497		
261	TOTAL O&M EXPENSES	(sum lns 258 to 260)	24,497		
262	Less: Total Account 561	(Note G) (Worksheet F, ln 14.C)	-		
263	Less: Account 565	(Note H) 321.96.b	-		
264	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, ln 4.C)	-		
265	Total O&M Allocable to Transmission	(lns 260 - 262 - 263 - 264)	24,497	TP	1.00000
					<i>Per Settlement in FERC Docket No. ER10-355-000, Attachment A-1 to Appendix B, pg. 26, C, 7a.</i>
266	Administrative and General	323.197.b (Note J)	121,967		
267	Less: Acct. 924, Property Insurance	323.185.b	-		
268	Acct. 928, Reg. Com. Exp.	323.189.b	-		
269	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-		
270	Acct. 930.2, Misc. Gen. Exp.	323.192.b	-		
271	Balance of A & G	(ln 266 - sum ln 267 to ln 270)	121,967	W/S	1.00000
272	Plus: Acct. 924, Property Insurance	(ln 267)	-	GP(h)	0.00000
273	Acct. 928 - Transmission Specific	Worksheet F ln 20.(E) (Note L)	-	TP	1.00000
274	Acct 930.1 - Only safety related ads -Direct	Worksheet F ln 37.(E) (Note L)	-	TP	1.00000
275	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F ln 42.(E) (Note L)	-	DA	1.00000
276	PBOP Adjustment	Worksheet O Ln 16 (B), (Note K & M)	5,104	W/S	1.00000
277	A & G Subtotal	(sum lns 271 to 276)	127,071		
278	O & M EXPENSE SUBTOTAL	(ln 265 + ln 277)	151,568		
279	Plus: TEA Settlement in Account 565	Company Records (Note H)	-	DA	1.00000
280	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA	1.00000
281	TOTAL O & M EXPENSE	(ln 278 + ln 279 + ln 280)	151,568		
282	DEPRECIATION AND AMORTIZATION EXPENSE				
283	<i>Line Deliberately Left Blank</i>				
284	<i>Line Deliberately Left Blank</i>				
285	Transmission	336.7.f	-	TP1	1.00000
286	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
287	Plus: Formation Costs Amortization	(Worksheet A ln 35.C)	26,809	TP1	1.00000
288	General	336.10.f	-	W/S	1.00000
289	Intangible	336.1.f	-	W/S	1.00000
290	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 285+286+288+289)	26,809		
291	TAXES OTHER THAN INCOME	(Note N)			
292	Labor Related				
293	Payroll	Worksheet H ln 23.(D)	-	W/S	1.00000
294	Plant Related				
295	Property	Worksheet H ln 23.(C) & ln 58.(C)	-	DA	-
296	Gross Receipts/Sales & Use	Worksheet H ln 23.(F)	-	NA	0.00000
297	Other	Worksheet H ln 23.(E)	-	GP(h)	0.00000
298	TOTAL OTHER TAXES	(sum lns 293 to 297)	-		
299	INCOME TAXES	(Note O)			
300	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$		38.90%		
301	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		40.56%		
302	where WCLTD=(ln 350) and WACC = (ln 353)				
303	and FIT, SIT & p are as given in Note O.				
304	$GRCF=1 / (1 - T) =$ (from ln 300)		1.6367		
305	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
306	Income Tax Calculation	(ln 301 * ln 309)	3,943		
307	ITC adjustment	(ln 304 * ln 305)	-	NP(h)	0.00000
308	TOTAL INCOME TAXES	(sum lns 306 to 307)	3,943		
309	RETURN ON RATE BASE (Rate Base*WACC)	(ln 255 * ln 353)	9,721		
310	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, ln 2.(B))		-	DA	1.00000
311	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, ln 4, Cols. (F) & (H))		-		
312	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (ln 311 * ln301)		-		
313	TOTAL REVENUE REQUIREMENT	(sum lns 281, 290, 298, 308, 309, 310, 311, 312)	192,041		

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2013 with Year-End Rate Base Balances

AEP APPALACHIAN TRANSMISSION COMPANY

SUPPORTING CALCULATIONS

In	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
No.								
314	Total transmission plant	(In 197)						-
315	Less transmission plant excluded from PJM Tariff (Note P)							-
316	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note Q)							-
317	Transmission plant included in PJM Tariff	(In 314 - In 315 - In 316)						-
318	Percent of transmission plant in PJM Tariff	(In 317 / In 314)					TP=	1.00000
319	WAGES & SALARY ALLOCATOR (W/S)	(Note R)						
320	<i>Line Deliberately Left Blank</i>							
321	Transmission	354.21.b						
322	Regional Market Expenses	354.22.b						
323	<i>Line Deliberately Left Blank</i>							
324	Other (Excludes A&G)	354.24,25,26.b						
325	Total	(sum Ins 321, 322, & 324)						
			Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
			-	10,114	10,114	TP	1.00000	10,114
			-	-	-	NA	0.00000	-
			-	-	-	NA	0.00000	-
			-	10,114	10,114			10,114
326	Transmission related amount						WS=	1.00000
	Actual (Uncapped) Capital Structure							
327	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
328	Long Term Interest	(Worksheet L, In. 34, col. (D))				See W/S L		-
329	Preferred Dividends	(Worksheet L, In. 44, col. (D))						-
330	<u>Development of Common Stock:</u>							
331	Proprietary Capital	(FF1 p 112, Ln 16.c)						(579,347)
332	Less: Preferred Stock	(FF1 p 112, Ln 3.c)						-
333	Less: Account 216.1	(FF1 p 112, Ln 12.c)						-
334	Less: Account 219	(FF1 p 112, Ln 15.c)						-
335	Common Stock	(In 331 - In 332 - In 333 - In 334)						(579,347)
			Capital Structure Percentages				Cost	Weighted
			\$	%		(Note S)		
336	Long Term Debt (Worksheet L, In 34, col. (B))		-	0.00%		0.00%	0.0000	
337	Preferred Stock (In 332)		-	0.00%		0.00%	0.0000	
338	Common Stock (In 335)		(579,347)	100.00%		11.49%	0.1149	
339	Total (Sum Ins 336 to 338)		(579,347)	100.00%			WACC=	0.1149
	AEP OPERATING COMPANIES' COMPOSITE (Note S)							
340	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
341	Long Term Interest	(Worksheet Q, In. 14)						508,751,624
342	Preferred Dividends	(Worksheet Q, In. 36)						-
343	<u>Development of Common Stock:</u>							
344	Proprietary Capital	(Worksheet Q, In. 37)						7,769,429,769
345	Less: Preferred Stock	(Worksheet Q, In. 38)						-
346	Less: Account 216.1	(Worksheet Q, In. 39)						6,459,402
347	Less: Account 219	(Worksheet Q, In. 40)						(9,922,266)
348	Common Stock	(In 344 - In 345 - In 346 - In 347)						7,772,892,633
349								
			%	\$		Cost	Weighted	
350	Long Term Debt (Worksheet Q, In 50)		53.85%	9,069,720,925		5.61%	0.0302	
351	Preferred Stock (Worksheet Q, In 51)		0.00%	-		0.00%	0.0000	
352	Common Stock (Worksheet Q, In 52)		46.15%	7,772,892,633		11.49%	0.0530	
353	Total (Worksheet Q, In 45)			16,842,613,558			WACC=	0.0832

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2013 with Year-End Rate Base Balances

AEP APPALACHIAN TRANSMISSION 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 265. It excludes:
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 262.
2) AEP transmission equalization transfers, as shown on line 263
3) The impact of state regulatory deferrals and amortizations, as shown on line 264
4) All A&G Expenses, as shown on line 277.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 254 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 310.
- 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 192 & 193 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 5 through 14, 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 265. 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 279 and 280 to determine the total O&M collected in the formula. The amounts on lines 279 and 280 are also excluded in the calculation of the FCR percentage calculated on lines 182 through 188.
The addbacks on lines 279 and 280 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 279 and 280 is the AEP APPALACHIAN TRANSMISSION 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 The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor 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 ER10-355, recoverable PBOP expense is based on a rate of 9.4 cents per dollar of direct labor. This rate may be adjusted up or down every four years based on a comparison of the Allowable TransCo PBOP Expense and the Actual PBOP Expense for a four year Historic and four year Projected period. If the over or under collection is greater than plus or minus 20% of the recoverable amount, an adjustment will be proposed in a Section 205 rate filing.
- 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 305) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
Inputs Required: FIT = 35.00%
SIT = 6.00% (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 As shown on Worksheet Q, the AEP Appalachian Transmission Company capital structure and weighted cost of capital (WACC) shall be based on (1) the weighted composite of AEP East Operating Companies' actual end-of-year capital structure, including year-end outstanding long term debt (LTD) and preferred stock (PS) issuances (Projected) or the beginning and ending average capital structure, including the beginning and ending average outstanding LTD and PS issuances (True-Up) with the common equity portion as capped in Docket No. ER08-1329 where any excess common equity is priced at the cost of LTD and the composite equity ratio is further capped at 50%, and (2) the actual weighted composite LTD and PS cost using actual calendar year LTD expense and PS dividends of the AEP East Operating Companies excluding all interest rate hedging costs and/or gains, until the the Company establishes its own actual capital structure.
Upon establishment of actual debt financing for AEP Appalachian Transmission Company, the Company shall use its own actual capital structure capped by a 50% Common Equity Cap and its own LTD costs, excluding all interest rate hedging costs and/or gains, as computed on Worksheet L for the Projected TCOS or Worksheet M for the True Up TCOS.
- T AEP APPALACHIAN TRANSMISSION COMPANY's Common Stock is limited to 50% of the capital structure. This limit may only be changed through a Section 205 or 206 filing effective after June 30, 2013. If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure.

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2013 with Average Ratebase Balances

AEP APPALACHIAN TRANSMISSION COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 136)			\$194,217
2	REVENUE CREDITS	(Note A) (Worksheet E)	-	DA 1.00000	\$ -
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			\$ 194,217

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)		-	DA 1.00000	\$ -
5	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
6	Annual Rate	((In 1 - In 102 - In 103) / In 48 x 100)			0.00%
7	Monthly Rate	(In 6 / 12)			0.00%
8	NET PLANT CARRYING CHARGE ON LINE 6 , w/o depreciation or ROE incentives (Note B)				
9	Annual Rate	((In 1 - In 102 - In 103 - In 108) / In 48 x 100)			0.00%
10	NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B)				
11	Annual Rate	((In 1 - In 102 - In 103 - In 108 - In 131 - In 132) / In 48 x 100)			0.00%
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			-
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				-
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				-
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			-

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2013 with Average Ratebase Balances

AEP APPALACHIAN TRANSMISSION 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	<i>Line Deliberately Left Blank</i>					
19	<i>Line Deliberately Left Blank</i>					
20	Transmission	(Worksheet A In 3.E & Ln 140)	-	DA		-
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E & Ln 141)	-	TP	1.00000	-
22	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA	0.00000	N/A
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	0.00000	N/A
24	<i>Line Deliberately Left Blank</i>					
25	<i>Line Deliberately Left Blank</i>					
26	General Plant	(Worksheet A In 7.E)	-	W/S	1.00000	-
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	-	W/S	1.00000	-
28	Intangible Plant	(Worksheet A In 9.E)	-	W/S	1.00000	-
29	TOTAL GROSS PLANT	(Sum of Lines: 20 to 23 & 26 to 28)	-	GP(h)=	0.00000	-
				GTD=	0.00000	
30	ACCUMULATED DEPRECIATION AND AMORTIZATION					
31	<i>Line Deliberately Left Blank</i>					
32	<i>Line Deliberately Left Blank</i>					
33	Transmission	(Worksheet A In 14.E & 28.E)	-	TP1=	1.00000	-
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	1.00000	-
35	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	1.00000	N/A
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000	N/A
37	Plus: Additional Transmission Depreciation for 2014 (In 108)		N/A	TP1	1.00000	N/A
38	Plus: Additional General & Intangible Depreciation for 2014 (In 107 + In 108)		N/A	W/S	1.00000	N/A
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000	N/A
40	<i>Line Deliberately Left Blank</i>					
41	<i>Line Deliberately Left Blank</i>					
42	General Plant	(Worksheet A In 18.E)	-	W/S	1.00000	-
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	-	W/S	1.00000	-
44	Intangible Plant	(Worksheet A In 20.E)	-	W/S	1.00000	-
45	TOTAL ACCUMULATED DEPRECIATION	(Sum of Lines: 33 to 39 & 42 to 44)	-			-
46	NET PLANT IN SERVICE					
47	<i>Line Deliberately Left Blank</i>					
48	Transmission	(In 20 + In 21 - In 33 - In 34)	-			-
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		N/A			N/A
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		N/A			N/A
51	Plus: Additional Transmission Depreciation for 2014 (-In 37)		N/A			N/A
52	Plus: Additional General & Intangible Depreciation for 2014 (-In 38)		N/A			N/A
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		N/A			N/A
54	<i>Line Deliberately Left Blank</i>					
55	General Plant	(In 26 + In 27 - In 42 - In 43)	-			-
56	Intangible Plant	(In 28 - In 44)	-			-
57	TOTAL NET PLANT IN SERVICE	(Sum of Lines: 48 to 53 & 55, 56)	-	NP(h)=	0.00000	-
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)				
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	-	NA		-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(1,119)	DA		(1,119)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(17,090)	DA		(17,090)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	147,731	DA		147,731
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	-	DA		-
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	129,522			129,522
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	-	DA		-
66	REGULATORY ASSETS	(Worksheet A In 41. (E))	-	DA		-
67	WORKING CAPITAL	(Note E)				
68	Cash Working Capital	(1/8 * In 88)	3,062			3,062
69	Transmission Materials & Supplies	(Worksheet C, In 2.F)	-	TP	1.00000	-
70	A&G Materials & Supplies	(Worksheet C, In 3.F)	-	W/S	1.00000	-
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.00000	-
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 8.G)	-	W/S	1.00000	-
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 8.F)	-	GP(h)	0.00000	-
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 8.E)	-	DA	1.00000	-
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 8.D)	-	NA	0.00000	-
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	3,062			3,062
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8 (B))	-	DA	1.00000	-
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		132,584			132,584

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2013 with Average Ratebase Balances

AEP APPALACHIAN TRANSMISSION 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	<i>Line Deliberately Left Blank</i>				
80	<i>Line Deliberately Left Blank</i>				
81	Customer Related Expense	322.164,171,178.b	-		
82	Regional Marketing Expenses	322.131.b	-		
83	Transmission	321.112.b	24,497		
84	TOTAL O&M EXPENSES	(sum Ins 81 to 83)	24,497		
85	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	-		
86	Less: Account 565	(Note H) 321.96.b	-		
87	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	24,497	TP	1.00000
89	Administrative and General	323.197.b (Note J)	121,967		
90	Less: Acct. 924, Property Insurance	323.185.b	-		
91	Acct. 928, Reg. Com. Exp.	323.189.b	-		
92	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-		
93	Acct. 930.2, Misc. Gen. Exp.	323.192.b	-		
94	Balance of A & G	(In 89 - sum In 90 to In 93)	121,967	W/S	1.00000
95	Plus: Acct. 924, Property Insurance	(In 90)	-	GP(h)	0.00000
96	Acct. 928 - Transmission Specific	Worksheet F In 20.(E) (Note L)	-	TP	1.00000
97	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 37.(E) (Note L)	-	TP	1.00000
98	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 42.(E) (Note L)	-	DA	1.00000
99	PBOP Adjustment	Worksheet O Ln 16 (B), (Note K & M)	5,104	W/S	1.00000
100	A & G Subtotal	(sum Ins 94 to 99)	127,071		
101	O & M EXPENSE SUBTOTAL	(In 88 + In 100)	151,568		
102	Plus: TEA Settlement in Account 565	Company Records (Note H)	-	DA	1.00000
103	Plus: Transmission Lease Payments To Affiliates in Acct 565	(Company Records) (Note H)	-	DA	1.00000
104	TOTAL O & M EXPENSE	(In 101 + In 102 + In 103)	151,568		
DEPRECIATION AND AMORTIZATION EXPENSE					
106	<i>Line Deliberately Left Blank</i>				
107	<i>Line Deliberately Left Blank</i>				
108	Transmission	336.7.f	-	TP1	1.00000
109	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
110	Plus: Formation Costs Amortization	(Worksheet A In 35.E)	26,809	TP1	1.00000
111	General	336.10.f	-	W/S	1.00000
112	Intangible	336.1.f	-	W/S	1.00000
113	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 108+109+111+112)	26,809		
TAXES OTHER THAN INCOME					
114	Labor Related	(Note N)			
115	Payroll	Worksheet H In 23.(D)	-	W/S	1.00000
116	Plant Related				
117	Property	Worksheet H In 23.(C) & In 58.(C)	-	DA	0.00000
118	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	-	NA	0.00000
119	Other	Worksheet H In 23.(E)	-	GP(h)	0.00000
120	TOTAL OTHER TAXES	(sum Ins 116 to 120)	-		
INCOME TAXES					
122	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =	(Note O)	38.90%		
123	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		42.63%		
124	where WCLTD=(In 174) and WACC = (In 177)				
125	and FIT, SIT & p are as given in Note O.				
126	GRCF=1 / (1 - T) = (from In 123)		1.6367		
127	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
128	Income Tax Calculation	(In 124 * In 132)	4,734		
129	ITC adjustment	(In 127 * In 128)	-	NP(h)	0.00000
130	TOTAL INCOME TAXES	(sum Ins 129 to 130)	4,734		
131	RETURN ON RATE BASE (Rate Base*WACC)	(In 78 * In 177)	11,106		
132	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		-	DA	1.00000
133	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-		
134	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 134 * In124)		-		
135	TOTAL REVENUE REQUIREMENT		194,217		
136	(sum Ins 104, 113, 121, 131, 132, 133)		194,217		

AEP APPALACHIAN TRANSMISSION COMPANY

SUPPORTING CALCULATIONS

In										
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
137	Total transmission plant	(In 20)								-
138	Less transmission plant excluded from PJM Tariff (Note P)									-
139	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note Q)									-
140	Transmission plant included in PJM Tariff	(In 137 - In 138 - In 139)								-
141	Percent of transmission plant in PJM Tariff	(In 140 / In 137)							TP=	1.00000
142	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
143	<i>Line Deliberately Left Blank</i>									
144	Transmission	354.21.b	-	10,114	10,114	TP	1.00000			10,114
145	Regional Market Expenses	354.22.b	-	-	-	NA	0.00000			-
146	<i>Line Deliberately Left Blank</i>									
147	Other (Excludes A&G)	354.24,25,26.b	-	-	-	NA	0.00000			-
148	Total	(sum Ins 144, 145, & 147)	-	10,114	10,114					10,114
149	Transmission related amount								W/S=	1.00000
	ACTUAL CAPPED CAPITAL COST STRUCTURE (Note S)									
150	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
151	Long Term Interest	(Worksheet M, In. 20, col. (E))								-
152	Preferred Dividends	(Worksheet M, In. 49, col. (E))								-
153	<u>Development of Average Common Stock Balance:</u>									
154	Proprietary Capital	(Worksheet M, In. 1, col. (E))								(500,195)
155	Less: Preferred Stock	(Worksheet M, In. 2, col. (E))								-
156	Less: Account 216.1	(Worksheet M, In. 3, col. (E))								-
157	Less: Account 219	(Worksheet M, In. 4, col. (E))								-
158	Average Common Stock	(In 154 - In 155 - In 156 - In 157)								(500,195)
	Capped Actual Average Capital Structure	Average \$	Capital Structure Percentages			Cost		Weighted		
159	Long Term Debt W/S M, In 11, In 21, col. (E))	-	0.00%	0.00%		0.00%		0.0000		0.0000
160	Preferred Stock (In 155)	-	0.00%	0.00%		0.00%		0.0000		0.0000
161	Common Stock (In 158)	(500,195)	0.00%	0.00%		11.49%		0.0000		
162	Total (Sum Ins 159 to 161)	(500,195)	0.00%	0.00%				WACC=		0.0000
163	Capital Structure Equity Limit (Note T)	50.0%								
	AEP OPERATING COMPANIES' COMPOSITE (Note S)									
164	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
165	Long Term Interest	(Worksheet Q, In. 132)								508,751,624
166	Preferred Dividends	(Worksheet Q, In. 134)								-
167	<u>Development of Actual Average Common Stock:</u>									Average
168	Proprietary Capital	(Worksheet Q, In. 135)								8,857,322,089
169	Less: Preferred Stock	(Worksheet Q, In. 136)								-
170	Less: Account 216.1	(Worksheet Q, In. 137)								5,106,834
171	Less: Account 219	(Worksheet Q, In. 138)								(117,655,197)
172	Common Stock	(In 168 - In 169 - In 170 - In 171)								8,969,870,452
173	True Up Capitalization with Equity Caps		%	\$		Cost		Weighted		
174	Long Term Debt (Worksheet Q, In 148)		51.19%	9,407,429,474		5.41%		0.0277		
175	Preferred Stock (Worksheet Q, In 149)		0.00%	-		0.00%		0.0000		
176	Common Stock (Worksheet Q, In 150)		48.81%	8,969,870,452		11.49%		0.0561		
177	Total (Worksheet Q, In 143)		100%	18,377,299,926				WACC=		0.0838

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2013 with Average Ratebase Balances

AEP APPALACHIAN TRANSMISSION COMPANY

Letter

Notes

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

- A Revenue credits include:
1) Forfeited Discounts.
2) Miscellaneous Service Revenues.
3) Rental revenues earned on assets included in the rate base.
4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.
5) Other electric revenues.
6) Revenues for grandfathered PTP contracts included in the load divisor.
See Worksheet E for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's.
- C Transmission Plant balances in this study reflect the average of the balances at December 31, 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 100.
- 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 133.
- 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 5 through 14, 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 102 and 103 to determine the total O&M collected in the formula. The amounts on lines 102 and 103 are also excluded in the calculation of the FCR percentage calculated on lines 5 through 11. The addbacks on lines 102 and 103 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 102 and 103 is the AEP APPALACHIAN TRANSMISSION 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 The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor 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 ER10-355, recoverable PBOP expense is based on a rate of 9.4 cents per dollar of direct labor. This rate may be adjusted up or down every four years based on a comparison of the Allowable TransCo PBOP Expense and the Actual PBOP Expense for a four year Historic and four year Projected period. If the over or under collection is greater than plus or minus 20% of the recoverable amount, an adjustment will be proposed in a Section 205 rate filing.
- 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 128) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
Inputs Required: FIT = 35.00%
SIT= 6.00% (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 As shown on Worksheet Q, the AEP Appalachian Transmission Company capital structure and weighted cost of capital (WACC) shall be based on (1) the weighted composite of AEP East Operating Companies' actual end-of-year capital structure, including year-end outstanding long term debt (LTD) and preferred stock (PS) issuances (Projected) or the beginning and ending average capital structure, including the beginning and ending average outstanding LTD and PS issuances (True-Up) with the common equity portion as capped in Docket No. ER08-1329 where any excess common equity is priced at the cost of LTD and the composite equity ratio is further capped at 50%, and (2) the actual weighted composite LTD and PS cost using actual calendar year LTD expense and PS dividends of the AEP East Operating Companies excluding all interest rate hedging costs and/or gains, until the the Company establishes its own actual capital structure. Upon establishment of actual debt financing for AEP Appalachian Transmission Company, the Company shall use its own actual capital structure capped by a 50% Common Equity Cap and its own LTD costs, excluding all interest rate hedging costs and/or gains, as computed on Worksheet L for the Projected TCOS or Worksheet M for the True Up TCOS.
- T AEP APPALACHIAN TRANSMISSION COMPANY's Common Stock is limited to 50% of the capital structure. This limit may only be changed through a Section 205 or 206 filing effective after June 30, 2013. If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure.

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using 2013 FF1 Balances
Worksheet A Supporting Plant Balances
AEP APPALACHIAN TRANSMISSION 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
Plant Investment Balances					
1	Line Deliberately Left Blank				
2	Line Deliberately Left Blank				
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	-	-	-
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	-	-	-
5	Line Deliberately Left Blank				
6	Line Deliberately Left Blank				
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	-	-	-
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	-	-	-
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	-	-	-
10	Total Property Investment Balance	(Sum of Lines: 3, 7, 9)	-	-	-
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 8)	-	-	-
Accumulated Depreciation & Amortization Balances					
12	Line Deliberately Left Blank				
13	Line Deliberately Left Blank				
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	-	-	-
15	Transmission ARO Accumulated Depreciation	Company Records - Note 1	-	-	-
16	Line Deliberately Left Blank				
17	Line Deliberately Left Blank				
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	-	-	-
19	General ARO Accumulated Depreciation	Company Records - Note 1	-	-	-
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	-	-	-
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 18, 20)	-	-	-
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 19)	-	-	-
Generation Step-Up Units					
23	GSU Investment Amount	Company Records - Note 1	-	-	-
24	GSU Accumulated Depreciation	Company Records - Note 1	-	-	-
25	GSU Net Balance	(Line 23 - Line 24)	-	-	-
Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation					
26	Transmission Accumulated Depreciation	(Line 14 Above)	-	-	-
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	-	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	-	-	-
Plant Held For Future Use					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	-	-	-
30	Transmission Plant Held For Future	Company Records - Note 1	-	-	-
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	Beginning Balance of Regulatory Asset (Note 2)		40,213	67,022	53,618
32	Amortization in Months		18	30	24
33	Monthly Amortization		2,234	2,234	2,234
34	Months in 2013 to be amortized		12	12	12
35	Amortization Expense in 2013		26,809	26,809	26,809
36	Months in 2014 to be amortized		6	12	9
37	Amortization Expense in 2014		13,404	26,809	20,106
38	Ending Balance of Regulatory Asset		13,404	40,213	26,809
39	Average Balance of Regulatory Asset		26,809	53,618	40,213
40	Unamortized Balance of Regulatory Asset at YE 2013		13,404	40,213	26,809
41	Total Regulatory Deferrals Included in Ratebase (Note 2)		-	-	-

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

NOTE 2 Formation costs through 6/30/2010 are includable at 50% with 48 month amortization and no return on the unamortized balance. The balance on line 41 may not include unamortized formation costs.

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using 2013 FF1 Balances
Worksheet B Supporting ADIT and ITC Balances
AEP APPALACHIAN TRANSMISSION 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)	-	-	-
3	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
4	Less: Other Excluded Deferrals	Company Records - Note 1	-	-	-
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)	2,237	-	1,119
8	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
9	Less: Other Excluded Deferrals	Company Records - Note 1	-	-	-
10	Transmission Related Deferrals	Ln 7 - In 8 - In 9	2,237	-	1,119
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, In 9, Col. (k)	15,108	19,072	17,090
13	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
14	Less: Other Excluded Deferrals	Company Records - Note 1	-	-	-
15	Transmission Related Deferrals	Ln 12 - In 13 - In 14	15,108	19,072	17,090
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, In 8, Col. (c)	131,076	164,385	147,731
18	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
19	Less: Other Excluded Deferrals	Company Records - Note 1	-	-	-
20	Transmission Related Deferrals	Ln 17 - In 18 - In 19	131,076	164,385	147,731
21	<u>Account 255</u>				
22	Year End ITC Balances	FF1, p. 266-267, In 8, Col. (h)	-	-	-
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	-	-	-
24	ITC Balances Includeable in Ratebase	Ln 22 - In 23	-	-	-
25	Transmission Related Deferrals	Company Records - Note 1	-	-	-

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.

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2013 FF1 Balances
 Worksheet C Supporting Working Capital Rate Base Adjustments
 AEP APPALACHIAN TRANSMISSION COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
<u>Line Number</u>	<u>Source</u>	<u>Balance @ December 31, 2013</u>	<u>Balance @ December 31, 2012</u>	<u>Average Balance for 2013</u>				
1								
2	Transmission Materials & Supplies	0	0	-				
3	General Materials & Supplies	0	0	-				
4	Stores Expense (Undistributed)	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	0	0	0	0	0
Totals as of December 31, 2012	0	0	0	0	0
Average Balance	-	-	-	-	-

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	0	-	-	-	-	
165000213 Prepaid Taxes	0	-	-	-	-	
1650003 Prepaid Rents	0	-	-	-	-	
1650004 Prepaid Interest	0	-	-	-	-	
1650005 Prepaid Employee Benefits	0	-	-	-	-	
1650006 Other Prepayments	0	-	-	-	-	
1650009 Prepaid Carry Cost-Factored AR	0	-	-	-	-	
1650010 Prepaid Pension Benefits	0	-	-	-	-	
1650014 FAS 158 Qual Contra Asset	0	-	-	-	-	
1650016 FAS 112 ASSETS	0	-	-	-	-	
Subtotal - Form 1, p 111.57.c	0	0	0	0	0	

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	0	-	-	-	-	
165000212 Prepaid Taxes	0	-	-	-	-	
1650003 Prepaid Rents	0	-	-	-	-	
1650004 Prepaid Interest	0	-	-	-	-	
1650005 Prepaid Employee Benefits	0	-	-	-	-	
1650006 Other Prepayments	0	-	-	-	-	
1650009 Prepaid Carry Cost-Factored AR	0	-	-	-	-	
1650010 Prepaid Pension Benefits	0	-	-	-	-	
1650014 FAS 158 Qual Contra Asset	0	-	-	-	-	
1650016 FAS 112 ASSETS	0	-	-	-	-	
Subtotal - Form 1, p 111.57.c	0	0	0	0	0	

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2013 FF1 Balances
 Worksheet D Supporting IPP Credits
 AEP APPALACHIAN TRANSMISSION 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 24.b)	-
2	Interest Expense (Company Records - Note 1)	-
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 24.f)	-
8	Average Balance for Year as Indicated in Column ((In 1 + In 7)/2)	-

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

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2013 FF1 Balances
 Worksheet E Supporting Revenue Credits
 AEP APPALACHIAN TRANSMISSION 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)	-	-	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	-	-	-
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	-	-	-
4	Account 4560015, Associated Business Development - (Company Records - Note 1)	-	-	-
5	Account 456 - Other Electric Revenues - (Company Records - Note 1)	26,809	26,809	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	26,809	26,809	-
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	-	-	-
8	Total Other Operating Revenues To Reduce Revenue Requirement	26,809	26,809	-

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

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2013 FF1 Balances
 Worksheet F Supporting Allocation of Specific O&M or A&G Expenses
 AEP APPALACHIAN TRANSMISSION COMPANY

Line Number	(A) Item No.	(B) Description	(C) 2013 Expense	(D) 100% Non-Transmission	(E) 100% Transmission Specific	(F) Explanation
Regulatory O&M Deferrals & Amortizations						
1	5700005	Maint Station-Reliability-Df	-			
2						
3						
4		Total	-			
Detail of Account 561 Per FERC Form 1						
5	FF1 p 321.84.b	561 - Load Dispatching	-			
6	FF1 p 321.85.b	561.1 - Load Dispatch - Reliability	-			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	-			
8	FF1 p 321.87.b	561.3 - Load Dispatch - Trans Service & Scheduling	-			
9	FF1 p 321.88.b	561.4 - Scheduling, System Control & Dispatch	-			
10	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	-			
11	FF1 p 321.90.b	561.6 - Transmission Service Studies	-			
12	FF1 p 321.91.b	561.7 - Generation Interconnection Studies	-			
13	FF1 p 321.92.b	561.8 - Reliability, Planning and Standards Development Services	-			
14		Total of Account 561	-			
Account 928						
15	9280000	Regulatory Commission Exp	-	-	-	
16	9280001	Regulatory Commission Exp-Adm	-	-	-	
17	9280002	Regulatory Commission Exp-Case	-	-	-	
18	9280002	Regulatory Commission Exp-Case	-	-	-	
19	9280002	Regulatory Commission Exp-Case	-	-	-	
20		Total	-	-	-	
Account 930.1						
21	9301000	General Advertising Expenses	-	-	-	
22	9301001	Newspaper Advertising Space	-	-	-	
23	9301002	Radio Station Advertising Time	-	-	-	
24	9301003	TV Station Advertising Time	-	-	-	
25	9301004	Newspaper Advertising Prod Exp	-	-	-	
26	9301005	Radio & TV Advertising Prod Exp	-	-	-	
27	9301006	Spec Corporate Comm Info Proj	-	-	-	
28	9301007	Special Adv Space & Prod Exp	-	-	-	
29	9301008	Direct Mail and Handouts	-	-	-	
30	9301009	Fairs, Shows, and Exhibits	-	-	-	
31	9301010	Publicity	-	-	-	
32	9301011	Dedications, Tours, & Openings	-	-	-	
33	9301012	Public Opinion Surveys	-	-	-	
34	9301013	Movies Slide Films & Speeches	-	-	-	
35	9301014	Video Communications	-	-	-	
36	9301015	Other Corporate Comm Exp	-	-	-	
37		Total	-	-	-	
Account 930.2						
38	9302000	Misc General Expenses	-			
39	9302003	Corporate & Fiscal Expenses	-			
40	9302004	Research, Develop&Demonstr Exp	-			
41	9302007	Assoc Business Development Exp	-			
42		Total	-	-	-	

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2013 FF1 Balances
 Worksheet G Supporting - Development of Composite State Income Tax Rate
 AEP APPALACHIAN TRANSMISSION COMPANY

1	Tennessee Excise Tax Rate	6.50%	
	Apportionment Factor - Note 2	0.00%	
	Effective State Tax Rate		0.00%
2	Virginia State Tax Rate	6.00%	
	Apportionment Factor - Note 2	100.00%	
	Effective State Tax Rate		6.00%
3	_____ Tax Rate	0.00%	
	Apportionment Factor - Note 2	0.00%	
	Effective State Tax Rate		0.00%
4	_____ Tax Rate	0.00%	
	Apportionment Factor - Note 2	0.00%	
	Effective State Tax Rate		0.00%
5	_____ Tax Rate	0.00%	
	Apportionment Factor - Note 2	0.00%	
	Effective State Tax Rate		0.00%
	Total Effective State Income Tax Rate		<u>6.00%</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 20% 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.

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

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	-				-
3	Real Estate and Personal Property Taxes					
4	Real and Personal Property - West Virginia	-	-			
5	Real and Personal Property - Virginia	-				
6	Real and Personal Property - Tennessee	-				
7	Real and Personal Property - Other Jurisdictions	-				
8	Payroll Taxes					
9	Federal Insurance Contribution (FICA)	-		-		
10	Federal Unemployment Tax	-		-		
11	State Unemployment Insurance	-		-		
12	<i>Line Deliberately Left Blank</i>					
13	State Severance Taxes	-				-
14	Miscellaneous Taxes					
15	State Business & Occupation Tax	-				-
16	State Public Service Commission Fees	-			-	
17	State Franchise Taxes	-			-	
18	State Lic/Registration Fee	-			-	
19	Misc. State and Local Tax	-			-	
20	Sales & Use	-				-
21	Federal Excise Tax	-				-
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.

Functional Property Tax Allocation

	Lines 24-58 Column (B) Deliberately Left Blank		Lines 24-58 Column (D) Deliberately Left Blank		Total
	Transmission	General	Transmission	General	
24	Functionalized Net Plant (Hist. TCOS, Lns 224 thru 234)	-	-	-	-
	VIRGINIA JURISDICTION				
25	Percentage of Plant in VIRGINIA JURISDICTION	-	-	-	-
26	Net Plant in VIRGINIA JURISDICTION (Ln 24 * Ln 25)	-	-	-	-
27	Less: Net Value of Exempted Generation Plant	-	-	-	-
28	Taxable Property Basis (Ln 26 - Ln 27)	-	-	-	-
29	Relative Valuation Factor	-	-	-	0
30	Weighted Net Plant (Ln 28 * Ln 29)	-	-	-	-
31	General Plant Allocator (Ln 30 / (Total - General Plant))	0.00%	100.00%	0.00%	-100.00%
32	Functionalized General Plant (Ln 31 * General Plant)	-	-	-	-
33	Weighted VIRGINIA JURISDICTION Plant (Ln 30 + 32)	-	-	-	-
34	Functional Percentage (Ln 33/Total Ln 33)	0.00%	100.00%	0.00%	-
35	Functionalized Expense in VIRGINIA JURISDICTION	-	-	-	-
	WEST VA JURISDICTION				
36	Percentage of Plant in WEST VA JURISDICTION	-	-	-	-
37	Net Plant in WEST VA JURISDICTION (Ln 24 * Ln 36)	-	-	-	-
38	Less: Net Value of Exempted Generation Plant	-	-	-	-
39	Taxable Property Basis (Ln 37 - Ln 38)	-	-	-	-
40	Relative Valuation Factor	-	-	-	0
41	Weighted Net Plant (Ln 39 * Ln 40)	-	-	-	-
42	General Plant Allocator (Ln 41 / (Total - General Plant))	0.00%	100.00%	0.00%	-100.00%
43	Functionalized General Plant (Ln 42 * General Plant)	-	-	-	-
44	Weighted WEST VA JURISDICTION Plant (Ln 41 + 43)	-	-	-	-
45	Functional Percentage (Ln 44/Total Ln 44)	0.00%	100.00%	0.00%	-
46	Functionalized Expense in WEST VA JURISDICTION	-	-	-	-
	TENNESSEE JURISDICTION				
47	Net Plant in TENNESSEE JURISDICTION (Ln 24 - Ln 26 - Ln 37)	-	-	-	-
48	Less: Net Value Exempted Generation Plant	-	-	-	-
49	Taxable Property Basis	-	-	-	-
50	Relative Valuation Factor	-	-	-	-
51	Weighted Net Plant (Ln 49 * Ln 50)	-	-	-	-
52	General Plant Allocator (Ln 51 / (Total - General Plant))	0.00%	100.00%	0.00%	-100.00%
53	Functionalized General Plant (Ln 53 * General Plant)	-	-	-	-
54	Weighted TENNESSEE JURISDICTION Plant (Ln 51 + 53)	-	-	-	-
55	Functional Percentage (Ln 54/Total Ln 54)	0.00%	100.00%	0.00%	-
56	Functionalized Expense in TENNESSEE JURISDICTION	-	-	-	-
57	Total Other Jurisdictions: (Line 7 * Net Plant Allocator)	-	-	-	-
58	Total Func. Property Taxes (Sum Lns 35, 46 56, 57)	-	-	-	-

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	-		P.263.1 ln 7 (i) P.263.2 ln 3 (i) P.263.2 ln 4 (i)
3	Real Estate and Personal Property Taxes			
4	Real and Personal Property - West Virginia	-		P.263 ln 34 (i) P.263 ln 35 (i) P.263 ln 38 (i) P.263 ln 39 (i) P.263.1 ln 2 (i) P.263.1 ln 3 (i)
5	Real and Personal Property - Virginia	-		P.263.2 ln 21 (i) P.263.2 ln 22 (i) P.263.2 ln 24 (i) P.263.2 ln 25 (i) P.263.2 ln 26 (i) P.263.2 ln 27 (i)
6	Real and Personal Property - Tennessee	-		P.263.3 ln 3 (i) P.263.3 ln 4 (i)
7	Real and Personal Property - Other Jurisdictions	-		P.263.4 ln 12 (i)
8	Payroll Taxes			
9	Federal Insurance Contribution (FICA)	-		P.263 ln 6 (i)
10	Federal Unemployment Tax	-		P.263 ln 9 (i)
11	State Unemployment Insurance	-		P.263.1 ln 23 (i) P.263.2 ln 33 (i) P.263.3 ln 16 (i)
12	<i>Line Left Deliberately Blank</i>			
13	State Severance Taxes	-		
14	Miscellaneous Taxes			
15	State Business & Occupation Tax	-		P.263 ln 21 (i) P.263 ln 22 (i)
16	State Public Service Commission Fees	-		P.263 ln 26 (i) P.263 ln 27 (i) P.263.3 ln 20 (i)
17	State Franchise Taxes	-		P.263.1 ln 18 (i) P.263.1 ln 19 (i) P.263.1 ln 34 (i) P.263.2 ln 10 (i) P.263.2 ln 11 (i) P.263.2 ln 38 (i) P.263.2 ln 39 (i) P.263.3 ln 27 (i) P.263.3 ln 28 (i) P.263.4 ln 20 (i) P.263.4 ln 27 (i)
18	State Lic/Registration Fee	-		P.263.1 ln 15 (i) P.263.2 ln 13 (i) P.263.3 ln 8 (i) P.263.4 ln 21 (i)
19	Misc. State and Local Tax	-		P.263.1 ln 12 (i)
20	Sales & Use	-		P.263 ln 30 (i) P.263 ln 31(i) P.263.2 ln 16 (i) P.263.2 ln 17 (i) P.263.3 ln 21 (i)
21	Federal Excise Tax	-		P.263 ln 13 (i) 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))	-	-	

Note 1: The taxes assessed on each transmission company can differ from year to year and between transmission 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 transmission 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.

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using 2013 FF1 Balances
Worksheet I Supporting Transmission Plant in Service Additions
AEP APPALACHIAN TRANSMISSION 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, ln 58,(b)):	-
2	Transmission Plant @ End of Historic Period (2013) (P.207, ln 58,(g)):	-
3		-
4	Average Balance of Transmission Investment	-
5	Annual Depreciation Expense, Historic TCOS, ln 285	-
6	Composite Depreciation Rate	0.00%
7	Depreciation rate of AEP Operating Companies from Worksheet P (used if line 6 is zero)	1.67%

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

8	Month in Service	Capitalized Balance	Composite Annual Depreciation Rate	Annual Depreciation	Monthly Depreciation	No. Months Depreciation	First Year Depreciation Expense
9	January	\$ -	1.67%	\$ -	\$ -	11	\$ -
10	February	\$ -	1.67%	\$ -	\$ -	10	\$ -
11	March	\$ -	1.67%	\$ -	\$ -	9	\$ -
12	April	\$ -	1.67%	\$ -	\$ -	8	\$ -
13	May	\$ -	1.67%	\$ -	\$ -	7	\$ -
14	June	\$ -	1.67%	\$ -	\$ -	6	\$ -
15	July	\$ -	1.67%	\$ -	\$ -	5	\$ -
16	August	\$ -	1.67%	\$ -	\$ -	4	\$ -
17	September	\$ -	1.67%	\$ -	\$ -	3	\$ -
18	October	\$ -	1.67%	\$ -	\$ -	2	\$ -
19	November	\$ -	1.67%	\$ -	\$ -	1	\$ -
20	December	\$ -	1.67%	\$ -	\$ -	0	\$ -
21	Investment	\$ -				Depreciation Expense	\$ -

III. Plant Transferred

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

IV. List of Major Projects Expected to be In-Service in 2014

	<u>Estimated Cost</u> <u>(000's)</u>	<u>Month in Service</u>
25 <u>Major Zonal Projects</u>		
26		
27		
28		
29		
30		
31	Subtotal	-
32 <u>PJM Socialized/Beneficiary Allocated Regional Projects</u>		
33		\$0
34	Subtotal	\$0

Note 1: Until AEP APPALACHIAN TRANSMISSION COMPANY establishes Transmission plant in service the depreciation expense component of the carrying charge will be calculated as in the Operating Company formula approved in Docket No. ER08-1329. The calculation for AEP APPALACHIAN TRANSMISSION COMPANY is shown on Worksheet P.

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using 2013 FF1 Balances
Worksheet J Supporting Calculation of PROJECTED PJM RTEP Project Revenue Requirement Billed to Benefiting Zones
AEP APPALACHIAN TRANSMISSION COMPANY

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 (Projected TCOS, In 176)			11.49%
Project ROE Incentive Adder		0	<==ROE Adder Cannot Exceed 125 Basis Points
ROE with additional 0 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 174 through176)			
	%	Cost	Weighted cost
Long Term Debt	53.85%	5.61%	3.021%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	46.15%	11.49%	5.303%
		R =	8.323%

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

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

Rate Base (Projected TCOS, In 78)	116,793
R (from A. above)	8.323%
Return (Rate Base x R)	9,721

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

Return (from B. above)	9,721
Effective Tax Rate (Projected TCOS, In 124)	40.56%
Income Tax Calculation (Return x CIT)	3,943
ITC Adjustment	-
Income Taxes	3,943

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 (Projected TCOS, In 1)	178,637
T.E.A. & Lease Payments (Projected TCOS, Lns 102 & 103)	-
Return (Projected TCOS, In 132)	9,721
Income Taxes (Projected TCOS, In 131)	3,943
Annual Revenue Requirement, Less TEA Charges, Return and Taxes	164,973

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	164,973
Return (from I.B. above)	9,721
Income Taxes (from I.C. above)	3,943
Annual Revenue Requirement, with 0 Basis Point ROE increase	178,637
Depreciation (Projected TCOS, In 108)	-
Annual Rev. Req. w/0 Basis Point ROE increase, less Depreciation	178,637

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

Net Transmission Plant (Projected TCOS, In 48)	-
Annual Revenue Requirement, with 0 Basis Point ROE increase	178,637
FCR with 0 Basis Point increase in ROE	0.00%
Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep.	178,637
FCR with 0 Basis Point ROE increase, less Depreciation	0.00%
FCR less Depreciation (Projected TCOS, In 9)	0.00%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Historic Period (2013) (P.206, In 58,(b)):	-
Transmission Plant @ End of Historic Period (2013) (P.207, In 58,(g)):	-
Subtotal	-
Average Transmission Plant Balance for 2013	-
Annual Depreciation Rate (Projected TCOS, In 108)	-
Composite Depreciation Rate	1.67%
Depreciable Life for Composite Depreciation Rate	59.88
Round to nearest whole year	60

Note 1: Until AEP APPALACHIAN TRANSMISSION COMPANY establishes Transmission plant in service the depreciation expense component of the carrying charge will be calculated as in the Operating Company formula approved in Docket No. ER08-1329. The calculation for AEP APPALACHIAN TRANSMISSION COMPANY is shown on Worksheet P.

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 176)			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 174 through176)			
	%	Cost	Weighted cost
Long Term Debt	51.19%	5.41%	2.768%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	48.81%	11.49%	5.608%
		R =	8.377%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPPROJECTS			
TRUE-UP YEAR	2013	Rev Require	Incentive Amounts
As Projected in Prior Year WS J			\$ -
Actual after True-up	\$ -	\$ -	\$ -
True-up of ARR For 2013		-	-

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

Rate Base (True-Up TCOS, In 78)	132,584
R (from A. above)	8.377%
Return (Rate Base x R)	11,106

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

Return (from B. above)	11,106
Effective Tax Rate (True-Up TCOS, In 124)	42.63%
Income Tax Calculation (Return x CIT)	4,734
ITC Adjustment	-
Income Taxes	4,734

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)	194,217
T.E.A. & Lease Payments (True-Up TCOS, Lns 102 & 103)	-
Return (True-Up TCOS, In 132)	11,106
Income Taxes (True-Up TCOS, In 131)	4,734
Annual Revenue Requirement, Less TEA	178,377

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	178,377
Return (from I.B. above)	11,106
Income Taxes (from I.C. above)	4,734
Annual Revenue Requirement, with 0 Basis Point ROE increase	194,217
Depreciation (True-Up TCOS, In 108)	-
Annual Rev. Req. w/ 0 Basis Point ROE increase, less Depreciation	194,217

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

Net Transmission Plant (True-Up TCOS, In 48)	-
Annual Revenue Requirement, with 0 Basis Point ROE increase	194,217
FCR with 0 Basis Point increase in ROE	0.00%

Annual Rev. Req. w/ 0 Basis Point ROE increase, less Dep.	194,217
FCR with 0 Basis Point ROE increase, less Depreciation	0.00%
FCR less Depreciation (True-Up TCOS, In 9)	0.00%
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)):	-
Transmission Plant @ End of Historic Period () (P.207, In 58,(g)):	-
Subtotal	-
Average Transmission Plant Balance for	-
Annual Depreciation Rate (True-Up TCOS, In 108)	-
Composite Depreciation Rate	1.67%
Depreciable Life for Composite Depreciation Rate	59.88
Round to nearest whole year	60

Note 1: Until AEP APPALACHIAN TRANSMISSION COMPANY establishes Transmission plant in service the depreciation expense component of the carrying charge will be calculated as in the Operating Company formula approved in Docket No. ER08-1329. The calculation for AEP APPALACHIAN TRANSMISSION COMPANY is shown on Worksheet P.

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:

2013	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	-	-	-
Prior Yr True-Up	-	-	-
True-Up Adjustment	-	-	-

Details		2013
Investment	Current Year	-
Service Year (yyyy)	2012 ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	FCR w/o incentives, less depreciation	0.00%
Useful life	60 FCR w/incentives approved for these facilities, less dep.	0.00%
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 **
2012	-	-	-	-	-	-	\$ -					
2013	-	-	-	-	-	-	\$ -					
2014	-	-	-	-	-	-	\$ -					
2015	-	-	-	-	-	-	\$ -					
2016	-	-	-	-	-	-	\$ -					
2017	-	-	-	-	-	-	\$ -					
2018	-	-	-	-	-	-	\$ -					
2019	-	-	-	-	-	-	\$ -					
2020	-	-	-	-	-	-	\$ -					
2021	-	-	-	-	-	-	\$ -					
2022	-	-	-	-	-	-	\$ -					
2023	-	-	-	-	-	-	\$ -					
2024	-	-	-	-	-	-	\$ -					
2025	-	-	-	-	-	-	\$ -					
2026	-	-	-	-	-	-	\$ -					
2027	-	-	-	-	-	-	\$ -					
2028	-	-	-	-	-	-	\$ -					
2029	-	-	-	-	-	-	\$ -					
2030	-	-	-	-	-	-	\$ -					
2031	-	-	-	-	-	-	\$ -					
2032	-	-	-	-	-	-	\$ -					
2033	-	-	-	-	-	-	\$ -					
2034	-	-	-	-	-	-	\$ -					
2035	-	-	-	-	-	-	\$ -					
2036	-	-	-	-	-	-	\$ -					
2037	-	-	-	-	-	-	\$ -					
2038	-	-	-	-	-	-	\$ -					
2039	-	-	-	-	-	-	\$ -					
2040	-	-	-	-	-	-	\$ -					
2041	-	-	-	-	-	-	\$ -					
2042	-	-	-	-	-	-	\$ -					
2043	-	-	-	-	-	-	\$ -					
2044	-	-	-	-	-	-	\$ -					
2045	-	-	-	-	-	-	\$ -					
2046	-	-	-	-	-	-	\$ -					
2047	-	-	-	-	-	-	\$ -					
2048	-	-	-	-	-	-	\$ -					
2049	-	-	-	-	-	-	\$ -					
2050	-	-	-	-	-	-	\$ -					
2051	-	-	-	-	-	-	\$ -					
2052	-	-	-	-	-	-	\$ -					
2053	-	-	-	-	-	-	\$ -					
2054	-	-	-	-	-	-	\$ -					
2055	-	-	-	-	-	-	\$ -					
2056	-	-	-	-	-	-	\$ -					
2057	-	-	-	-	-	-	\$ -					
2058	-	-	-	-	-	-	\$ -					
2059	-	-	-	-	-	-	\$ -					
2060	-	-	-	-	-	-	\$ -					
2061	-	-	-	-	-	-	\$ -					
2062	-	-	-	-	-	-	\$ -					
2063	-	-	-	-	-	-	\$ -					
2064	-	-	-	-	-	-	\$ -					
2065	-	-	-	-	-	-	\$ -					
2066	-	-	-	-	-	-	\$ -					
2067	-	-	-	-	-	-	\$ -					
2068	-	-	-	-	-	-	\$ -					
2069	-	-	-	-	-	-	\$ -					
2070	-	-	-	-	-	-	\$ -					
2071	-	-	-	-	-	-	\$ -					
Project Totals	-	-	-	-	-	-	\$ -					

** 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.

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2013 FF1 Balances
 Worksheet L Supporting Projected Cost of Debt
 AEP APPALACHIAN TRANSMISSION 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>
1	Long Term Debt (FF1.p. 256-257, a,h)			
2	Bonds - Acc 221			
3				-
4				-
5				-
6	Reacquired Bonds - Total Account 222			
7				-
8				-
9				-
10	Advances from Assoc Companies			
11				-
12				-
13				-
14	Other Long Term Debt - Acc 224			
15				-
16				-
17				-
18				-
19				-
20				-
21				-
22				-
23				-
24				-
25				-
26	Sale/Leaseback (If Applicable)		0.00%	-
27	<u>Issuance Discount, Premium, & Expenses:</u>			
28	Auction Fees	FF1.p. 256 & 257.Lines Described as Fees		-
29	Amort of Debt Discount and Expenses	FF1.p. 117.63.c		-
30	Less: Amort of Debt Premiums	FF1.p. 117.65.c		-
31	<u>Reacquired Debt:</u>			
32	Amortization of Loss	FF1.p. 117.64.c		-
33	Less: Amortization of Gain	FF1.p. 117.66.c		-
34	Total Interest on Long Term Debt	-	0.00%	-
35	Preferred Stock (FF1.p. 250-251)			
36		Preferred Shares Outstanding		-
37				-
38				-
39				-
40				-
41				-
42				-
43				-
44	Dividends on Preferred Stock	-	0.00%	-

NOTE: All interest rate hedging gains/losses shall be excluded from long term debt expense.

AEPTCo subsidiaries in PJM
 Transmission Cost of Service Formula Rate
 AEP APPALACHIAN TRANSMISSION COMPANY

**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)	(D)	(E)
Line		Balances @ 12/31/2013	Balances @ 12/31/2012	Average
Development of Average Balance of Common Equity				
1	Proprietary Capital (112.16.c&d)	(579,347)	(421,043)	(500,195)
2	Less Preferred Stock (Ln 48 Below)	-	-	-
3	Less Account 216.1 (112.12.c&d)	-	-	-
4	Less Account 219.1 (112.15.c&d)	-	-	-
5	Average Balance of Common Equity	(579,347)	(421,043)	(500,195)

Development of Cost of Long Term Debt Based on Average Outstanding Balance				
6	Bonds (112.18.c&d)	-	-	-
7	Less: Reacquired Bonds (112.19.c&d)	-	-	-
8	LT Advances from Assoc. Companies (112.20.c&d)	-	-	-
9	Senior Unsecured Notes (112.21.c&d)	-	-	-
10	Less: Fair Value Hedges (See Note on Ln 12 below)	-	-	-
11	Total Average Debt	-	-	-

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. (Page 257, Column H of the FF1)**

13 Annual Interest Expense for 2013				
14	Interest on Long Term Debt (256-257.33.i)			-
Less: Total Hedge (Gain)/Expense Accumulated from p 256-257, col (i) of FERC Form 1 included in Ln 14 and shown in Ln 32 below.				
15	Amort of Debt Discount & Expense (117.63.c)			-
16	Amort of Loss on Reacquired Debt (117.64.c)			-
17	Less: Amort of Premium on Debt (117.65.c)			-
18	Less: Amort of Gain on Reacquired Debt (117.66.c)			-
19	Total Interest Expense (Ln 14 - Ln 15 + Ln 16 + Ln 17 - Ln 18 - Ln 19)			-
20	Average Cost of Debt for 2013 (Ln 20/Ln 11)			0.00%

CALCULATION OF HEDGE GAINS/LOSSES TO BE EXCLUDED FROM TCOS

22 AEP APPALACHIAN TRANSMISSION COMPANY may not include costs (or gains) related to interest hedging activities

	HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)	(Amortization of (Gain)/Loss for 2013)	Remaining Unamortized Balance	Amortization Period	
				Beginning	Ending
23					
24					
25					
26					
27					
28					
29					
30					
31					

32 **Net (Gain)/Loss Hedge Amortization To Be Removed**

Development of Cost of Preferred Stock

Preferred Stock			Average
33 0% Series - Dividend Rate (p. 250-251.7 & 10.a)			
34 0% Series - Par Value (p. 250-251.8.c)			
35 0% Series - Shares O/S (p.250-251.8 & 11.e)			
36 0% Series - Monetary Value (Ln 34 * Ln 35)	-	-	-
37 0% Series - Dividend Amount (Ln 33 * Ln 36)	-	-	-
38 0% Series - Dividend Rate (p. 250-251.a)			
39 0% Series - Par Value (p. 250-251.c)			
40 0% Series - Shares O/S (p.250-251.e)			
41 0% Series - Monetary Value (Ln 39 * Ln 40)	-	-	-
42 0% Series - Dividend Amount (Ln 38 * Ln 41)	-	-	-
43 0% Series - Dividend Rate (p. 250-251.a)			
44 0% Series - Par Value (p. 250-251.c)			
45 0% Series - Shares O/S (p.250-251.e)			
46 0% Series - Monetary Value (Ln 44 * Ln 45)	-	-	-
47 0% Series - Dividend Amount (Ln 43 * Ln 46)	-	-	-
48 Balance of Preferred Stock (Lns 36, 41, 46)	-	-	-
49 Dividends on Preferred Stock (Lns 37, 42, 47)	-	-	-
50 Average Cost of Preferred Stock (Ln 49/48)	0.00%	0.00%	0.00%

- Year End Total Agrees to FF1 p.112, Ln 3, col (c) & (d)

**AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2013 FF1 Balances
 Worksheet N - Gains (Losses) on Sales of Plant Held For Future Use
 AEP APPALACHIAN TRANSMISSION COMPANY**

Note: Gain or loss on plant held for future are recorded in accounts 411.6 or 411.7 respectively. Sales will be functionalized 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						<u>-</u>		<u>-</u>	

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2013 FF1 Balances
 Calculation of Post-employment Benefits Other than Pensions Expenses Allocable to Transmission Service
 Worksheet O - PBOP Support
 AEP APPALACHIAN TRANSMISSION COMPANY

PBOP	(A)	(B)
1	<u>Calculation of PBOP Expenses</u>	
2	<u>AEP System PBOP Rate</u>	
3	Total AEP System PBOP expenses	-\$17,177,382
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	-\$17,177,382
6	Total AEP System Direct Labor Expense	\$1,225,451,318
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	-\$0.014
8	Currently Approved PBOP Rate	\$0.094
9	Base PBOP TransCo labor expensed in current year	48,736
10	Allowable TransCo PBOP Expense for current year (Ln 8 * Ln 9)	\$4,581
11	Direct PBOP Expense per Actuarial Report	\$0
12	Additional PBOP Ledger Entry (From Company Records)	\$0
13	Medicare Credit	\$0
14	PBOP Expenses From AEP Affiliates (From Company Records)	-\$523
15	Actual PBOP Expense (Sum Lines 11-14)	-\$523
16	PBOP Adjustment Line 10 less Line 15	\$5,104

AEPTCo subsidiaries in PJM
 Worksheet - P
 DEPRECIATION RATES
 FOR TRANSMISSION PLANT PROPERTY ACCOUNTS
 EFFECTIVE AS OF 7/1/2010

AEP APPALACHIAN TRANSMISSION COMPANY

	PLANT ACCT.	RATES Note 1
<i>TRANSMISSION PLANT</i>		
Land Rights	350.1	
Structures & Improvements	352.0	1.55%
Station Equipment	353.0	1.95%
Towers & Fixtures	354.0	1.14%
Poles & Fixtures	355.0	2.77%
Overhead Conductor	356.0	1.01%
Underground Conduit	357.0	1.23%
Underground Conductors	358.0	3.18%

Note: Per the Settlement in Docket No. ER10-355, Appendix A.1.2, AEP APPALACHIAN TRANSMISSION COMPANY shall use the depreciation rates shown above by FERC Account until such time as the FERC approves new depreciation rates pursuant to a Section 205 or 206 filing to change rates.

	<u>APCo</u>	<u>KgPCo</u>	<u>TOTAL</u>
1 T-Plant (FF1 206.58.g)	1,811,822,367	17,532,350	1,829,354,717
2 T-Plant (FF1 206.58.b)	1,752,450,105	17,421,868	1,769,871,973
3 Average (Ln 1+ Ln 2)/2	1,782,136,236	17,477,109	1,799,613,345
4 Depreciation (FF1 336.7.f)	29,597,240	438,315	30,035,555
5 Composite Depreciation (Ln 3 / Ln 4)			1.67%

Note: AEP APPALACHIAN TRANSMISSION COMPANY shall initially use the composite depreciation rate for APCo and KgPCo shown above to estimate depreciation expense for transmission projects in Worksheets I, J, and K until a composite depreciation rate based on transmission plant in service and depreciation expenses recorded by AEP APPALACHIAN TRANSMISSION COMPANY for its own transmission facilities can be calculated in AEP APPALACHIAN TRANSMISSION COMPANY's the first Annual Update including a True-Up TCOS.

AEP East Consolidated Utility Capital Structure
Consolidation of Operating Companies' Capital Structure @ December 31, 2013
Worksheet Q Page 1

Line	Appalachian Power Company	Indiana Michigan Power Company	Kentucky Power Company	Kingsport Power Company	Ohio Power Company	Wheeling Power Company	AEP East Operating Companies' Consolidated Capital Structure
Development of Long Term Debt Balances at Year End							
1 Bonds (112.18.c&d)	380,300,000	-	-	-	-	-	380,300,000
2 Less: Reacquired Bonds (112.19.c&d)	-	40,000,000	-	-	460,400,000	-	500,400,000
3 LT Advances from Assoc. Companies (112.20.c&d)	86,000,000	-	20,000,000	20,000,000	-	25,000,000	151,000,000
4 Senior Unsecured Notes (112.21.c&d) Excludes Spent Nuc Fuel Disp Fund	3,734,854,787	1,640,281,142	730,000,000	-	2,933,684,996	-	9,038,820,925
5 Less: Fair Value Hedges (See Note on Ln 7 below)	-	-	-	-	-	-	-
6 Total Long Term Debt Balance	4,201,154,787	1,600,281,142	750,000,000	20,000,000	2,473,284,996	25,000,000	9,069,720,925
7 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. (page 257, Column H of the FF1)							
Development of Long Term Debt Interest Expense							
8 Interest on Long Term Debt (256-257.33.i)	185,202,116	92,594,357	35,048,706	904,000	177,049,876	1,312,500	492,111,555
9 Amort of Debt Discount & Expense (117.63.c)	3,337,225	2,814,644	471,186	-	5,807,092	-	12,430,147
10 Amort of Loss on Reacquired Debt (117.64.c)	1,347,335	1,941,251	33,649	-	1,359,637	-	4,681,872
11 Less: Amort of Premium on Debt (117.65.c)	-	-	-	-	-	-	-
12 Less: Amort of Gain on Reacquired Debt (117.66.c)	-	1,712	-	-	-	-	1,712
13 Less: Hedge Interest on pp 256-257(i)	1,558,935	916,010	92,956	-	(2,097,663)	-	470,238
14 LTD Interest Expense	188,327,741	96,432,530	35,460,585	904,000	186,314,268	1,312,500	508,751,624
Development of Cost of Preferred Stock and Preferred Dividends							
15 Dividend Rate (p. 250-251. 7.a)	4.50%	4.125%	-	-	4.08%	-	-
16 Par Value (p. 250-251. 8.c)	\$ 100.00	\$ 100.00	-	-	\$ 100.00	-	-
17 Shares Outstanding (p.250-251. 8.e)	-	-	-	-	-	-	-
18 Monetary Value (Ln 16 * Ln 17)	-	-	-	-	-	-	-
19 Dividend Amount (Ln 15 * Ln 18)	-	-	-	-	-	-	-
20 Dividend Rate (p. 250-251. 7.a)	-	4.12%	-	-	4.20%	-	-
21 Par Value (p. 250-251. 8.c)	-	\$ 100.00	-	-	\$ 100.00	-	-
22 Shares Outstanding (p.250-251. 8.e)	-	-	-	-	-	-	-
23 Monetary Value (Ln 21 * Ln 22)	-	-	-	-	-	-	-
24 Dividend Amount (Ln 20 * Ln 23)	-	-	-	-	-	-	-
25 Dividend Rate (p. 250-251. 7.a)	-	4.56%	-	-	4.40%	-	-
26 Par Value (p. 250-251. 8.c)	-	\$ 100.00	-	-	\$ 100.00	-	-
27 Shares Outstanding (p.250-251. 8.e)	-	-	-	-	-	-	-
28 Monetary Value (Ln 26 * Ln 27)	-	-	-	-	-	-	-
29 Dividend Amount (Ln 25 * Ln 28)	-	-	-	-	-	-	-
30 Dividend Rate (p. 250-251. 7.a)	-	-	-	-	4.50%	-	-
31 Par Value (p. 250-251. 8.c)	-	-	-	-	\$ 100.00	-	-
32 Shares Outstanding (p.250-251. 8.e)	-	-	-	-	-	-	-
33 Monetary Value (Ln 31 * Ln 32)	-	-	-	-	-	-	-
34 Dividend Amount (Ln 30 * Ln 33)	-	-	-	-	-	-	-
35 Preferred Stock (Lns 18, 23, 28,33)	-	-	-	-	-	-	-
36 Preferred Dividends (Lns 19, 24, 29,34)	-	-	-	-	-	-	-
Development of Common Equity							
37 Proprietary Capital (112.16.c)	3,231,334,227	1,922,153,922	839,369,490	31,081,849	1,625,265,129	120,225,152	7,769,429,769
38 Less: Preferred Stock (Ln 35 Above)	-	-	-	-	-	-	-
39 Less: Account 216.1 (112.12.c)	1,639,734	(96,036)	-	-	4,915,704	-	6,459,402
40 Less: Account 219.1 (112.15.c)	2,951,210	(15,508,739)	(5,419,702)	3,296	7,079,463	972,206	(9,922,266)
41 Balance of Common Equity	3,226,743,283	1,937,758,697	844,789,192	31,078,553	1,613,269,962	119,252,946	7,772,892,633
Calculation of Capital Shares							
42 Long Term Debt (Ln 6 Above)	4,201,154,787	1,600,281,142	750,000,000	20,000,000	2,473,284,996	25,000,000	9,069,720,925
43 Preferred Stock (Ln 35 Above)	-	-	-	-	-	-	-
44 Common Equity (Ln 41 Above)	3,226,743,283	1,937,758,697	844,789,192	31,078,553	1,613,269,962	119,252,946	7,772,892,633
45 Total Company Structure	7,427,898,070	3,538,039,839	1,594,789,192	51,078,553	4,086,554,958	144,252,946	16,842,613,558
46 LTD Capital Shares (Ln 42 / Ln 45)	56.56%	45.23%	47.03%	39.16%	60.52%	17.33%	53.85%
47 Preferred Stock Capital Shares (Ln 43 / Ln 45)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
48 Common Equity Capital Shares (Ln 44 / Ln 45)	43.44%	54.77%	52.97%	60.84%	39.48%	82.67%	46.15%
49 Equity Capital Share Limit	100.00%	100.00%	100.00%	100.00%	51.00%	100.00%	50.00%
50 LTD Capital Shares with Capital Equity Cap	56.56%	45.23%	47.03%	39.16%	60.52%	17.33%	53.85%
51 Preferred Stock Capital Shares	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
52 Common Equity Capital Shares with Capital Equity Cap	43.44%	54.77%	52.97%	60.84%	39.48%	82.67%	46.15%
Calculation of Capital Cost Rate							
53 LTD Capital Cost Rate (Ln 14 / Ln 6)	4.48%	6.03%	4.73%	4.52%	7.53%	5.25%	5.61%
54 Preferred Stock Capital Cost Rate (Ln 36 / Ln 35)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
55 Common Equity Capital Cost Rate	11.49%	11.49%	11.49%	11.49%	11.49%	11.49%	11.49%
Calculation of Weighted Capital Cost Rate							
56 LTD Weighted Capital Cost Rate (Ln 50 * Ln 53)	2.54%	2.73%	2.22%	1.77%	4.56%	0.91%	3.02%
57 Preferred Stock Capital Cost Rate (Ln 51 * Ln 54)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
58 Common Equity Capital Cost Rate (Ln 52 * Ln 55)	4.99%	6.29%	6.09%	6.99%	4.54%	9.50%	5.30%
59 Total Company Structure	7.53%	9.02%	8.31%	8.76%	9.10%	10.41%	8.32%

AEP East Consolidated Utility Capital Structure
Consolidation of Operating Companies' Capital Structure @ December 31, 2012
Worksheet Q Page 2

Line	Appalachian Power Company	Indiana Michigan Power Company	Kentucky Power Company	Kingsport Power Company	Ohio Power Company	Wheeling Power Company	AEP East Operating Companies' Consolidated Capital Structure
Development of Long Term Debt Balances at Year End							
60 Bonds (112.18.c&d)	-	-	-	-	-	-	-
61 Less: Reacquired Bonds (112.19.c&d)	-	-	-	-	462,500,000	-	462,500,000
62 LT Advances from Assoc. Companies (112.20.c&d)	-	-	20,000,000	20,000,000	200,000,000	25,000,000	265,000,000
63 Senior Unsecured Notes (112.21.c&d) Excludes Spent Nuc Fuel Disp Fund	3,709,883,415	1,572,429,608	530,000,000	-	4,130,325,000	-	9,942,638,023
64 Less: Fair Value Hedges (See Note on Ln 66 below)	-	-	-	-	-	-	-
65 Total Long Term Debt Balance	3,709,883,415	1,572,429,608	550,000,000	20,000,000	3,867,825,000	25,000,000	9,745,138,023
66 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. (p. 257, Column H of the FF1)							
Development of Long Term Debt Interest Expense							
67 Interest on Long Term Debt (256-257.33.i)	193,138,993	90,701,590	35,048,706	904,000	212,506,228	1,312,500	533,612,017
68 Amort of Debt Discount & Expense (117.63.c)	3,859,577	2,372,191	471,186	-	3,978,647	-	10,681,601
69 Amort of Loss on Reacquired Debt (117.64.c)	1,342,096	1,483,709	33,649	-	1,336,128	-	4,195,582
70 Less: Amort of Premium on Debt (117.65.c)	-	-	-	-	-	-	-
71 Less: Amort of Gain on Reacquired Debt (117.66.c)	-	1,712	-	-	-	-	1,712
72 Less: Hedge Interest on pp 256-257(i)	1,619,222	916,010	92,956	-	(2,097,663)	-	530,525
73 LTD Interest Expense	196,721,444	93,639,768	35,460,585	904,000	219,918,666	1,312,500	547,956,963
Development of Cost of Preferred Stock and Preferred Dividends							
74 Dividend Rate (p. 250-251. 7.a)	4.50%	4.125%	-	-	4.08%	-	-
75 Par Value (p. 250-251. 8.c)	\$ 100.00	\$ 100.00	-	-	\$ 100.00	-	-
76 Shares Outstanding (p.250-251. 8.e)	-	-	-	-	-	-	-
77 Monetary Value (Ln 75 * Ln 76)	-	-	-	-	-	-	-
78 Dividend Amount (Ln 74 * Ln 77)	-	-	-	-	-	-	-
79 Dividend Rate (p. 250-251. 7.a)	-	4.12%	-	-	4.20%	-	-
80 Par Value (p. 250-251. 8.c)	-	\$ 100.00	-	-	\$ 100.00	-	-
81 Shares Outstanding (p.250-251. 8.e)	-	-	-	-	-	-	-
82 Monetary Value (Ln 80 * Ln 81)	-	-	-	-	-	-	-
83 Dividend Amount (Ln 79 * Ln 82)	-	-	-	-	-	-	-
84 Dividend Rate (p. 250-251. 7.a)	-	4.56%	-	-	4.40%	-	-
85 Par Value (p. 250-251. 8.c)	-	\$ 100.00	-	-	\$ 100.00	-	-
86 Shares Outstanding (p.250-251. 8.e)	-	-	-	-	-	-	-
87 Monetary Value (Ln 85 * Ln 86)	-	-	-	-	-	-	-
88 Dividend Amount (Ln 84 * Ln 87)	-	-	-	-	-	-	-
89 Dividend Rate (p. 250-251. 7.a)	-	-	-	-	4.50%	-	-
90 Par Value (p. 250-251. 8.c)	-	-	-	-	\$ 100.00	-	-
91 Shares Outstanding (p.250-251. 8.e)	-	-	-	-	-	-	-
92 Monetary Value (Ln 90 * Ln 91)	-	-	-	-	-	-	-
93 Dividend Amount (Ln 89 * Ln 92)	-	-	-	-	-	-	-
94 Preferred Stock (Lns 77, 82, 87,92)	-	-	-	-	-	-	-
95 Preferred Dividends (Lns 78, 83, 88,93)	-	-	-	-	-	-	-
Development of Common Equity							
96 Proprietary Capital (112.16.c)	3,052,563,357	1,803,774,755	479,610,035	29,956,296	4,489,200,654	90,109,311	9,945,214,408
97 Less: Preferred Stock (Ln 94 Above)	-	-	-	-	-	-	-
98 Less: Account 216.1 (112.12.c)	1,654,344	(104,879)	-	-	2,204,800	-	3,754,265
99 Less: Account 219.1 (112.15.c)	(29,897,592)	(28,884,204)	(408,880)	916	(165,724,552)	(473,816)	(225,388,128)
100 Balance of Common Equity	3,080,806,605	1,832,763,838	480,018,915	29,955,380	4,652,720,406	90,583,127	10,166,848,271
Calculation of Capital Shares							
101 Long Term Debt (Ln 65 Above)	3,709,883,415	1,572,429,608	550,000,000	20,000,000	3,867,825,000	25,000,000	9,745,138,023
102 Preferred Stock (Ln 94 Above)	-	-	-	-	-	-	-
103 Common Equity (Ln 100 Above)	3,080,806,605	1,832,763,838	480,018,915	29,955,380	4,652,720,406	90,583,127	10,166,848,271
104 Total Company Structure	6,790,690,020	3,405,193,446	1,030,018,915	49,955,380	8,520,545,406	115,583,127	19,911,986,294
105 LTD Capital Shares (Ln 101 / Ln 104)	54.63%	46.18%	53.40%	40.04%	45.39%	21.63%	48.94%
106 Preferred Stock Capital Shares (Ln 102 / Ln 104)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
107 Common Equity Capital Shares (Ln 103 / Ln 104)	45.37%	53.82%	46.60%	59.96%	54.61%	78.37%	51.06%
108 Equity Capital Share Limit	100.00%	100.00%	100.00%	100.00%	51.00%	100.00%	50.00%
109 LTD Capital Shares with Capital Equity Cap	54.63%	46.18%	53.40%	40.04%	49.00%	21.63%	50.48%
110 Preferred Stock Capital Shares	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
111 Common Equity Capital Shares with Capital Equity Cap	45.37%	53.82%	46.60%	59.96%	51.00%	78.37%	49.52%
Calculation of Capital Cost Rate							
112 LTD Capital Cost Rate (Ln 73 / Ln 65)	5.30%	5.96%	6.45%	4.52%	5.69%	5.25%	5.62%
113 Preferred Stock Capital Cost Rate (Ln 95 / Ln 94)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
114 Common Equity Capital Cost Rate	11.49%	11.49%	11.49%	11.49%	11.49%	11.49%	11.49%
Calculation of Weighted Capital Cost Rate							
115 LTD Weighted Capital Cost Rate (Ln 109 * Ln 112)	2.90%	2.75%	3.44%	1.81%	2.79%	1.14%	2.84%
116 Preferred Stock Capital Cost Rate (Ln 110 * Ln 113)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
117 Common Equity Capital Cost Rate (Ln 111 * Ln 114)	5.21%	6.18%	5.35%	6.89%	5.86%	9.00%	5.69%
118 Total Company Structure	8.11%	8.93%	8.80%	8.70%	8.65%	10.14%	8.53%

**AEP East Consolidated Utility Capital Structure
Consolidation of Operating Companies' Average Capital Structure
Worksheet Q Page 3**

Line	Appalachian Power Company	Indiana Michigan Power Company	Kentucky Power Company	Kingsport Power Company	Ohio Power Company	Wheeling Power Company	AEP East Operating Companies' Consolidated Capital Structure
Development of Average Long Term Debt							
119 Average Bonds (Ln 1 + Ln 60) / 2	190,150,000	-	-	-	-	-	190,150,000
120 Less: Average Recquired Bonds (Ln 2 + Ln 61) / 2	-	20,000,000	-	-	461,450,000	-	481,450,000
121 Average LT Advances from Assoc. Companies (Ln 3 + Ln 62) / 2	43,000,000	-	20,000,000	20,000,000	100,000,000	25,000,000	208,000,000
122 Average Senior Unsecured Notes (Ln 4 + Ln 63) / 2	3,722,369,101	1,606,355,375	630,000,000	-	3,532,004,998	-	9,490,729,474
123 Less: Average Fair Value Hedges (See Note on Ln 125 below)	-	-	-	-	-	-	-
124 Average Balance of Long Term Debt	3,955,519,101	1,586,355,375	650,000,000	20,000,000	3,170,554,998	25,000,000	9,407,429,474
125 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. (p. 257, Column H of the FF1)							
Development of 2013 Long Term Debt Interest Expense							
126 Interest on Long Term Debt (256-257.33.i)	185,202,116	92,594,357	35,048,706	904,000	177,049,876	1,312,500	492,111,555
127 Amort of Debt Discount & Expense (117.63.c)	3,337,225	2,814,644	471,186	-	5,807,092	-	12,430,147
128 Amort of Loss on Recquired Debt (117.64.c)	1,347,335	1,941,251	33,649	-	1,359,637	-	4,681,872
129 Less: Amort of Premium on Debt (117.65.c)	-	-	-	-	-	-	-
130 Less: Amort of Gain on Recquired Debt (117.66.c)	-	1,712	-	-	-	-	1,712
131 Less: Hedge Interest on pp 256-257(i)	1,558,935	916,010	92,956	-	(2,097,663)	-	470,238
132 2013 LTD Interest Expense	188,327,741	96,432,530	35,460,585	904,000	186,314,268	1,312,500	508,751,624
2013 Cost of Preferred Stock and Preferred Dividends							
133 Average Balance of Preferred Stock (Ln 35 + Ln 94) / 2	-	-	-	-	-	-	-
134 2013 Preferred Dividends (Ln 36)	-	-	-	-	-	-	-
Development of Average Common Equity							
135 Average Proprietary Capital (Ln 37 + Ln 96) / 2	3,141,948,792	1,862,964,339	659,489,763	30,519,073	3,057,232,892	105,167,232	8,857,322,089
136 Less: Average Preferred Stock (Ln 133 Above)	-	-	-	-	-	-	-
137 Less: Average Account 216.1 (Ln 39 + Ln 98) / 2	1,647,039	(100,458)	-	-	3,560,252	-	5,106,834
138 Less: Average Account 219.1 (Ln 40 + Ln 99) / 2	(13,473,191)	(22,196,472)	(2,914,291)	2,106	(79,322,545)	249,195	(117,655,197)
139 Average Balance of Common Equity	3,153,774,944	1,885,261,268	662,404,054	30,516,967	3,132,995,184	104,918,037	8,969,870,452
Calculation of Capital Shares							
140 Average Balance of Long Term Debt (Ln 124 Above)	3,955,519,101	1,586,355,375	650,000,000	20,000,000	3,170,554,998	25,000,000	9,407,429,474
141 Average Balance of Preferred Stock (Ln 133 Above)	-	-	-	-	-	-	-
142 Average Balance of Common Equity (Ln 139 Above)	3,153,774,944	1,885,261,268	662,404,054	30,516,967	3,132,995,184	104,918,037	8,969,870,452
143 Average of Total Company Structure	7,109,294,045	3,471,616,643	1,312,404,054	50,516,967	6,303,550,182	129,918,037	18,377,299,926
144 Average Balance of LTD Capital Shares (Ln 140 / Ln 143)	55.64%	45.70%	49.53%	39.59%	50.30%	19.24%	51.19%
145 Average Balance of Preferred Stock Capital Shares (Ln 141 / Ln 143)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
146 Average Balance of Common Equity Capital Shares (Ln 142 / Ln 143)	44.36%	54.30%	50.47%	60.41%	49.70%	80.76%	48.81%
147 Equity Capital Share Limit	100.00%	100.00%	100.00%	100.00%	51.00%	100.00%	50.00%
148 LTD Capital Shares with Capital Equity Cap	55.64%	45.70%	49.53%	39.59%	50.30%	19.24%	51.19%
149 Preferred Stock Capital Shares	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
150 Common Equity Capital Shares with Capital Equity Cap	44.36%	54.30%	50.47%	60.41%	49.70%	80.76%	48.81%
Calculation of Capital Cost Rate							
151 LTD Capital Cost Rate (Ln 132 / Ln 124)	4.76%	6.08%	5.46%	4.52%	5.88%	5.25%	5.41%
152 Preferred Stock Capital Cost Rate (Ln 134 / Ln 133)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
153 Common Equity Capital Cost Rate	11.49%	11.49%	11.49%	11.49%	11.49%	11.49%	11.49%
Calculation of Weighted Capital Cost Rate							
154 LTD Weighted Capital Cost Rate (Ln 148 * Ln 151)	2.65%	2.78%	2.70%	1.79%	2.96%	1.01%	2.77%
155 Preferred Stock Capital Cost Rate (Ln 149 * Ln 152)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
156 Common Equity Capital Cost Rate (Ln 150 * Ln 153)	5.10%	6.24%	5.80%	6.94%	5.71%	9.28%	5.61%
157 ACTUAL WEIGHTED AVG COST OF CAPITAL	7.75%	9.02%	8.50%	8.73%	8.67%	10.29%	8.38%