

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 INDIANA MICHIGAN TRANSMISSION COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 136)			\$27,181,684
2	REVENUE CREDITS	(Note A) (Worksheet E)	-	DA 1.00000	\$ -
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			\$ 27,181,684

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)		3,097,248	DA 1.00000	\$ 3,097,248
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))			11.23%
7	Monthly Rate	(In 6 / 12)			0.94%
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))			10.77%
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))			0.61%
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			4,519
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				(52)
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				-
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			4,571

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	(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)	204,031,289	DA	204,031,289
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)		37,376,735	DA 1.00000	37,376,735
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)	209,505	W/S 1.00000	209,505
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S 1.00000	-
28	Intangible Plant	(Worksheet A In 9.C)	569,484	W/S 1.00000	569,484
29	TOTAL GROSS PLANT	(Sum of Lines: 20 to 23 & 26 to 28)	<u>242,187,013</u>		<u>242,187,013</u>
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)	1,081,830	TP1= 1.00000	1,081,830
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)		144,985	DA 1.00000	144,985
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)		939,118	TP1 1.00000	939,118
38	Plus: Additional General & Intangible Depreciation for 2014 (In 111 + In 112)		93,333	W/S 1.00000	93,333
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)	21,642	W/S 1.00000	21,642
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S 1.00000	-
44	Intangible Plant	(Worksheet A In 20.C)	114,082	W/S 1.00000	114,082
45	TOTAL ACCUMULATED DEPRECIATION	(Sum of Lines: 33 to 39 & 42 to 44)	<u>2,394,990</u>		<u>2,394,990</u>
46	NET PLANT IN SERVICE				
47	<i>Line Deliberately Left Blank</i>				
48	Transmission	(In 20 + In 21 - In 33 - In 34)	202,949,459		202,949,459
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		37,231,750		37,231,750
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		-		-
51	Plus: Additional Transmission Depreciation for 2014 (-In 37)		(939,118)		(939,118)
52	Plus: Additional General & Intangible Depreciation for 2014 (-In 38)		(93,333)		(93,333)
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)	187,863		187,863
56	Intangible Plant	(In 28 - In 44)	455,402		455,402
57	TOTAL NET PLANT IN SERVICE	(Sum of Lines: 48 to 53 & 55, 56)	<u>239,792,023</u>		<u>239,792,023</u>
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)	(31,297,791)	DA	(31,297,791)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(3,133,734)	DA	(1,336,324)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	4,402,665	DA	4,400,529
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	-
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	<u>(30,028,860)</u>		<u>(28,233,586)</u>
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)	22,377		22,377
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) 1.00000	-
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)	42,379	GP(h) 1.00000	42,379
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)	<u>64,756</u>		<u>64,756</u>
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)		<u>209,827,919</u>		<u>211,623,193</u>

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Formula Rate
Projected TCOS
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AEP INDIANA MICHIGAN 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	<u>503,635</u>		
84	TOTAL O&M EXPENSES	(sum Ins 81 to 83)	503,635		
85	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	4,519		
86	Less: Account 565	(Note H) 321.96.b	320,097		
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)	<u>179,019</u>	TP 1.00000	179,019
89	Administrative and General	323.197.b (Note J)	479,727		
90	Less: Acct. 924, Property Insurance	323.185.b	56,904		
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)	422,823	W/S 1.00000	422,823
95	Plus: Acct. 924, Property Insurance	(In 90)	56,904	GP(h) 1.00000	56,904
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)	45,339	W/S 1.00000	45,339
100	A & G Subtotal	(sum Ins 94 to 99)	<u>525,066</u>		<u>525,066</u>
101	O & M EXPENSE SUBTOTAL	(In 88 + In 100)	704,085		704,085
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)	Acct 565 (Company Records) (Note H)	320,097	DA 1.00000	320,097
104	TOTAL O & M EXPENSE	(In 101 + In 102 + In 103)	<u>1,024,182</u>		<u>1,024,182</u>
105	DEPRECIATION AND AMORTIZATION EXPENSE				
106	<i>Line Deliberately Left Blank</i>				
107	<i>Line Deliberately Left Blank</i>				
108	Transmission	336.7.f	939,118	TP1 1.00000	939,118
109	Plus: Transmission Plant-in-Service Additions (Worksheet I In 21.I)		144,985	DA 1.00000	144,985
110	Plus: Formation Costs Amortization (Worksheet A In 37.C)		13,489	TP1 1.00000	13,489
111	General	336.10.f	13,424	W/S 1.00000	13,424
112	Intangible	336.1.f	79,909	W/S 1.00000	79,909
113	TOTAL DEPRECIATION AND AMORTIZATION	(Lns 108+109+111+112)	<u>1,190,925</u>		<u>1,190,925</u>
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 47.(C)	636,856	DA 1.00000	636,856
119	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	-	NA 0.00000	-
120	Other	Worksheet H In 23.(E)	-	GP(h) 1.00000	-
121	TOTAL OTHER TAXES	(sum Ins 116 to 120)	<u>636,856</u>		<u>636,856</u>
122	INCOME TAXES				
123	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =		38.90%		
124	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		46.66%		
125	where WCLTD=(In 159) and WACC = (In 162)				
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)	7,674,705		7,740,369
130	ITC adjustment	(In 127 * In 128)	-	NP(h) 1.00000	-
131	TOTAL INCOME TAXES	(sum Ins 129 to 130)	<u>7,674,705</u>		<u>7,740,369</u>
132	RETURN ON RATE BASE (Rate Base * WACC)	(In 78 * In 162)	16,448,618		16,589,351
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	(sum Ins 104, 113, 121, 131, 132, 133, 134, 135)	<u>26,975,286</u>		<u>27,181,684</u>

AEP INDIANA MICHIGAN TRANSMISSION COMPANY

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF					
137	Total transmission plant (In 20)					204,031,289
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)					204,031,289
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	-	68,958	68,958	TP	1.00000 68,958
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)	-	68,958	68,958		68,958
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 L, In. 36, col. (D))				See W/S L	4,500,218
152	Preferred Dividends (Worksheet L, In. 46, col. (D))					-
153	<u>Development of Common Stock:</u>					
154	Proprietary Capital (FF1 p 112, Ln 16.c)					118,568,493
155	Less: Preferred Stock (FF1 p 112, Ln 3.c)					-
156	Less: Account 216.1 (FF1 p 112, Ln 12.c)					-
157	Less: Account 219 (FF1 p 112, Ln 15.c)					-
158	Common Stock (In 154 - In 155 - In 156 - In 157)					118,568,493
		\$	Capital Structure Percentages		Cost (Note S)	Weighted
159	Long Term Debt Worksheet L, In 36, col. (B))	107,450,000	Actual	Cap Limit	4.19%	0.0209
160	Preferred Stock (In 155)	-	47.54%	50.00%	0.00%	0.0000
161	Common Stock (In 158)	118,568,493	52.46%	50.00%	11.49%	0.0575
162	Total (Sum Ins 159 to 161)	226,018,493	100.00%	100.00%	WACC=	0.0784
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. 14)					508,751,624
166	Preferred Dividends (Worksheet Q, In. 36)					-
167	<u>Development of Common Stock:</u>					
168	Proprietary Capital (Worksheet Q, In. 37)					7,769,429,769
169	Less: Preferred Stock (Worksheet Q, In. 38)					-
170	Less: Account 216.1 (Worksheet Q, In. 39)					6,459,402
171	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			%	\$	Cost	Weighted
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%	-	0.00%	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 INDIANA MICHIGAN 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 INDIANA MICHIGAN 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 Indiana Michigan 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 Indiana Michigan 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 INDIANA MICHIGAN 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 Historic Cost Data for 2013 with Year-End Rate Base Balances

AEP INDIANA MICHIGAN TRANSMISSION COMPANY

Line No.			Total	Allocator	Transmission Amount
178	REVENUE REQUIREMENT (w/o incentives)	(In 313)			\$23,519,153
179	REVENUE CREDITS	(Note A) (Worksheet E)	-	DA 1.00000	\$ -
180	REVENUE REQUIREMENT For All Company Facilities	(In 178 less In 179)			\$ 23,519,153

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	((In 178 - In 279 - In 280) / In 225 x 100)			11.43%
184	Monthly Rate	(In 183 / 12)			0.95%
185	NET PLANT CARRYING CHARGE ON LINE 183 , w/o depreciation or ROE incentives (Note B)				
186	Annual Rate	((In 178 - In 279 - In 280 - In 285) / In 225 x 100)			10.97%
187	NET PLANT CARRYING CHARGE ON LINE 186, w/o Return, income taxes or ROE incentives (Note B)				
188	Annual Rate	((In 178 - In 279 - In 280 - In 285 - In 308 - In 309) / In 225 x 100)			0.72%
189	Not applicable on this template				
190	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES				
191	Total Load Dispatch & Scheduling (Account 561)	Line 262 Below			4,519
192	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				(52)
193	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				-
194	Total 561 Internally Developed Costs	(Line 191 - Line 192 - Line 193)			4,571

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

AEP INDIANA MICHIGAN 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				
195	<i>Line Deliberately Left Blank</i>				
196	<i>Line Deliberately Left Blank</i>				
197	Transmission	(Worksheet A In 3.C & Ln 317)	204,031,289	DA	204,031,289
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)	209,505	W/S	209,505
204	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S	-
205	Intangible Plant	(Worksheet A In 9.C)	569,484	W/S	569,484
206	TOTAL GROSS PLANT	(Sum of Lines: 197 to 200 & 203 to 205)	204,810,278	GP(h)=	204,810,278
				GTD=	1.00000
207	ACCUMULATED DEPRECIATION AND AMORTIZATION				
208	<i>Line Deliberately Left Blank</i>				
209	<i>Line Deliberately Left Blank</i>				
210	Transmission	(Worksheet A In 14.C & 28.C)	1,081,830	TP1=	1,081,830
211	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	-
212	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	N/A
213	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	N/A
214	Plus: Additional Transmission Depreciation for 2014 (In 285)		N/A	TP1	N/A
215	Plus: Additional General & Intangible Depreciation for 2014 (In 284 + In 285)		N/A	W/S	N/A
216	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	N/A
217	<i>Line Deliberately Left Blank</i>				
218	<i>Line Deliberately Left Blank</i>				
219	General Plant	(Worksheet A In 18.C)	21,642	W/S	21,642
220	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	-
221	Intangible Plant	(Worksheet A In 20.C)	114,082	W/S	114,082
222	TOTAL ACCUMULATED DEPRECIATION	(Sum of Lines: 210 to 216 & 219 to 221)	1,217,554		1,217,554
223	NET PLANT IN SERVICE				
224	<i>Line Deliberately Left Blank</i>				
225	Transmission	(In 197 + In 198 - In 210 - In 211)	202,949,459		202,949,459
226	Plus: Transmission Plant-in-Service Additions (In 199 - In 212)		N/A		N/A
227	Plus: Additional Trans Plant on Transferred Assets (In 200 - In 213)		N/A		N/A
228	Plus: Additional Transmission Depreciation for 2014 (-In 214)		N/A		N/A
229	Plus: Additional General & Intangible Depreciation for 2014 (-In 215)		N/A		N/A
230	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 216)		N/A		N/A
231	<i>Line Deliberately Left Blank</i>				
232	General Plant	(In 203 + In 204 - In 219 - In 220)	187,863		187,863
233	Intangible Plant	(In 205 - In 221)	455,402		455,402
234	TOTAL NET PLANT IN SERVICE	(Sum of Lines: 225 to 230 & 232, 233)	203,592,724	NP(h)=	203,592,724
235	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
236	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	-	NA	-
237	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(31,297,791)	DA	(31,297,791)
238	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(3,133,734)	DA	(1,336,324)
239	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	4,402,665	DA	4,400,529
240	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	-
241	TOTAL ADJUSTMENTS	(sum Ins 236 to 240)	(30,028,860)		(28,233,586)
242	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	-	DA	-
243	REGULATORY ASSETS	(Worksheet A In 41. (C))	-	DA	-
244	WORKING CAPITAL	(Note E)			
245	Cash Working Capital	(1/8 * In 265)	22,377		22,377
246	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	-	TP	-
247	A&G Materials & Supplies	(Worksheet C, In 3.(D))	-	W/S	-
248	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	-
249	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	-	W/S	-
250	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	42,379	GP(h)	42,379
251	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	-
252	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	-	NA	-
253	TOTAL WORKING CAPITAL	(sum Ins 245 to 252)	64,756		64,756
254	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	-	DA	-
255	RATE BASE (sum Ins 234, 241, 242, 243, 253, 254)		173,628,620		175,423,894

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

AEP INDIANA MICHIGAN TRANSMISSION COMPANY

	(1)	(2)	(3)	(4)	(5)
	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
Line No.	OPERATION & MAINTENANCE EXPENSE				
256	<i>Line Deliberately Left Blank</i>				
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	503,635		
261	TOTAL O&M EXPENSES	(sum Ins 258 to 260)	503,635		
262	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	4,519		
263	Less: Account 565	(Note H) 321.96.b	320,097		
264	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-		
265	Total O&M Allocable to Transmission	(Ins 260 - 262 - 263 - 264)	179,019	TP	1.00000
					179,019
					<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)	479,727		
267	Less: Acct. 924, Property Insurance	323.185.b	56,904		
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	(In 266 - sum In 267 to In 270)	422,823	W/S	1.00000
272	Plus: Acct. 924, Property Insurance	(In 267)	56,904	GP(h)	1.00000
273	Acct. 928 - Transmission Specific	Worksheet F In 20.(E) (Note L)	-	TP	1.00000
274	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 37.(E) (Note L)	-	TP	1.00000
275	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 42.(E) (Note L)	-	DA	1.00000
276	PBOP Adjustment	Worksheet O Ln 16 (B), (Note K & M)	45,339	W/S	1.00000
277	A & G Subtotal	(sum Ins 271 to 276)	525,066		
					525,066
278	O & M EXPENSE SUBTOTAL	(In 265 + In 277)	704,085		
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)		320,097	DA	1.00000
281	TOTAL O & M EXPENSE	(In 278 + In 279 + In 280)	1,024,182		
					1,024,182
282	DEPRECIATION AND AMORTIZATION EXPENSE				
283	<i>Line Deliberately Left Blank</i>				
284	<i>Line Deliberately Left Blank</i>				
285	Transmission	336.7.f	939,118	TP1	1.00000
286	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		
287	Plus: Formation Costs Amortization	(Worksheet A In 35.C)	26,979	TP1	1.00000
288	General	336.10.f	13,424	W/S	1.00000
289	Intangible	336.1.f	79,909	W/S	1.00000
290	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 285+286+288+289)	1,059,430		
					1,059,430
291	TAXES OTHER THAN INCOME	(Note N)			
292	Labor Related				
293	Payroll	Worksheet H In 23.(D)	-	W/S	1.00000
294	Plant Related				
295	Property	Worksheet H In 23.(C) & In 47.(C)	636,856	DA	1.00000
296	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	-	NA	0.00000
297	Other	Worksheet H In 23.(E)	-	GP(h)	1.00000
298	TOTAL OTHER TAXES	(sum Ins 293 to 297)	636,856		
					636,856
299	INCOME TAXES	(Note O)			
300	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		38.90%		
301	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		47.86%		
302	where WCLTD=(In 336) and WACC = (In 339)				
303	and FIT, SIT & p are as given in Note O.				
304	$GRCF=1 / (1 - T) =$ (from In 300)		1.6367		
305	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
306	Income Tax Calculation	(In 301 * In 309)	6,663,080		
307	ITC adjustment	(In 304 * In 305)	-	NP(h)	1.00000
308	TOTAL INCOME TAXES	(sum Ins 306 to 307)	6,663,080		
					6,731,975
309	RETURN ON RATE BASE (Rate Base*WACC)	(In 255 * In 339)	13,922,753		
					14,066,710
310	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		-	DA	1.00000
					-
311	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-		
					-
312	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 311 * In 301)		-		
					-
313	TOTAL REVENUE REQUIREMENT		23,306,301		
	(sum Ins 281, 290, 298, 308, 309, 310, 311, 312)				23,519,153

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

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
314	Total transmission plant	(In 197)						204,031,289
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)						204,031,289
318	Percent of transmission plant in PJM Tariff	(In 317 / In 314)					TP=	1.00000
319	WAGES & SALARY ALLOCATOR (W/S)	(Note R)						
320	Line Deliberately Left Blank		Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
321	Transmission	354.21.b	-	68,958	68,958	TP	1.00000	68,958
322	Regional Market Expenses	354.22.b	-	-	-	NA	0.00000	-
323	Line Deliberately Left Blank							
324	Other (Excludes A&G)	354.24,25,26.b	-	-	-	NA	0.00000	-
325	Total	(sum Ins 321, 322, & 324)	-	68,958	68,958			68,958
326	Transmission related amount						W/S=	1.00000
327	Actual (Uncapped) Capital Structure							\$
328	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							4,500,218
329	Long Term Interest	(Worksheet L, In. 36, col. (D))				See W/S L		-
330	Preferred Dividends	(Worksheet L, In. 46, col. (D))						-
331	Development of Common Stock:							118,568,493
332	Proprietary Capital	(FF1 p 112, Ln 16.c)						-
333	Less: Preferred Stock	(FF1 p 112, Ln 3.c)						-
334	Less: Account 216.1	(FF1 p 112, Ln 12.c)						-
335	Less: Account 219	(FF1 p 112, Ln 15.c)						-
336	Common Stock	(In 331 - In 332 - In 333 - In 334)						118,568,493
336	Long Term Debt	Worksheet L, In 36, col. (B))	See W/S L				Cost (Note S)	Weighted
337	Preferred Stock (In 332)						4.19%	0.0199
338	Common Stock (In 335)						0.00%	0.0000
339	Total (Sum Ins 336 to 338)						11.49%	0.0603
							WACC=	0.0802
340	AEP OPERATING COMPANIES' COMPOSITE (Note S)							\$
341	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							508,751,624
342	Long Term Interest	(Worksheet Q, In. 14)						-
343	Preferred Dividends	(Worksheet Q, In. 36)						-
344	Development of Common Stock:							7,769,429,769
345	Proprietary Capital	(Worksheet Q, In. 37)						-
346	Less: Preferred Stock	(Worksheet Q, In. 38)						6,459,402
347	Less: Account 216.1	(Worksheet Q, In. 39)						(9,922,266)
348	Less: Account 219	(Worksheet Q, In. 40)						-
349	Common Stock	(In 344 - In 345 - In 346 - In 347)						7,772,892,633
350	Long Term Debt	(Worksheet Q, In 50)					Cost	Weighted
351	Preferred Stock (Worksheet Q, In 51)						5.61%	0.0302
352	Common Stock (Worksheet Q, In 52)						0.00%	0.0000
353	Total (Worksheet Q, In 45)						11.49%	0.0530
							WACC=	0.0832

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

AEP INDIANA MICHIGAN 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 INDIANA MICHIGAN 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 Indiana Michigan 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 Indiana Michigan 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 INDIANA MICHIGAN 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.

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Transmission Cost of Service Formula Rate
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AEP INDIANA MICHIGAN TRANSMISSION COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 136)			\$13,756,090
2	REVENUE CREDITS	(Note A) (Worksheet E)	-	DA 1.00000	\$ -
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			\$ 13,756,090

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)		3,093,684	DA 1.00000	\$ 3,093,684
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)			11.63%
7	Monthly Rate	(In 6 / 12)			0.97%
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)			10.82%
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)			1.26%
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			4,519
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				(52)
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				-
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			4,571

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

AEP INDIANA MICHIGAN 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>
18	GROSS PLANT IN SERVICE				
19	<i>Line Deliberately Left Blank</i>				
20	Transmission	(Worksheet A In 3.E & Ln 140)	116,154,112	DA	116,154,112
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E & Ln 141)	-	TP	-
22	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA	N/A
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	N/A
24	<i>Line Deliberately Left Blank</i>				
25	<i>Line Deliberately Left Blank</i>				
26	General Plant	(Worksheet A In 7.E)	209,505	W/S	209,505
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	-	W/S	-
28	Intangible Plant	(Worksheet A In 9.E)	438,518	W/S	438,518
29	TOTAL GROSS PLANT	(Sum of Lines: 20 to 23 & 26 to 28)	116,802,134	GP(h)=	116,802,134
				GTD=	0.0000
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)	620,296	TP1=	620,296
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	-
35	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	N/A
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	N/A
37	Plus: Additional Transmission Depreciation for 2014 (In 108)		N/A	TP1	N/A
38	Plus: Additional General & Intangible Depreciation for 2014 (In 107 + In 108)		N/A	W/S	N/A
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	N/A
40	<i>Line Deliberately Left Blank</i>				
41	<i>Line Deliberately Left Blank</i>				
42	General Plant	(Worksheet A In 18.E)	14,930	W/S	14,930
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	-	W/S	-
44	Intangible Plant	(Worksheet A In 20.E)	74,128	W/S	74,128
45	TOTAL ACCUMULATED DEPRECIATION	(Sum of Lines: 33 to 39 & 42 to 44)	709,354		709,354
46	NET PLANT IN SERVICE				
47	<i>Line Deliberately Left Blank</i>				
48	Transmission	(In 20 + In 21 - In 33 - In 34)	115,533,816		115,533,816
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)	194,575		194,575
56	Intangible Plant	(In 28 - In 44)	364,390		364,390
57	TOTAL NET PLANT IN SERVICE	(Sum of Lines: 48 to 53 & 55, 56)	116,092,781	NP(h)=	116,092,781
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)	(18,106,232)	DA	(18,106,232)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(1,723,627)	DA	(824,922)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	2,766,243	DA	2,765,175
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	-	DA	-
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(17,063,616)		(16,165,979)
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)	22,377		22,377
69	Transmission Materials & Supplies	(Worksheet C, In 2.F)	-	TP	-
70	A&G Materials & Supplies	(Worksheet C, In 3.F)	-	W/S	-
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	-
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 8.G)	-	W/S	-
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 8.F)	22,135	GP(h)	22,135
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 8.E)	-	DA	-
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 8.D)	-	NA	-
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	44,512		44,512
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8 (B))	-	DA	-
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		99,073,677		99,971,314

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

AEP INDIANA MICHIGAN 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
79	OPERATION & MAINTENANCE EXPENSE				
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	503,635		
84	TOTAL O&M EXPENSES	(sum Ins 81 to 83)	503,635		
85	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	4,519		
86	Less: Account 565	(Note H) 321.96.b	320,097		
87	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	179,019	TP 1.00000	179,019
89	Administrative and General	323.197.b (Note J)	479,727		
90	Less: Acct. 924, Property Insurance	323.185.b	56,904		
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)	422,823	W/S 1.00000	422,823
95	Plus: Acct. 924, Property Insurance	(In 90)	56,904	GP(h) 1.00000	56,904
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)	45,339	W/S 1.00000	45,339
100	A & G Subtotal	(sum Ins 94 to 99)	525,066		525,066
101	O & M EXPENSE SUBTOTAL	(In 88 + In 100)	704,085		704,085
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)	320,097	DA 1.00000	320,097
104	TOTAL O & M EXPENSE	(In 101 + In 102 + In 103)	1,024,182		1,024,182
105	DEPRECIATION AND AMORTIZATION EXPENSE				
106	<i>Line Deliberately Left Blank</i>				
107	<i>Line Deliberately Left Blank</i>				
108	Transmission	336.7.f	939,118	TP1 1.00000	939,118
109	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
110	Plus: Formation Costs Amortization	(Worksheet A In 35.E)	26,979	TP1 1.00000	26,979
111	General	336.10.f	13,424	W/S 1.00000	13,424
112	Intangible	336.1.f	79,909	W/S 1.00000	79,909
113	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 108+109+111+112)	1,059,430		1,059,430
114	TAXES OTHER THAN INCOME	(Note N)			
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 47.(C)	636,856	DA 1.00000	636,856
119	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	-	NA 0.00000	-
120	Other	Worksheet H In 23.(E)	-	GP(h) 1.00000	-
121	TOTAL OTHER TAXES	(sum Ins 116 to 120)	636,856		636,856
122	INCOME TAXES	(Note O)			
123	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.90%		
124	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		49.55%		
125	where WCLTD=(In 159) and WACC = (In 162)				
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)	3,623,737		3,656,569
130	ITC adjustment	(In 127 * In 128)	-	NP(h) 1.00000	-
131	TOTAL INCOME TAXES	(sum Ins 129 to 130)	3,623,737		3,656,569
132	RETURN ON RATE BASE (Rate Base*WACC)	(In 78 * In 162)	7,312,797		7,379,053
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 Net Loss / (Gain) on Sales of Plant Held for Future Use (In 134 * In124)		-		-
136	TOTAL REVENUE REQUIREMENT		13,657,002		13,756,090
	(sum Ins 104, 113, 121, 131, 132, 133)				

AEP INDIANA MICHIGAN TRANSMISSION COMPANY

SUPPORTING CALCULATIONS

In			
<u>No.</u>	<u>TRANSMISSION PLANT INCLUDED IN PJM TARIFF</u>		
137	Total transmission plant	(In 20)	116,154,112
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)	<u>116,154,112</u>
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	-	68,958	68,958	TP	1.00000	68,958
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)	-	<u>68,958</u>	<u>68,958</u>			<u>68,958</u>
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))	<u>2,576,150</u>
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))	83,953,740
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)	<u>83,953,740</u>

	Capped Actual Average Capital Structure	<u>Average \$</u>	<u>Capital Structure Percentages</u>		<u>Cost</u>	<u>Weighted</u>
159	Long Term Debt W/S M, In 11, In 21, col. (E))	78,725,000	48.39%	50.00%	3.27%	0.0164
160	Preferred Stock (In 155)	-	0.00%	0.00%	0.00%	0.0000
161	Common Stock (In 158)	83,953,740	51.61%	50.00%	11.49%	0.0575
162	Total (Sum Ins 159 to 161)	<u>162,678,740</u>	100.00%	100.00%	WACC=	0.0738

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)	<u>508,751,624</u>
166	Preferred Dividends	(Worksheet Q, In. 134)	-
167	<u>Development of Actual Average Common Stock:</u>		<u>Average</u>
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)	<u>(117,655,197)</u>
172	Common Stock	(In 168 - In 169 - In 170 - In 171)	<u>8,969,870,452</u>

173	True Up Capitalization with Equity Caps	<u>%</u>	<u>\$</u>	<u>Cost</u>	<u>Weighted</u>
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%	<u>18,377,299,926</u>	WACC=	0.0838

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

AEP INDIANA MICHIGAN 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 INDIANA MICHIGAN 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 Indiana Michigan 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 Indiana Michigan 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 INDIANA MICHIGAN 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 INDIANA MICHIGAN 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	204,031,289	28,276,934	116,154,112
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	209,505	209,505	209,505
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	569,484	307,551	438,518
10	Total Property Investment Balance	(Sum of Lines: 3, 7, 9)	204,810,278	28,793,990	116,802,134
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)	1,081,830	158,762	620,296
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)	21,642	8,218	14,930
19	General ARO Accumulated Depreciation	Company Records - Note 1	-	-	-
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	114,082	34,173	74,128
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 18, 20)	1,217,554	201,153	709,354
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)	1,081,830	158,762	620,296
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	-	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	1,081,830	158,762	620,296
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)		40,468	67,446	53,957
32	Amortization in Months		18	30	24
33	Monthly Amortization		2,248	2,248	2,248
34	Months in 2013 to be amortized		12	12	12
35	Amortization Expense in 2013		26,979	26,978	26,979
36	Months in 2014 to be amortized		6	12	9
37	Amortization Expense in 2014		13,489	26,978	20,234
38	Ending Balance of Regulatory Asset		13,489	40,468	26,978
39	Average Balance of Regulatory Asset		26,979	53,957	40,468
40	Unamortized Balance of Regulatory Asset at YE 2013		13,489	40,468	26,978
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 INDIANA MICHIGAN 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)	31,297,791	4,914,672	18,106,232
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	31,297,791	4,914,672	18,106,232
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, In 9, Col. (k)	3,133,734	313,520	1,723,627
13	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
14	Less: Other Excluded Deferrals	Company Records - Note 1	1,797,410	-	898,705
15	Transmission Related Deferrals	Ln 12 - In 13 - In 14	1,336,324	313,520	824,922
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, In 8, Col. (c)	4,402,665	1,129,820	2,766,243
18	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
19	Less: Other Excluded Deferrals	Company Records - Note 1	2,136	-	1,068
20	Transmission Related Deferrals	Ln 17 - In 18 - In 19	4,400,529	1,129,820	2,765,175
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 INDIANA MICHIGAN TRANSMISSION COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
Line Number	Source	Balance @ December 31, 2013	Balance @ December 31, 2012	Average Balance for 2013				
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c) & (b)	0	0	-			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c) & (b)	0	0	-			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c) & (b)	0	0	-			

Prepayment Balance Summary

Average of YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)
Totals as of December 31, 2013	42,379	0	0	42,379	0
Totals as of December 31, 2012	1,891	0	0	1,891	0
Average Balance	22,135	-	-	22,135	-

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	2,078	-	2,078	-	2,078	Plant Related Insurance Policies
1650021 Prepaid Insurance - EIS	39,468	-	39,468	-	39,468	Plant Related Insurance Policies
1650023 Prepaid Lease	833	-	833	-	833	Prepaid Lease
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	42,379	0	42,379	0	42,379	

Prepayments Account 165 - Balance @ 12/31/ 2012

2012 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
1650001 Prepaid Insurance	1,058	-	1,058	-	1,058	Plant Related Insurance Policies
1650021 Prepaid Insurance - EIS	0	-	-	-	-	Plant Related Insurance Policies
1650023 Prepaid Lease	833	-	833	-	833	Prepaid Lease
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	1,891	0	1,891	0	1,891	

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2013 FF1 Balances
 Worksheet D Supporting IPP Credits
 AEP INDIANA MICHIGAN 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 INDIANA MICHIGAN TRANSMISSION COMPANY's general ledger.

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2013 FF1 Balances
 Worksheet E Supporting Revenue Credits
 AEP INDIANA MICHIGAN 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)	9,869,547	9,869,547	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	9,869,547	9,869,547	-
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	-	-	-
8	Total Other Operating Revenues To Reduce Revenue Requirement	9,869,547	9,869,547	-

Note 1 The total company data on this worksheet comes from the indicated FF1 source, or AEP INDIANA MICHIGAN 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 INDIANA MICHIGAN TRANSMISSION COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	
Line Number	Item No.	Description	2013 Expense	100% Non-Transmission	100% Transmission Specific	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	37			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	2,921			
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	(52)			
10	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	1,613			
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	4,519			
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 INDIANA MICHIGAN TRANSMISSION COMPANY

1	Indiana State Tax Rate	7.75%	
	Apportionment Factor - Note 2	0.00%	
	Effective State Tax Rate		0.00%
2	Michigan 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 - Michigan	612,502	612,502			
5	Real and Personal Property - Indiana	24,354	24,354			
6	Real and Personal Property	-	-			
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	<u>636,856</u>	<u>636,856</u>	<u>-</u>	<u>-</u>	<u>-</u>

(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)	-	202,949,459	-	187,863	203,137,322
MICHIGAN JURISDICTION					
25 Percentage of Plant in MICHIGAN JURISDICTION					
26 Net Plant in MICHIGAN 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 MICHIGAN JURISDICTION Plant (Ln 30 + 32)	-	-	-	-	-
34 Functional Percentage (Ln 33/Total Ln 33)	0.00%	100.00%	0.00%		
35 Functionalized Expense in MICHIGAN JURISDICTION	-	612,502	-		<u>612,502</u>
INDIANA JURISDICTION					
36 Net Plant in INDIANA JURISDICTION (Ln 24 - Ln 26)	-	202,949,459	-	187,863	203,137,322
37 Less: Net Value Exempted Generation Plant	-	-	-	-	-
38 Taxable Property Basis	-	202,949,459	-	187,863	203,137,322
39 Relative Valuation Factor					
40 Weighted Net Plant (Ln 38 * Ln 39)	-	-	-	-	-
41 General Plant Allocator (Ln 40 / (Total - General Plant))	0.00%	100.00%	0.00%	-100.00%	
42 Functionalized General Plant (Ln 42 * General Plant)	-	-	-	-	-
43 Weighted INDIANA JURISDICTION Plant (Ln 40 + 42)	-	-	-	-	-
44 Functional Percentage (Ln 43/Total Ln 43)	0.00%	100.00%	0.00%		
45 Functionalized Expense in INDIANA JURISDICTION	-	24,354	-		<u>24,354</u>
46 Total Other Jurisdictions: (Line 7 * Net Plant Allocator)		-			<u>-</u>
47 Total Func. Property Taxes (Sum Lns 35, 45, 46)	-	<u>636,856</u>	-		<u>636,856</u>

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 - Michigan	612,502	(14,198) 626,700 -	P.263 ln 17 (i) P.263 ln 18 (i) P.263 ln 19 (i) P.263 ln 39 (i) P.263.1 ln 2 (i) P.263.1 ln 3 (i)
5	Real and Personal Property - Indiana	24,354	(1,816) 26,170	P.263 ln 20 (i) P.263 ln 21 (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	-		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))	636,856	636,856	

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 INDIANA MICHIGAN 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)):	28,276,934
2	Transmission Plant @ End of Historic Period (2013) (P.207, ln 58,(g)):	204,031,289
3		<u>232,308,223</u>
4	Average Balance of Transmission Investment	116,154,112
5	Annual Depreciation Expense, Historic TCOS, ln 285	939,118
6	Composite Depreciation Rate	0.81%
7	Depreciation rate of AEP Operating Companies from Worksheet P (used if line 6 is zero)	0.81%

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	\$ 1,582,353	0.81%	\$ 12,793	\$ 1,066	11 \$	11,726
10	February	\$ 10,062,690	0.81%	\$ 81,358	\$ 6,780	10 \$	67,800
11	March	\$ 782,513	0.81%	\$ 6,327	\$ 527	9 \$	4,743
12	April	\$ 3,306,996	0.81%	\$ 26,737	\$ 2,228	8 \$	17,824
13	May	\$ -	0.81%	\$ -	\$ -	7 \$	-
14	June	\$ 7,177,042	0.81%	\$ 58,027	\$ 4,836	6 \$	29,016
15	July	\$ -	0.81%	\$ -	\$ -	5 \$	-
16	August	\$ 131,863	0.81%	\$ 1,066	\$ 89	4 \$	356
17	September	\$ -	0.81%	\$ -	\$ -	3 \$	-
18	October	\$ 10,033,797	0.81%	\$ 81,124	\$ 6,760	2 \$	13,520
19	November	\$ -	0.81%	\$ -	\$ -	1 \$	-
20	December	\$ 4,299,482	0.81%	\$ 34,762	\$ 2,897	0 \$	-
21	Investment	<u>\$ 37,376,735</u>				Depreciation Expense	<u>\$ 144,985</u>

III. Plant Transferred

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

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

	<u>Estimated Cost</u> <u>(000's)</u>	<u>Month in Service</u>
25 Major Zonal Projects		
26 Benton Harbor: Install (3) 345 kV circuit breakers	\$9,695	Feb-14
27 Pletcher: (Glendora) 138/69kV Station	\$5,492	Jun-14
28		
29		
30		
31		
32		
33		
34	Subtotal	15,187
35 PJM Socialized/Beneficiary Allocated Regional Projects		
36	\$0	
37	Subtotal	\$0

Note 1: Until AEP INDIANA MICHIGAN 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 INDIANA MICHIGAN 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 INDIANA MICHIGAN 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 159 through 162)			
	%	Cost	Weighted cost
Long Term Debt	50.00%	4.19%	2.094%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	50.00%	11.49%	5.745%
		R =	7.839%

SUMMARY OF PROJECTED ANNUAL RTEP REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR	2014	3,097,248	3,097,248 \$ -

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

Rate Base (Projected TCOS, In 78)	211,623,193
R (from A. above)	7.839%
Return (Rate Base x R)	16,589,351

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

Return (from B. above)	16,589,351
Effective Tax Rate (Projected TCOS, In 124)	46.66%
Income Tax Calculation (Return x CIT)	7,740,369
ITC Adjustment	-
Income Taxes	7,740,369

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)	27,181,684
T.E.A. & Lease Payments (Projected TCOS, Lns 102 & 103)	320,097
Return (Projected TCOS, In 132)	16,589,351
Income Taxes (Projected TCOS, In 131)	7,740,369
Annual Revenue Requirement, Less TEA Charges, Return and Taxes	2,531,867

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	2,531,867
Return (from I.B. above)	16,589,351
Income Taxes (from I.C. above)	7,740,369
Annual Revenue Requirement, with 0 Basis Point ROE increase	26,861,587
Depreciation (Projected TCOS, In 108)	939,118
Annual Rev. Req. w/0 Basis Point ROE increase, less Depreciation	25,922,469

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

Net Transmission Plant (Projected TCOS, In 48)	202,949,459
Annual Revenue Requirement, with 0 Basis Point ROE increase	26,861,587
FCR with 0 Basis Point increase in ROE	13.24%
Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep.	25,922,469
FCR with 0 Basis Point ROE increase, less Depreciation	12.77%
FCR less Depreciation (Projected TCOS, In 9)	10.77%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	2.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Historic Period (2013) (P.206, In 58,(b)):	28,276,934
Transmission Plant @ End of Historic Period (2013) (P.207, In 58,(g)):	204,031,289
Subtotal	232,308,223
Average Transmission Plant Balance for 2013	116,154,112
Annual Depreciation Rate (Projected TCOS, In 108)	939,118
Composite Depreciation Rate	0.81%
Depreciable Life for Composite Depreciation Rate	123.68
Round to nearest whole year	124

Note 1: Until AEP INDIANA MICHIGAN 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 INDIANA MICHIGAN TRANSMISSION COMPANY is shown on Worksheet P.

AEP INDIANA MICHIGAN TRANSMISSION COMPANY Worksheet J - ATRR PROJECTED Calculation for PJM Projects Charged to Benefiting Zone Page 2 of 2

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

A. Base Plan Facilities

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

Current Projected Year ARR	735,370
Current Projected Year ARR w/ Incentive	735,370
Current Projected Year Incentive ARR	-

Project Description: RTEP ID: b1465.4 (Make switching improvements at Sullivan and Jefferson 765 kV stations)

Details		Current Year	2014
Investment	6,445,564		
Service Year (yyyy)	2012	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	12	FCR w/o incentives, less depreciation	10.77%
Useful life	124	FCR w/incentives approved for these facilities, less dep.	10.77%
CIAC (Yes or No)	No	Annual Depreciation Expense	52,113

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

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement ##	RTEP Projected Rev. Req't. From Prior Year Template w/o Incentives	RTEP Projected Rev. Req't. From Prior Year Template with Incentives **
2012	6,445,564	-	6,445,564	694,487	694,487	\$ -	\$ 655,786	\$ 655,786
2013	6,445,564	52,113	6,393,451	740,985	740,985	\$ -	\$ 758,010	\$ 758,010
2014	6,393,451	52,113	6,341,338	735,370	735,370	\$ -		
2015	6,341,338	52,113	6,289,225	729,755	729,755	\$ -		
2016	6,289,225	52,113	6,237,112	724,140	724,140	\$ -		
2017	6,237,112	52,113	6,184,999	718,525	718,525	\$ -		
2018	6,184,999	52,113	6,132,886	712,910	712,910	\$ -		
2019	6,132,886	52,113	6,080,773	707,295	707,295	\$ -		
2020	6,080,773	52,113	6,028,660	701,680	701,680	\$ -		
2021	6,028,660	52,113	5,976,547	696,065	696,065	\$ -		
2022	5,976,547	52,113	5,924,433	690,450	690,450	\$ -		
2023	5,924,433	52,113	5,872,320	684,835	684,835	\$ -		
2024	5,872,320	52,113	5,820,207	679,220	679,220	\$ -		
2025	5,820,207	52,113	5,768,094	673,605	673,605	\$ -		
2026	5,768,094	52,113	5,715,981	667,990	667,990	\$ -		
2027	5,715,981	52,113	5,663,868	662,375	662,375	\$ -		
2028	5,663,868	52,113	5,611,755	656,760	656,760	\$ -		
2029	5,611,755	52,113	5,559,642	651,145	651,145	\$ -		
2030	5,559,642	52,113	5,507,529	645,530	645,530	\$ -		
2031	5,507,529	52,113	5,455,416	639,915	639,915	\$ -		
2032	5,455,416	52,113	5,403,303	634,300	634,300	\$ -		
2033	5,403,303	52,113	5,351,190	628,685	628,685	\$ -		
2034	5,351,190	52,113	5,299,077	623,070	623,070	\$ -		
2035	5,299,077	52,113	5,246,964	617,455	617,455	\$ -		
2036	5,246,964	52,113	5,194,851	611,840	611,840	\$ -		
2037	5,194,851	52,113	5,142,738	606,225	606,225	\$ -		
2038	5,142,738	52,113	5,090,625	600,610	600,610	\$ -		
2039	5,090,625	52,113	5,038,512	594,995	594,995	\$ -		
2040	5,038,512	52,113	4,986,399	589,380	589,380	\$ -		
2041	4,986,399	52,113	4,934,286	583,765	583,765	\$ -		
2042	4,934,286	52,113	4,882,172	578,150	578,150	\$ -		
2043	4,882,172	52,113	4,830,059	572,535	572,535	\$ -		
2044	4,830,059	52,113	4,777,946	566,920	566,920	\$ -		
2045	4,777,946	52,113	4,725,833	561,305	561,305	\$ -		
2046	4,725,833	52,113	4,673,720	555,690	555,690	\$ -		
2047	4,673,720	52,113	4,621,607	550,075	550,075	\$ -		
2048	4,621,607	52,113	4,569,494	544,460	544,460	\$ -		
2049	4,569,494	52,113	4,517,381	538,845	538,845	\$ -		
2050	4,517,381	52,113	4,465,268	533,230	533,230	\$ -		
2051	4,465,268	52,113	4,413,155	527,615	527,615	\$ -		
2052	4,413,155	52,113	4,361,042	522,000	522,000	\$ -		
2053	4,361,042	52,113	4,308,929	516,385	516,385	\$ -		
2054	4,308,929	52,113	4,256,816	510,770	510,770	\$ -		
2055	4,256,816	52,113	4,204,703	505,155	505,155	\$ -		
2056	4,204,703	52,113	4,152,590	499,540	499,540	\$ -		
2057	4,152,590	52,113	4,100,477	493,925	493,925	\$ -		
2058	4,100,477	52,113	4,048,364	488,310	488,310	\$ -		
2059	4,048,364	52,113	3,996,251	482,695	482,695	\$ -		
2060	3,996,251	52,113	3,944,138	477,080	477,080	\$ -		
2061	3,944,138	52,113	3,892,024	471,465	471,465	\$ -		
2062	3,892,024	52,113	3,839,911	465,850	465,850	\$ -		
2063	3,839,911	52,113	3,787,798	460,235	460,235	\$ -		
2064	3,787,798	52,113	3,735,685	454,620	454,620	\$ -		
2065	3,735,685	52,113	3,683,572	449,005	449,005	\$ -		
2066	3,683,572	52,113	3,631,459	443,390	443,390	\$ -		
2067	3,631,459	52,113	3,579,346	437,775	437,775	\$ -		
2068	3,579,346	52,113	3,527,233	432,160	432,160	\$ -		
2069	3,527,233	52,113	3,475,120	426,545	426,545	\$ -		
2070	3,475,120	52,113	3,423,007	420,930	420,930	\$ -		
2071	3,423,007	52,113	3,370,894	415,315	415,315	\$ -		
Project Totals		3,074,670		34,805,322	34,805,322	-		

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

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

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

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

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

A. Base Plan Facilities

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

Current Projected Year ARR	1,735,811
Current Projected Year ARR w/ Incentive	1,735,811
Current Projected Year Incentive ARR	-

Project Description: RTEP ID: b1465.2 (Replace the 100 MVAR 765 kV shunt reactor bank on Rockport - Jefferson 765 kV line with a 300 MVAR bank at Rockport Station)

Details		Current Year	2014
Investment	15,156,637		
Service Year (yyyy)	2013	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	6	FCR w/o incentives, less depreciation	10.77%
Useful life	124	FCR w/incentives approved for these facilities, less dep.	10.77%
CIAC (Yes or No)	No	Annual Depreciation Expense	122,543

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

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement #	RTEP Projected Rev. Req't. From Prior Year Template w/o Incentives	RTEP Projected Rev. Req't. From Prior Year Template with Incentives **
2013	15,156,637	61,271	15,095,366	1,687,743	1,687,743	\$ -	\$ 1,578,782	\$ 1,578,782
2014	15,095,366	122,543	14,972,823	1,735,811	1,735,811	\$ -		
2015	14,972,823	122,543	14,850,280	1,722,608	1,722,608	\$ -		
2016	14,850,280	122,543	14,727,737	1,709,404	1,709,404	\$ -		
2017	14,727,737	122,543	14,605,194	1,696,201	1,696,201	\$ -		
2018	14,605,194	122,543	14,482,651	1,682,997	1,682,997	\$ -		
2019	14,482,651	122,543	14,360,108	1,669,793	1,669,793	\$ -		
2020	14,360,108	122,543	14,237,565	1,656,590	1,656,590	\$ -		
2021	14,237,565	122,543	14,115,022	1,643,386	1,643,386	\$ -		
2022	14,115,022	122,543	13,992,479	1,630,183	1,630,183	\$ -		
2023	13,992,479	122,543	13,869,936	1,616,979	1,616,979	\$ -		
2024	13,869,936	122,543	13,747,393	1,603,776	1,603,776	\$ -		
2025	13,747,393	122,543	13,624,850	1,590,572	1,590,572	\$ -		
2026	13,624,850	122,543	13,502,307	1,577,368	1,577,368	\$ -		
2027	13,502,307	122,543	13,379,764	1,564,165	1,564,165	\$ -		
2028	13,379,764	122,543	13,257,221	1,550,961	1,550,961	\$ -		
2029	13,257,221	122,543	13,134,678	1,537,758	1,537,758	\$ -		
2030	13,134,678	122,543	13,012,135	1,524,554	1,524,554	\$ -		
2031	13,012,135	122,543	12,889,592	1,511,351	1,511,351	\$ -		
2032	12,889,592	122,543	12,767,049	1,498,147	1,498,147	\$ -		
2033	12,767,049	122,543	12,644,506	1,484,943	1,484,943	\$ -		
2034	12,644,506	122,543	12,521,963	1,471,740	1,471,740	\$ -		
2035	12,521,963	122,543	12,399,420	1,458,536	1,458,536	\$ -		
2036	12,399,420	122,543	12,276,877	1,445,333	1,445,333	\$ -		
2037	12,276,877	122,543	12,154,334	1,432,129	1,432,129	\$ -		
2038	12,154,334	122,543	12,031,791	1,418,926	1,418,926	\$ -		
2039	12,031,791	122,543	11,909,248	1,405,722	1,405,722	\$ -		
2040	11,909,248	122,543	11,786,705	1,392,519	1,392,519	\$ -		
2041	11,786,705	122,543	11,664,162	1,379,315	1,379,315	\$ -		
2042	11,664,162	122,543	11,541,619	1,366,111	1,366,111	\$ -		
2043	11,541,619	122,543	11,419,076	1,352,908	1,352,908	\$ -		
2044	11,419,076	122,543	11,296,533	1,339,704	1,339,704	\$ -		
2045	11,296,533	122,543	11,173,990	1,326,501	1,326,501	\$ -		
2046	11,173,990	122,543	11,051,447	1,313,297	1,313,297	\$ -		
2047	11,051,447	122,543	10,928,904	1,300,094	1,300,094	\$ -		
2048	10,928,904	122,543	10,806,361	1,286,890	1,286,890	\$ -		
2049	10,806,361	122,543	10,683,818	1,273,686	1,273,686	\$ -		
2050	10,683,818	122,543	10,561,275	1,260,483	1,260,483	\$ -		
2051	10,561,275	122,543	10,438,732	1,247,279	1,247,279	\$ -		
2052	10,438,732	122,543	10,316,189	1,234,076	1,234,076	\$ -		
2053	10,316,189	122,543	10,193,646	1,220,872	1,220,872	\$ -		
2054	10,193,646	122,543	10,071,103	1,207,669	1,207,669	\$ -		
2055	10,071,103	122,543	9,948,560	1,194,465	1,194,465	\$ -		
2056	9,948,560	122,543	9,826,017	1,181,261	1,181,261	\$ -		
2057	9,826,017	122,543	9,703,475	1,168,058	1,168,058	\$ -		
2058	9,703,475	122,543	9,580,932	1,154,854	1,154,854	\$ -		
2059	9,580,932	122,543	9,458,389	1,141,651	1,141,651	\$ -		
2060	9,458,389	122,543	9,335,846	1,128,447	1,128,447	\$ -		
2061	9,335,846	122,543	9,213,303	1,115,244	1,115,244	\$ -		
2062	9,213,303	122,543	9,090,760	1,102,040	1,102,040	\$ -		
2063	9,090,760	122,543	8,968,217	1,088,836	1,088,836	\$ -		
2064	8,968,217	122,543	8,845,674	1,075,633	1,075,633	\$ -		
2065	8,845,674	122,543	8,723,131	1,062,429	1,062,429	\$ -		
2066	8,723,131	122,543	8,600,588	1,049,226	1,049,226	\$ -		
2067	8,600,588	122,543	8,478,045	1,036,022	1,036,022	\$ -		
2068	8,478,045	122,543	8,355,502	1,022,819	1,022,819	\$ -		
2069	8,355,502	122,543	8,232,959	1,009,615	1,009,615	\$ -		
2070	8,232,959	122,543	8,110,416	996,411	996,411	\$ -		
2071	8,110,416	122,543	7,987,873	983,208	983,208	\$ -		
2072	7,987,873	122,543	7,865,330	970,004	970,004	\$ -		
Project Totals		7,291,307		81,509,303	81,509,303	-		

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

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

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

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

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

A. Base Plan Facilities

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

Project Description: RTEP ID: b2048 (Replace both Tanners Creek 345/138 kV transformers with one bigger transformer)

Current Projected Year ARR	626,067
Current Projected Year ARR w/ Incentive	626,067
Current Projected Year Incentive ARR	-

Details		Current Year	2014
Investment	5,445,936		
Service Year (yyyy)	2013	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	12	FCR w/o incentives, less depreciation	10.77%
Useful life	124	FCR w/incentives approved for these facilities, less dep.	10.77%
CIAC (Yes or No)	No	Annual Depreciation Expense	44,031

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

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement #	RTEP Projected Rev. Req't. From Prior Year Template w/o Incentives	RTEP Projected Rev. Req't. From Prior Year Template with Incentives **
2013	5,445,936	-	5,445,936	586,780	586,780	\$ -	\$ 461,439	\$ 461,439
2014	5,445,936	44,031	5,401,905	626,067	626,067	\$ -		
2015	5,401,905	44,031	5,357,874	621,323	621,323	\$ -		
2016	5,357,874	44,031	5,313,843	616,579	616,579	\$ -		
2017	5,313,843	44,031	5,269,812	611,834	611,834	\$ -		
2018	5,269,812	44,031	5,225,781	607,090	607,090	\$ -		
2019	5,225,781	44,031	5,181,750	602,346	602,346	\$ -		
2020	5,181,750	44,031	5,137,719	597,602	597,602	\$ -		
2021	5,137,719	44,031	5,093,688	592,858	592,858	\$ -		
2022	5,093,688	44,031	5,049,657	588,114	588,114	\$ -		
2023	5,049,657	44,031	5,005,626	583,369	583,369	\$ -		
2024	5,005,626	44,031	4,961,595	578,625	578,625	\$ -		
2025	4,961,595	44,031	4,917,565	573,881	573,881	\$ -		
2026	4,917,565	44,031	4,873,534	569,137	569,137	\$ -		
2027	4,873,534	44,031	4,829,503	564,393	564,393	\$ -		
2028	4,829,503	44,031	4,785,472	559,648	559,648	\$ -		
2029	4,785,472	44,031	4,741,441	554,904	554,904	\$ -		
2030	4,741,441	44,031	4,697,410	550,160	550,160	\$ -		
2031	4,697,410	44,031	4,653,379	545,416	545,416	\$ -		
2032	4,653,379	44,031	4,609,348	540,672	540,672	\$ -		
2033	4,609,348	44,031	4,565,317	535,928	535,928	\$ -		
2034	4,565,317	44,031	4,521,286	531,183	531,183	\$ -		
2035	4,521,286	44,031	4,477,255	526,439	526,439	\$ -		
2036	4,477,255	44,031	4,433,224	521,695	521,695	\$ -		
2037	4,433,224	44,031	4,389,193	516,951	516,951	\$ -		
2038	4,389,193	44,031	4,345,162	512,207	512,207	\$ -		
2039	4,345,162	44,031	4,301,131	507,463	507,463	\$ -		
2040	4,301,131	44,031	4,257,100	502,718	502,718	\$ -		
2041	4,257,100	44,031	4,213,069	497,974	497,974	\$ -		
2042	4,213,069	44,031	4,169,038	493,230	493,230	\$ -		
2043	4,169,038	44,031	4,125,007	488,486	488,486	\$ -		
2044	4,125,007	44,031	4,080,976	483,742	483,742	\$ -		
2045	4,080,976	44,031	4,036,945	478,997	478,997	\$ -		
2046	4,036,945	44,031	3,992,914	474,253	474,253	\$ -		
2047	3,992,914	44,031	3,948,884	469,509	469,509	\$ -		
2048	3,948,884	44,031	3,904,853	464,765	464,765	\$ -		
2049	3,904,853	44,031	3,860,822	460,021	460,021	\$ -		
2050	3,860,822	44,031	3,816,791	455,277	455,277	\$ -		
2051	3,816,791	44,031	3,772,760	450,532	450,532	\$ -		
2052	3,772,760	44,031	3,728,729	445,788	445,788	\$ -		
2053	3,728,729	44,031	3,684,698	441,044	441,044	\$ -		
2054	3,684,698	44,031	3,640,667	436,300	436,300	\$ -		
2055	3,640,667	44,031	3,596,636	431,556	431,556	\$ -		
2056	3,596,636	44,031	3,552,605	426,811	426,811	\$ -		
2057	3,552,605	44,031	3,508,574	422,067	422,067	\$ -		
2058	3,508,574	44,031	3,464,543	417,323	417,323	\$ -		
2059	3,464,543	44,031	3,420,512	412,579	412,579	\$ -		
2060	3,420,512	44,031	3,376,481	407,835	407,835	\$ -		
2061	3,376,481	44,031	3,332,450	403,091	403,091	\$ -		
2062	3,332,450	44,031	3,288,419	398,346	398,346	\$ -		
2063	3,288,419	44,031	3,244,388	393,602	393,602	\$ -		
2064	3,244,388	44,031	3,200,357	388,858	388,858	\$ -		
2065	3,200,357	44,031	3,156,326	384,114	384,114	\$ -		
2066	3,156,326	44,031	3,112,295	379,370	379,370	\$ -		
2067	3,112,295	44,031	3,068,264	374,626	374,626	\$ -		
2068	3,068,264	44,031	3,024,233	369,881	369,881	\$ -		
2069	3,024,233	44,031	2,980,202	365,137	365,137	\$ -		
2070	2,980,202	44,031	2,936,172	360,393	360,393	\$ -		
2071	2,936,172	44,031	2,892,141	355,649	355,649	\$ -		
2072	2,892,141	44,031	2,848,110	350,905	350,905	\$ -		
Project Totals		2,597,826		29,407,443	29,407,443	-		

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

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

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

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

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

ROE w/o incentives (True-Up TCOS, ln 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, lns 159 through162)			
	%	Cost	Weighted cost
Long Term Debt	50.00%	3.27%	1.636%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	50.00%	11.49%	5.745%
		R =	7.381%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPPROJECTS				
TRUE-UP YEAR	2013	Rev Require		Incentive Amounts
		W Incentives		
	As Projected in Prior Year WS J	\$ 2,798,231	\$ 2,798,231	\$ -
	Actual after True-up	\$ 3,093,684	\$ 3,093,684	\$ -
	True-up of ARR For 2013	295,453	295,453	-

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

Rate Base (True-Up TCOS, ln 78)	99,971,314
R (from A. above)	7.381%
Return (Rate Base x R)	7,379,053

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

Return (from B. above)	7,379,053
Effective Tax Rate (True-Up TCOS, ln 124)	49.55%
Income Tax Calculation (Return x CIT)	3,656,569
ITC Adjustment	-
Income Taxes	3,656,569

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, ln 1)	13,756,090
T.E.A. & Lease Payments (True-Up TCOS, lns 102 & 103)	320,097
Return (True-Up TCOS, ln 132)	7,379,053
Income Taxes (True-Up TCOS, ln 131)	3,656,569
Annual Revenue Requirement, Less TEA	2,400,371
Charges, Return and Taxes	

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	2,400,371
Return (from I.B. above)	7,379,053
Income Taxes (from I.C. above)	3,656,569
Annual Revenue Requirement, with 0 Basis Point ROE increase	13,435,993
Depreciation (True-Up TCOS, ln 108)	939,118
Annual Rev. Req. w/ 0 Basis Point ROE increase, less Depreciation	12,496,875

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

Net Transmission Plant (True-Up TCOS, ln 48)	115,533,816
Annual Revenue Requirement, with 0 Basis Point ROE increase	13,435,993
FCR with 0 Basis Point increase in ROE	11.63%

Annual Rev. Req. w/ 0 Basis Point ROE increase, less Dep.	12,496,875
FCR with 0 Basis Point ROE increase, less Depreciation	10.82%
FCR less Depreciation (True-Up TCOS, ln 9)	10.82%
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, ln 58,(b)):	28,276,934
Transmission Plant @ End of Historic Period () (P.207, ln 58,(g)):	204,031,289
Subtotal	232,308,223
Average Transmission Plant Balance for	116,154,112
Annual Depreciation Rate (True-Up TCOS, ln 108)	939,118
Composite Depreciation Rate	0.81%
Depreciable Life for Composite Depreciation Rate	123.68
Round to nearest whole year	124

Note 1: Until AEP INDIANA MICHIGAN 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 INDIANA MICHIGAN 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: RTEP ID: b1465.4 (Make switching improvements at Sullivan and Jefferson 765 kV stations)

2013	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	758,010	758,010	-
Prior Yr True-Up	746,488	746,488	-
True-Up Adjustment	(11,522)	(11,522)	-

Details		2013
Investment	6,445,564	Current Year
Service Year (yyyy)	2012	ROE increase accepted by FERC (Basis Points)
Service Month (1-12)	12	FCR w/o incentives, less depreciation
Useful life	124	FCR w/incentives approved for these facilities, less dep.
CIAC (Yes or No)	No	Annual Depreciation Expense

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

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	Average Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement ##	RTEP Projected Rev. Req't. From Prior Year WS J w/o Incentives	RTEP Rev Req't True-up w/o Incentives	RTEP Projected Rev. Req't. From Prior Year WS J with Incentives **	RTEP Rev Req't True-up with Incentives **	True-up of Incentive with Incentives **
2012	6,445,564	-	6,445,564	6,445,564	697,193	697,193	\$ -	\$ 655,786	\$ 41,407	\$ 655,786	\$ 41,407	\$ -
2013	6,445,564	52,113	6,393,451	6,419,507	746,488	746,488	\$ -	\$ 758,010	\$ (11,522)	\$ 758,010	\$ (11,522)	\$ -
2014	6,393,451	52,113	6,341,338	6,367,394	740,851	740,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	6,341,338	52,113	6,289,225	6,315,281	735,214	735,214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	6,289,225	52,113	6,237,112	6,263,168	729,577	729,577	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	6,237,112	52,113	6,184,999	6,211,055	723,940	723,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	6,184,999	52,113	6,132,886	6,158,942	718,304	718,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	6,132,886	52,113	6,080,773	6,106,829	712,667	712,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	6,080,773	52,113	6,028,660	6,054,716	707,030	707,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	6,028,660	52,113	5,976,547	6,002,603	701,393	701,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	5,976,547	52,113	5,924,433	5,950,490	695,756	695,756	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	5,924,433	52,113	5,872,320	5,898,377	690,119	690,119	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2024	5,872,320	52,113	5,820,207	5,846,264	684,482	684,482	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2025	5,820,207	52,113	5,768,094	5,794,151	678,845	678,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2026	5,768,094	52,113	5,715,981	5,742,038	673,209	673,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2027	5,715,981	52,113	5,663,868	5,689,925	667,572	667,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2028	5,663,868	52,113	5,611,755	5,637,812	661,935	661,935	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2029	5,611,755	52,113	5,559,642	5,585,699	656,298	656,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2030	5,559,642	52,113	5,507,529	5,533,586	650,661	650,661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2031	5,507,529	52,113	5,455,416	5,481,473	645,024	645,024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2032	5,455,416	52,113	5,403,303	5,429,359	639,387	639,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2033	5,403,303	52,113	5,351,190	5,377,246	633,750	633,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2034	5,351,190	52,113	5,299,077	5,325,133	628,113	628,113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2035	5,299,077	52,113	5,246,964	5,273,020	622,477	622,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2036	5,246,964	52,113	5,194,851	5,220,907	616,840	616,840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2037	5,194,851	52,113	5,142,738	5,168,794	611,203	611,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2038	5,142,738	52,113	5,090,625	5,116,681	605,566	605,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2039	5,090,625	52,113	5,038,512	5,064,568	599,929	599,929	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2040	5,038,512	52,113	4,986,399	5,012,455	594,292	594,292	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2041	4,986,399	52,113	4,934,286	4,960,342	588,655	588,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2042	4,934,286	52,113	4,882,172	4,908,229	583,018	583,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2043	4,882,172	52,113	4,830,059	4,856,116	577,382	577,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2044	4,830,059	52,113	4,777,946	4,804,003	571,745	571,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2045	4,777,946	52,113	4,725,833	4,751,890	566,108	566,108	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2046	4,725,833	52,113	4,673,720	4,699,777	560,471	560,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2047	4,673,720	52,113	4,621,607	4,647,664	554,834	554,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2048	4,621,607	52,113	4,569,494	4,595,551	549,197	549,197	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2049	4,569,494	52,113	4,517,381	4,543,438	543,560	543,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2050	4,517,381	52,113	4,465,268	4,491,325	537,923	537,923	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2051	4,465,268	52,113	4,413,155	4,439,212	532,287	532,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2052	4,413,155	52,113	4,361,042	4,387,098	526,650	526,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2053	4,361,042	52,113	4,308,929	4,334,985	521,013	521,013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2054	4,308,929	52,113	4,256,816	4,282,872	515,376	515,376	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2055	4,256,816	52,113	4,204,703	4,230,759	509,739	509,739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2056	4,204,703	52,113	4,152,590	4,178,646	504,102	504,102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2057	4,152,590	52,113	4,100,477	4,126,533	498,465	498,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2058	4,100,477	52,113	4,048,364	4,074,420	492,828	492,828	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2059	4,048,364	52,113	3,996,251	4,022,307	487,191	487,191	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2060	3,996,251	52,113	3,944,138	3,970,194	481,555	481,555	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2061	3,944,138	52,113	3,892,024	3,918,081	475,918	475,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2062	3,892,024	52,113	3,839,911	3,865,968	470,281	470,281	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2063	3,839,911	52,113	3,787,798	3,813,855	464,644	464,644	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2064	3,787,798	52,113	3,735,685	3,761,742	459,007	459,007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2065	3,735,685	52,113	3,683,572	3,709,629	453,370	453,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2066	3,683,572	52,113	3,631,459	3,657,516	447,733	447,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2067	3,631,459	52,113	3,579,346	3,605,403	442,096	442,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2068	3,579,346	52,113	3,527,233	3,553,290	436,460	436,460	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2069	3,527,233	52,113	3,475,120	3,501,177	430,823	430,823	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2070	3,475,120	52,113	3,423,007	3,449,064	425,186	425,186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2071	3,423,007	52,113	3,370,894	3,396,950	419,549	419,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Totals		3,074,670			35,095,281	35,095,281	-					

** 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 INDIANA MICHIGAN 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	Senior Notes, Series A, Tranche A, 3.30%	20,800,000	3.300%	686,400
12	Senior Notes, Series A, Tranche B, 4.00%	17,000,000	4.000%	680,000
13	Senior Notes, Series A, Tranche C, 4.73%	12,200,000	4.730%	577,060
14	Senior Notes, Series A, Tranche E, 4.83%	7,500,000	4.830%	362,250
15	Senior Notes, Series B, Tranche A, 2.73%	9,250,000	2.730%	252,525
16	Senior Notes, Series B, Tranche B, 4.05%	11,100,000	4.050%	449,550
17	Senior Notes, Series B, Tranche C, 4.38%	11,100,000	4.380%	486,180
18	Senior Notes, Series B, Tranche D, 5.32%	18,500,000	5.320%	984,200
19				-
20				-
21				-
22	Other Long Term Debt - Acc 224			-
23				-
24				-
25				-
26				-
27				-
28	Sale/Leaseback (If Applicable)		0.00%	
29	<u>Issuance Discount, Premium, & Expenses:</u>			
30	Auction Fees	FF1.p. 256 & 257.Lines Described as Fees		-
31	Amort of Debt Discount and Expenses	FF1.p. 117.63.c		22,053
32	Less: Amort of Debt Premiums	FF1.p. 117.65.c		-
33	<u>Reacquired Debt:</u>			
34	Amortization of Loss	FF1.p. 117.64.c		-
35	Less: Amortization of Gain	FF1.p. 117.66.c		-
36	Total Interest on Long Term Debt	107,450,000	4.19%	4,500,218
37	Preferred Stock (FF1.p. 250-251)	Preferred Shares Outstanding		
38				-
39				-
40				-
41				-
42				-
43				-
44				-
45				-
46	Dividends on Preferred Stock	-	0.00%	-

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

**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)	118,568,493	49,338,987	83,953,740
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	118,568,493	49,338,987	83,953,740

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)	107,450,000	50,000,000	78,725,000
9	Senior Unsecured Notes (112.21.c&d)	-	-	-
10	Less: Fair Value Hedges (See Note on Ln 12 below)	-	-	-
11	Total Average Debt	107,450,000	50,000,000	78,725,000

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)			2,554,097
	Less: Total Hedge (Gain)/Expense Accumulated from p 256-257, col (i) of FERC Form 1			-
15	included in Ln 14 and shown in Ln 32 below.			-
16	Amort of Debt Discount & Expense (117.63.c)			22,053
17	Amort of Loss on Reacquired Debt (117.64.c)			-
18	Less: Amort of Premium on Debt (117.65.c)			-
19	Less: Amort of Gain on Reacquired Debt (117.66.c)			-
20	Total Interest Expense (Ln 14 - Ln 15 + Ln 16 + Ln 17 - Ln 18 - Ln 19)			2,576,150

21 **Average Cost of Debt for 2013 (Ln 20/Ln 11)**

3.27%

CALCULATION OF HEDGE GAINS/LOSSES TO BE EXCLUDED FROM TCOS

22 AEP INDIANA MICHIGAN 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 - 0 - 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 INDIANA MICHIGAN 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 INDIANA MICHIGAN 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	444,385
10	Allowable TransCo PBOP Expense for current year (Ln 8 * Ln 9)	\$41,772
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)	-\$3,567
15	Actual PBOP Expense (Sum Lines 11-14)	-\$3,567
16	PBOP Adjustment Line 10 less Line 15	\$45,339

AEPTCo subsidiaries in PJM
 Worksheet - P
 DEPRECIATION RATES
 FOR TRANSMISSION PLANT PROPERTY ACCOUNTS
 EFFECTIVE AS OF July 1, 2014

AEP INDIANA MICHIGAN TRANSMISSION COMPANY

	PLANT ACCT.	RATES Note 1
<i>TRANSMISSION PLANT</i>		
Land Rights	350.1	1.27%
Structures & Improvements	352.0	1.32%
Station Equipment	353.0	1.69%
Towers & Fixtures	354.0	1.60%
Poles & Fixtures	355.0	2.43%
Overhead Conductor	356.0	1.53%
Underground Conduit	357.0	1.56%
Underground Conductors	358.0	1.55%
Trails & Roads	359.0	1.49%

Note: Per the Settlement in Docket No. ER10-355, Appendix A.1.2, AEP INDIANA MICHIGAN 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>I & M</u>	<u>TOTAL</u>
1 T-Plant (FF1 206.58.g)	1,153,823,876	1,153,823,876
2 T-Plant (FF1 206.58.b)	1,115,559,969	1,115,559,969
3 Average (Ln 1+ Ln 2)/2	1,134,691,923	1,134,691,923
4 Depreciation (FF1 336.7.f)	16,178,988	16,178,988
5 Composite Depreciation (Ln 3 / Ln 4)		1.43%

Note: AEP INDIANA MICHIGAN TRANSMISSION COMPANY shall initially use the composite depreciation rate for I & M 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 INDIANA MICHIGAN TRANSMISSION COMPANY for its own transmission facilities can be calculated in AEP INDIANA MICHIGAN 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: Recquired 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 Recquired 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 Recquired 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: Recquired 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 Recquired 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 Recquired 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 Reacquired 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 Reacquired 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 Reacquired 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%