

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2014 and Projected Net Plant at Year-End 2015

AEP APPALACHIAN TRANSMISSION COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 136)			\$219,165
2	REVENUE CREDITS	(Note A) (Worksheet E)	-	DA 1.00000	\$ -
3	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 2)			\$ 219,165

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

4	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet J)		-	DA 1.00000	\$ -
5	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
6	Annual Rate	((ln 1 - ln 102 - ln 103) / ((ln 48 + ln 49 + ln 50 + ln 51 + ln 53) x 100))			0.00%
7	Monthly Rate	(ln 6 / 12)			0.00%
8	NET PLANT CARRYING CHARGE ON LINE 6 , w/o depreciation or ROE incentives (Note B)				
9	Annual Rate	((ln 1 - ln 102 - ln 103 - ln 108 - ln 109) / ((ln 48 + ln 49 + ln 50 + ln 51 + ln 53) x 100))			0.00%
10	NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B)				
11	Annual Rate	((ln 1 - ln 102 - ln 103 - ln 108 - ln 109 - ln 131 - ln 132) / ((ln 48 + ln 49 + ln 50 + ln 51 + ln 53) x 100))			0.00%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J)				-
13	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES				
14	Total Load Dispatch & Scheduling (Account 561)	Line 85 Below			238
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				238
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				-
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			-

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Line No.	(1) RATE BASE CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total NOTE C	(4) Allocator	(5) Total Transmission
18	GROSS PLANT IN SERVICE				
19	<i>Line Deliberately Left Blank</i>				
20	Transmission	(Worksheet A In 3.C & Ln 140)	-	DA	-
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C& Ln 141)	-	TP	1.00000
22	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.D)		-	DA	1.00000
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I, In 22.D)		-	DA	1.00000
24	<i>Line Deliberately Left Blank</i>				
25	<i>Line Deliberately Left Blank</i>				
26	General Plant	(Worksheet A In 7.C)	-	W/S	0.98408
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S	0.98408
28	Intangible Plant	(Worksheet A In 9.C)	-	W/S	0.98408
29	TOTAL GROSS PLANT	(Sum of Lines: 20 to 23 & 26 to 28)	-		-
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	<i>Line Deliberately Left Blank</i>				
32	<i>Line Deliberately Left Blank</i>				
33	Transmission	(Worksheet A In 14.C & 28.C)	-	TP1=	1.00000
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	1.00000
35	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.I)		-	DA	1.00000
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I In. 24.D)		-	DA	1.00000
37	Plus: Additional Transmission Depreciation for 2015 (In 108)		-	TP1	1.00000
38	Plus: Additional General & Intangible Depreciation for 2015 (In 111 + In 112)		-	W/S	0.98408
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I In 23.D)		-	DA	1.00000
40	<i>Line Deliberately Left Blank</i>				
41	<i>Line Deliberately Left Blank</i>				
42	General Plant	(Worksheet A In 18.C)	-	W/S	0.98408
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S	0.98408
44	Intangible Plant	(Worksheet A In 20.C)	-	W/S	0.98408
45	TOTAL ACCUMULATED DEPRECIATION	(Sum of Lines: 33 to 39 & 42 to 44)	-		-
46	NET PLANT IN SERVICE				
47	<i>Line Deliberately Left Blank</i>				
48	Transmission	(In 20 + In 21 - In 33 - In 34)	-		-
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		-		-
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		-		-
51	Plus: Additional Transmission Depreciation for 2015 (-In 37)		-		-
52	Plus: Additional General & Intangible Depreciation for 2015 (-In 38)		-		-
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		-		-
54	<i>Line Deliberately Left Blank</i>				
55	General Plant	(In 26 + In 27 - In 42 - In 43)	-		-
56	Intangible Plant	(In 28 - In 44)	-		-
57	TOTAL NET PLANT IN SERVICE	(Sum of Lines: 48 to 53 & 55, 56)	-		-
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	-	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(2)	DA	(2)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	3,535	DA	3,535
62	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	35,304	DA	35,304
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	-
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	38,837		38,837
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	(Note E)			
68	Cash Working Capital	(1/8 * In 88)	1,396		1,396
69	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	-	TP	1.00000
70	A&G Materials & Supplies	(Worksheet C, In 3.(D))	-	W/S	0.98408
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.00000
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	-	W/S	0.98408
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	-	GP(h)	0.00000
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	1.00000
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	-	NA	0.00000
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	1,396		1,396
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)		40,233		40,233

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Formula Rate
Projected TCOS
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AEP APPALACHIAN TRANSMISSION COMPANY

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
	OPERATION & MAINTENANCE EXPENSE				
79	<i>Line Deliberately Left Blank</i>				
80	<i>Line Deliberately Left Blank</i>				
81	Customer Related Expense	322.164,171,178.b	-		
82	Regional Marketing Expenses	322.131.b	-		
83	Transmission	321.112.b	11,408		
84	TOTAL O&M EXPENSES	(sum lns 81 to 83)	11,408		
85	Less: Total Account 561	(Note G) (Worksheet F, ln 14.C)	238		
86	Less: Account 565	(Note H) 321.96.b	-		
87	Less: State Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, ln 4.C)	-		
88	Total O&M Allocable to Transmission	(lns 83 - 85 - 86 - 87)	11,170	TP 1.00000	11,170
89	Administrative and General	323.197.b (Note J)	207,148		
90	Less: Acct. 924, Property Insurance	323.185.b	-		
91	Acct. 928, Reg. Com. Exp.	323.189.b	-		
92	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-		
93	Acct. 930.2, Misc. Gen. Exp.	323.192.b	-		
94	Balance of A & G	(ln 89 - sum ln 90 to ln 93)	207,148	W/S 0.98408	203,850
95	Plus: Acct. 924, Property Insurance	(ln 90)	-	GP(h) 0.00000	-
96	Acct. 928 - Transmission Specific	Worksheet F ln 20.(E) (Note L)	-	TP 1.00000	-
97	Acct 930.1 - Only safety related ads -Direct	Worksheet F ln 37.(E) (Note L)	-	TP 1.00000	-
98	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F ln 42.(E) (Note L)	-	DA 1.00000	-
99	PBOP Adjustment	Worksheet O Ln 16 (B), (Note K & M)	(687)	W/S 0.98408	(677)
100	A & G Subtotal	(sum lns 94 to 99)	206,461		203,174
101	O & M EXPENSE SUBTOTAL	(ln 88 + ln 100)	217,631		214,344
102	Plus: TEA Settlement in Account 565	Company Records (Note H)	-	DA 1.00000	-
103	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA 1.00000	-
104	TOTAL O & M EXPENSE	(ln 101 + ln 102 + ln 103)	217,631		214,344
105	DEPRECIATION AND AMORTIZATION EXPENSE				
106	<i>Line Deliberately Left Blank</i>				
107	<i>Line Deliberately Left Blank</i>				
108	Transmission	336.7.f	-	TP1 1.00000	-
109	Plus: Transmission Plant-in-Service Additions (Worksheet I ln 21.I)		-	DA 1.00000	-
110	Plus: Formation Costs Amortization	(Worksheet A ln 37.C)	-	TP1 1.00000	-
111	General	336.10.f	-	W/S 0.98408	-
112	Intangible	336.1.f	-	W/S 0.98408	-
113	TOTAL DEPRECIATION AND AMORTIZATION	(lns 108+109+111+112)	-		-
114	TAXES OTHER THAN INCOME				
115	Labor Related				
116	Payroll	Worksheet H ln 23.(D)	-	W/S 0.98408	-
117	Plant Related		-		-
118	Property	Worksheet H ln 23.(C) & ln 58.(C)	-	DA	-
119	Gross Receipts/Sales & Use	Worksheet H ln 23.(F)	45	NA 0.00000	-
120	Other	Worksheet H ln 23.(E)	-	GP(h) 0.00000	-
121	TOTAL OTHER TAXES	(sum lns 116 to 120)	45		-
122	INCOME TAXES				
123	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		38.90%		
124	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		42.37%		
125	where WCLTD=(ln 174) and WACC = (ln 177)				
126	and FIT, SIT & p are as given in Note O.				
127	GRCF=1 / (1 - T) = (from ln 123)		1.6367		
128	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
129	Income Tax Calculation	(ln 124 * ln 132)	1,435		1,435
130	ITC adjustment	(ln 127 * ln 128)	-	NP(h) 0.00000	-
131	TOTAL INCOME TAXES	(sum lns 129 to 130)	1,435		1,435
132	RETURN ON RATE BASE (Rate Base * WACC)	(ln 78 * ln 177)	3,387		3,387
133	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, ln 2.(B))		-	DA 1.00000	-
134	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, ln 4, Cols. ((F) & (H))		-		-
135	Tax Impact on (Gains) / Losses on Sales of Plant Held for Future Use (ln 134 * ln124)		-		-
136	TOTAL REVENUE REQUIREMENT		222,497		219,165
	(sum lns 104, 113, 121, 131, 132, 133, 134, 135)				

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AEP APPALACHIAN TRANSMISSION COMPANY

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF						
137	Total transmission plant	(In 20)				-	
138	Less transmission plant excluded from PJM Tariff	(Note P)				-	
139	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note Q)				-	
140	Transmission plant included in PJM Tariff	(In 137 - In 138 - In 139)				-	
141	Percent of transmission plant in PJM Tariff	(In 140 / In 137)					TP= 1.00000
142	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total		
143	<i>Line Deliberately Left Blank</i>						
144	Transmission	354.21.b	-	17,247	17,247	TP	1.00000
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	-	279	279	NA	0.00000
148	Total	(sum Ins 144, 145, & 147)	-	17,526	17,526		-
149	Transmission related amount						W/S= 0.98408
Actual Capped Capital Cost Structure (Note S)							
150	WEIGHTED AVERAGE COST OF CAPITAL (WACC)						\$
151	Long Term Interest	(Worksheet L, In. 34, col. (D))				See W/S L	-
152	Preferred Dividends	(Worksheet L, In. 44, col. (D))					-
153	<u>Development of Common Stock:</u>						
154	Proprietary Capital	(FF1 p 112, Ln 16.c)					(797,122)
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)					(797,122)
		\$					
159	Long Term Debt	Worksheet L, In 34, col. (B))	-				0.0000
160	Preferred Stock (In 155)		-				0.0000
161	Common Stock (In 158)		(797,122)				0.0000
162	Total (Sum Ins 159 to 161)		(797,122)				0.0000
							WACC= 0.0000
163	Capital Structure Equity Limit (Note T)		50.0%				
AEP OPERATING COMPANIES' COMPOSITE (Note S)							
164	WEIGHTED AVERAGE COST OF CAPITAL (WACC)						\$
165	Long Term Interest	(Worksheet Q, In. 14)					467,649,989
166	Preferred Dividends	(Worksheet Q, In. 36)					-
167	<u>Development of Common Stock:</u>						
168	Proprietary Capital	(Worksheet Q, In. 37)					8,094,481,064
169	Less: Preferred Stock	(Worksheet Q, In. 38)					-
170	Less: Account 216.1	(Worksheet Q, In. 39)					6,532,329
171	Less: Account 219	(Worksheet Q, In. 40)					(10,289,353)
172	Common Stock	(In 168 - In 169 - In 170 - In 171)					8,098,238,088
173			%	\$		Cost	Weighted
174	Long Term Debt ()	(Worksheet Q, In 50)	51.25%	8,511,972,247		5.49%	0.0282
175	Preferred Stock	(Worksheet Q, In 51)	0.00%	-		0.00%	0.0000
176	Common Stock	(Worksheet Q, In 52)	48.75%	8,098,238,088		11.49%	0.0560
177	Total	(Worksheet Q, In 45)		16,610,210,335		WACC=	0.0842

AEP APPALACHIAN TRANSMISSION COMPANY

Letter

Notes

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

- A Revenue credits include:
1) Forfeited Discounts.
2) Miscellaneous Service Revenues.
3) Rental revenues earned on assets included in the rate base.
4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.
5) Other electric revenues.
6) Revenues for grandfathered PTP contracts included in the load divisor.
See Worksheet E for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's.
- C Transmission Plant balances in this study are projected as of December 31, 2015. Other ratebase amounts are as of December 31, 2014.
- D The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. In compliance with FERC Rulemaking RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B.
The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 88. It excludes:
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 85.
2) AEP transmission equalization transfers, as shown on line 86
3) The impact of state regulatory deferrals and amortizations, as shown on line 87
4) All A&G Expenses, as shown on line 100.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 77 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 133.
- G Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 15 & 16 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 5 through 14, for descriptions and the Form 1 Source of these accounts' balances.
- H Removes cost of transmission service provided by others to determine the basis of cash working capital on line 88. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 102 and 103 to determine the total O&M collected in the formula. The amounts on lines 102 and 103 are also excluded in the calculation of the FCR percentage calculated on lines 5 through 11.
The addbacks on lines 102 and 103 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity.
The company records referenced on lines 102 and 103 is the AEP APPALACHIAN TRANSMISSION COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from O&M expense.
- J General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
- K The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense
- L Expenses reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet F allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M See note K above. Per the settlement in Docket ER10-355, recoverable PBOP expense is based on a rate of 9.4 cents per dollar of direct labor. This rate may be adjusted up or down every four years based on a comparison of the Allowable TransCo PBOP Expense and the Actual PBOP Expense for a four year Historic and four year Projected period. If the over or under collection is greater than plus or minus 20% of the recoverable amount, an adjustment will be proposed in a Section 205 rate filing.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = the percentage of federal income tax deductible for state income taxes. See Worksheet G for the development of the Company's composite SIT.
A utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (ln 128) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
- | | | | |
|------------------|-------|--------|---|
| Inputs Required: | FIT = | 35.00% | |
| | SIT= | 6.00% | (State Income Tax Rate or Composite SIT. Worksheet G)) |
| | p = | 0.00% | (percent of federal income tax deductible for state purposes) |
- P Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- Q Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
- R Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S As shown on Worksheet Q, the AEP Appalachian Transmission Company capital structure and weighted cost of capital (WACC) shall be based on (1) the weighted composite of AEP East Operating Companies' actual end-of-year capital structure, including year-end outstanding long term debt (LTD) and preferred stock (PS) issuances (Projected) or the beginning and ending average capital structure, including the beginning and ending average outstanding LTD and PS issuances (True-Up) with the common equity portion as capped in Docket No. ER08-1329 where any excess common equity is priced at the cost of LTD and the composite equity ratio is further capped at 50%, and (2) the actual weighted composite LTD and PS cost using actual calendar year LTD expense and PS dividends of the AEP East Operating Companies excluding all interest rate hedging costs and/or gains, until the the Company establishes its own actual capital structure.
Upon establishment of actual debt financing for AEP Appalachian Transmission Company, the Company shall use its own actual capital structure capped by a 50% Common Equity Cap and its own LTD costs, excluding all interest rate hedging costs and/or gains, as computed on Worksheet L for the Projected TCOS or Worksheet M for the True Up TCOS.
- T AEP APPALACHIAN TRANSMISSION COMPANY's Common Stock is limited to 50% of the capital structure. This limit may only be changed through a Section 205 or 206 filing effective after June
If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure.

AEPTCo subsidiaries in PJM
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AEP APPALACHIAN TRANSMISSION COMPANY

Line No.			Total	Allocator	Transmission Amount
178	REVENUE REQUIREMENT (w/o incentives)	(ln 313)			\$232,569
179	REVENUE CREDITS	(Note A) (Worksheet E)	-	DA 1.00000	\$ -
180	REVENUE REQUIREMENT For All Company Facilities	(ln 178 less ln 179)			\$ 232,569

MEMO: The Carrying Charge Calculations on lines 183 to 188 below are used in calculating project revenue requirements billed through PJM Schedule 12, Transmission Enhancement Charges. The total non-incentive revenue requirements for these projects shown on line 181 is included in the total on line 180.

181	Not applicable on this template				
182	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
183	Annual Rate	(ln 178 - ln 279 - ln 280) / ln 225 x 100)			0.00%
184	Monthly Rate	(ln 183 / 12)			0.00%
185	NET PLANT CARRYING CHARGE ON LINE 183 , w/o depreciation or ROE incentives (Note B)				
186	Annual Rate	((ln 178 - ln 279 - ln 280 - ln 285) / ln 225 x 100)			0.00%
187	NET PLANT CARRYING CHARGE ON LINE 186, w/o Return, income taxes or ROE incentives (Note B)				
188	Annual Rate	((ln 178 - ln 279 - ln 280 - ln 285 - ln 308 - ln 309) / ln 225 x 100)			0.00%
189	Not applicable on this template				

REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES					
191	Total Load Dispatch & Scheduling (Account 561)	Line 262 Below			238
192	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				238
193	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				-
194	Total 561 Internally Developed Costs	(Line 191 - Line 192 - Line 193)			-

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Utilizing Historic Cost Data for 2014 with Year-End Rate Base Balances

AEP APPALACHIAN TRANSMISSION COMPANY

Line No.	(1) RATE BASE CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total NOTE C	(4) Allocator	(5) Total Transmission
195	GROSS PLANT IN SERVICE				
196	<i>Line Deliberately Left Blank</i>				
197	Transmission	(Worksheet A In 3.C & Ln 317)	-	DA	-
198	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C & Ln 318)	-	TP 1.00000	-
199	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA 0.00000	N/A
200	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA 0.00000	N/A
201	<i>Line Deliberately Left Blank</i>				
202	<i>Line Deliberately Left Blank</i>				
203	General Plant	(Worksheet A In 7.C)	-	W/S 0.98408	-
204	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S 0.98408	-
205	Intangible Plant	(Worksheet A In 9.C)	-	W/S 0.98408	-
206	TOTAL GROSS PLANT	(Sum of Lines: 197 to 200 & 203 to 205)	-	GP(h)= 0.000000 GTD= 0.000000	-
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)	-	TP1= 1.00000	-
211	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 1.00000	-
212	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA 1.00000	N/A
213	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA 1.00000	N/A
214	Plus: Additional Transmission Depreciation for 2015 (-In 285)		N/A	TP1 1.00000	N/A
215	Plus: Additional General & Intangible Depreciation for 2015 (-In 284 + In 285)		N/A	W/S 0.98408	N/A
216	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA 1.00000	N/A
217	<i>Line Deliberately Left Blank</i>				
218	<i>Line Deliberately Left Blank</i>				
219	General Plant	(Worksheet A In 18.C)	-	W/S 0.98408	-
220	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S 0.98408	-
221	Intangible Plant	(Worksheet A In 20.C)	-	W/S 0.98408	-
222	TOTAL ACCUMULATED DEPRECIATION	(Sum of Lines: 210 to 216 & 219 to 221)	-		-
223	NET PLANT IN SERVICE				
224	<i>Line Deliberately Left Blank</i>				
225	Transmission	(In 197 + In 198 - In 210 - In 211)	-		-
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 2015 (-In 214)		N/A		N/A
229	Plus: Additional General & Intangible Depreciation for 2015 (-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)	-		-
233	Intangible Plant	(In 205 - In 221)	-		-
234	TOTAL NET PLANT IN SERVICE	(Sum of Lines: 225 to 230 & 232, 233)	-	NP(h)= 0.000000	-
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)	(2)	DA	(2)
238	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	3,535	DA	3,535
239	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	35,304	DA	35,304
240	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	-
241	TOTAL ADJUSTMENTS	(sum lns 236 to 240)	38,837		38,837
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)	1,396		1,396
246	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	-	TP 1.00000	-
247	A&G Materials & Supplies	(Worksheet C, In 3.(D))	-	W/S 0.98408	-
248	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h) 0.00000	-
249	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	-	W/S 0.98408	-
250	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	-	GP(h) 0.00000	-
251	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA 1.00000	-
252	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	-	NA 0.00000	-
253	TOTAL WORKING CAPITAL	(sum lns 245 to 252)	1,396		1,396
254	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	-	DA 1.00000	-
255	RATE BASE (sum lns 234, 241, 242, 243, 253, 254)		40,233		40,233

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
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AEP APPALACHIAN 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	11,408		
261	TOTAL O&M EXPENSES	(sum Ins 258 to 260)	11,408		
262	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	238		
263	Less: Account 565	(Note H) 321.96.b	-		
264	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-		
265	Total O&M Allocable to Transmission	(Ins 260 - 262 - 263 - 264)	11,170	TP 1.00000	11,170
				<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)	207,148		
267	Less: Acct. 924, Property Insurance	323.185.b	-		
268	Acct. 928, Reg. Com. Exp.	323.189.b	-		
269	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-		
270	Acct. 930.2, Misc. Gen. Exp.	323.192.b	-		
271	Balance of A & G	(In 266 - sum In 267 to In 270)	207,148	W/S 0.98408	203,850
272	Plus: Acct. 924, Property Insurance	(In 267)	-	GP(h) 0.00000	-
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)	(687)	W/S 0.98408	(677)
277	A & G Subtotal	(sum Ins 271 to 276)	206,461		203,174
278	O & M EXPENSE SUBTOTAL	(In 265 + In 277)	217,631		214,344
279	Plus: TEA Settlement in Account 565	Company Records (Note H)	-	DA 1.00000	-
280	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA 1.00000	-
281	TOTAL O & M EXPENSE	(In 278 + In 279 + In 280)	217,631		214,344
282	DEPRECIATION AND AMORTIZATION EXPENSE				
283	<i>Line Deliberately Left Blank</i>				
284	<i>Line Deliberately Left Blank</i>				
285	Transmission	336.7.f	-	TP1 1.00000	-
286	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
287	Plus: Formation Costs Amortization	(Worksheet A In 35.C)	13,404	TP1 1.00000	13,404
288	General	336.10.f	-	W/S 0.98408	-
289	Intangible	336.1.f	-	W/S 0.98408	-
290	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 285+286+288+289)	13,404		13,404
291	TAXES OTHER THAN INCOME	(Note O)			
292	Labor Related				
293	Payroll	Worksheet H In 23.(D)	-	W/S 0.98408	-
294	Plant Related				
295	Property	Worksheet H In 23.(C) & In 58.(C)	-	DA -	-
296	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	45	NA 0.00000	-
297	Other	Worksheet H In 23.(E)	-	GP(h) 0.00000	-
298	TOTAL OTHER TAXES	(sum Ins 293 to 297)	45		-
299	INCOME TAXES	(Note O)			
300	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\}$		38.90%		
301	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		42.37%		
302	where WCLTD=(In 350) and WACC = (In 353)				
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)	1,435		1,435
307	ITC adjustment	(In 304 * In 305)	-	NP(h) 0.00000	-
308	TOTAL INCOME TAXES	(sum Ins 306 to 307)	1,435		1,435
309	RETURN ON RATE BASE (Rate Base*WACC)	(In 255 * In 353)	3,387		3,387
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	(sum Ins 281, 290, 298, 308, 309, 310, 311, 312)	235,901		232,569

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AEP APPALACHIAN TRANSMISSION COMPANY

Letter

Notes

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

- A Revenue credits include:
1) Forfeited Discounts.
2) Miscellaneous Service Revenues.
3) Rental revenues earned on assets included in the rate base.
4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.
5) Other electric revenues.
6) Revenues for grandfathered PTP contracts included in the load divisor.
See Worksheet E for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's.
- C Transmission Plant balances in this study are historic as of December 31, 2014.
- D The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. In compliance with FERC Rulemaking RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B. The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 265. It excludes:
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 262.
2) AEP transmission equalization transfers, as shown on line 263
3) The impact of state regulatory deferrals and amortizations, as shown on line 264
4) All A&G Expenses, as shown on line 277.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 254 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 310.
- G Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 192 & 193 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 5 through 14, for descriptions and the Form 1 Source of these accounts' balances.
- H Removes cost of transmission service provided by others to determine the basis of cash working capital on line 265. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 279 and 280 to determine the total O&M collected in the formula. The amounts on lines 279 and 280 are also excluded in the calculation of the FCR percentage calculated on lines 182 through 188. The addbacks on lines 279 and 280 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity. The company records referenced on lines 279 and 280 is the AEP APPALACHIAN TRANSMISSION COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from O&M expense.
- J General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
- K The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense
- L Expenses reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet F allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M See note K above. Per the settlement in Docket ER10-355, recoverable PBOP expense is based on a rate of 9.4 cents per dollar of direct labor. This rate may be adjusted up or down every four years based on a comparison of the Allowable TransCo PBOP Expense and the Actual PBOP Expense for a four year Historic and four year Projected period. If the over or under collection is greater than plus or minus 20% of the recoverable amount, an adjustment will be proposed in a Section 205 rate filing.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = the percentage of federal income tax deductible for state income taxes. See Worksheet G for the development of the Company's composite SIT. A utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 305) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
Inputs Required: FIT = 35.00%
SIT = 6.00% (State Income Tax Rate or Composite SIT. Worksheet G)
p = 0.00% (percent of federal income tax deductible for state purposes)
- P Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- Q Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
- R Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S As shown on Worksheet Q, the AEP Appalachian Transmission Company capital structure and weighted cost of capital (WACC) shall be based on (1) the weighted composite of AEP East Operating Companies' actual end-of-year capital structure, including year-end outstanding long term debt (LTD) and preferred stock (PS) issuances (Projected) or the beginning and ending average capital structure, including the beginning and ending average outstanding LTD and PS issuances (True-Up) with the common equity portion as capped in Docket No. ER08-1329 where any excess common equity is priced at the cost of LTD and the composite equity ratio is further capped at 50%, and (2) the actual weighted composite LTD and PS cost using actual calendar year LTD expense and PS dividends of the AEP East Operating Companies excluding all interest rate hedging costs and/or gains, until the the Company establishes its own actual capital structure. Upon establishment of actual debt financing for AEP Appalachian Transmission Company, the Company shall use its own actual capital structure capped by a 50% Common Equity Cap and its own LTD costs, excluding all interest rate hedging costs and/or gains, as computed on Worksheet L for the Projected TCOS or Worksheet M for the True Up TCOS.
- T AEP APPALACHIAN TRANSMISSION COMPANY's Common Stock is limited to 50% of the capital structure. This limit may only be changed through a Section 205 or 206 filing effective after June 30, 2013. If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure.

AEPTCo subsidiaries in PJM
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AEP APPALACHIAN TRANSMISSION COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 136)			\$243,553
2	REVENUE CREDITS	(Note A) (Worksheet E)	-	DA 1.00000	\$ -
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			\$ 243,553

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

4	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet K)		-	DA 1.00000	\$ -
5	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
6	Annual Rate	((In 1 - In 102 - In 103) / In 48 x 100)			0.00%
7	Monthly Rate	(In 6 / 12)			0.00%
8	NET PLANT CARRYING CHARGE ON LINE 6 , w/o depreciation or ROE incentives (Note B)				
9	Annual Rate	((In 1 - In 102 - In 103 - In 108) / In 48 x 100)			0.00%
10	NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B)				
11	Annual Rate	((In 1 - In 102 - In 103 - In 108 - In 131 - In 132) / In 48 x 100)			0.00%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet K)				-
13	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES				
14	Total Load Dispatch & Scheduling (Account 561)	Line 85 Below			238
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				238
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				-
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			-

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

Line No.	(1) RATE BASE CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total NOTE C	(4) Allocator	(5) Total Transmission
18	GROSS PLANT IN SERVICE				
19	<i>Line Deliberately Left Blank</i>				
20	Transmission	(Worksheet A In 3.E & Ln 140)	-	DA	-
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E & Ln 141)	-	TP	-
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)	-	W/S	-
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	-	W/S	-
28	Intangible Plant	(Worksheet A In 9.E)	-	W/S	-
29	TOTAL GROSS PLANT	(Sum of Lines: 20 to 23 & 26 to 28)	-	GP(h)= GTD=	0.00000 0.00000
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	<i>Line Deliberately Left Blank</i>				
32	<i>Line Deliberately Left Blank</i>				
33	Transmission	(Worksheet A In 14.E & 28.E)	-	TP1=	-
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 2015 (In 108)		N/A	TP1	N/A
38	Plus: Additional General & Intangible Depreciation for 2015 (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)	-	W/S	-
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	-	W/S	-
44	Intangible Plant	(Worksheet A In 20.E)	-	W/S	-
45	TOTAL ACCUMULATED DEPRECIATION	(Sum of Lines: 33 to 39 & 42 to 44)	-		-
46	NET PLANT IN SERVICE				
47	<i>Line Deliberately Left Blank</i>				
48	Transmission	(In 20 + In 21 - In 33 - In 34)	-		-
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		N/A		N/A
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		N/A		N/A
51	Plus: Additional Transmission Depreciation for 2015 (-In 37)		N/A		N/A
52	Plus: Additional General & Intangible Depreciation for 2015 (-In 38)		N/A		N/A
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		N/A		N/A
54	<i>Line Deliberately Left Blank</i>				
55	General Plant	(In 26 + In 27 - In 42 - In 43)	-		-
56	Intangible Plant	(In 28 - In 44)	-		-
57	TOTAL NET PLANT IN SERVICE	(Sum of Lines: 48 to 53 & 55, 56)	-	NP(h)=	0.00000
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	-	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(1,120)	DA	(1,120)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(5,787)	DA	(5,787)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	83,190	DA	83,190
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	-	DA	-
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	76,284		76,284
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)	1,396		1,396
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)	-	GP(h)	-
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)	1,396		1,396
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8 (B))	-	DA	-
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		<u>77,680</u>		<u>77,680</u>

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2014 with Average Ratebase Balances

AEP APPALACHIAN TRANSMISSION COMPANY

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
	OPERATION & MAINTENANCE EXPENSE				
79	<i>Line Deliberately Left Blank</i>				
80	<i>Line Deliberately Left Blank</i>				
81	Customer Related Expense	322.164,171,178.b	-		
82	Regional Marketing Expenses	322.131.b	-		
83	Transmission	321.112.b	11,408		
84	TOTAL O&M EXPENSES	(sum Ins 81 to 83)	11,408		
85	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	238		
86	Less: Account 565	(Note H) 321.96.b	-		
87	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	-		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	11,170	TP	1.00000
89	Administrative and General	323.197.b (Note J)	207,148		
90	Less: Acct. 924, Property Insurance	323.185.b	-		
91	Acct. 928, Reg. Com. Exp.	323.189.b	-		
92	Acct. 930.1, Gen. Advert. Exp.	323.191.b	-		
93	Acct. 930.2, Misc. Gen. Exp.	323.192.b	-		
94	Balance of A & G	(In 89 - sum In 90 to In 93)	207,148	W/S	0.98408
95	Plus: Acct. 924, Property Insurance	(In 90)	-	GP(h)	0.00000
96	Acct. 928 - Transmission Specific	Worksheet F In 20.(E) (Note L)	-	TP	1.00000
97	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 37.(E) (Note L)	-	TP	1.00000
98	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 42.(E) (Note L)	-	DA	1.00000
99	PBOP Adjustment	Worksheet O Ln 16 (B), (Note K & M)	(687)	W/S	0.98408
100	A & G Subtotal	(sum Ins 94 to 99)	206,461		203,174
101	O & M EXPENSE SUBTOTAL	(In 88 + In 100)	217,631		214,344
102	Plus: TEA Settlement in Account 565	Company Records (Note H)	-	DA	1.00000
103	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA	1.00000
104	TOTAL O & M EXPENSE	(In 101 + In 102 + In 103)	217,631		214,344
105	DEPRECIATION AND AMORTIZATION EXPENSE				
106	<i>Line Deliberately Left Blank</i>				
107	<i>Line Deliberately Left Blank</i>				
108	Transmission	336.7.f	-	TP1	1.00000
109	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
110	Plus: Formation Costs Amortization	(Worksheet A In 35.E)	20,106	TP1	1.00000
111	General	336.10.f	-	W/S	0.98408
112	Intangible	336.1.f	-	W/S	0.98408
113	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 108+109+111+112)	20,106		20,106
114	TAXES OTHER THAN INCOME				
115	Labor Related				
116	Payroll	Worksheet H In 23.(D)	-	W/S	0.98408
117	Plant Related				
118	Property	Worksheet H In 23.(C) & In 58.(C)	-	DA	-
119	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	45	NA	0.00000
120	Other	Worksheet H In 23.(E)	-	GP(h)	0.00000
121	TOTAL OTHER TAXES	(sum Ins 116 to 120)	45		-
122	INCOME TAXES				
123	T=1 - {(1 - SIT) * (1 - FIT)} / (1 - SIT * FIT * p) =		38.90%		
124	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		42.08%		
125	where WCLTD=(In 174) and WACC = (In 177)				
126	and FIT, SIT & p are as given in Note O.				
127	GRCF=1 / (1 - T) = (from In 123)		1.6367		
128	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
129	Income Tax Calculation	(In 124 * In 132)	2,696		2,696
130	ITC adjustment	(In 127 * In 128)	-	NP(h)	0.00000
131	TOTAL INCOME TAXES	(sum Ins 129 to 130)	2,696		2,696
132	RETURN ON RATE BASE (Rate Base*WACC)	(In 78 * In 177)	6,406		6,406
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	(sum Ins 104, 113, 121, 131, 132, 133)	246,884		243,553

AEP APPALACHIAN TRANSMISSION COMPANY

SUPPORTING CALCULATIONS

In										
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
137	Total transmission plant	(In 20)								-
138	Less transmission plant excluded from PJM Tariff (Note P)									-
139	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note Q)									-
140	Transmission plant included in PJM Tariff	(In 137 - In 138 - In 139)								-
141	Percent of transmission plant in PJM Tariff	(In 140 / In 137)							TP=	1.00000
142	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
143	<i>Line Deliberately Left Blank</i>									
144	Transmission	354.21.b	-	17,247	17,247	TP	1.00000			17,247
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	-	279	279	NA	0.00000			-
148	Total	(sum Ins 144, 145, & 147)	-	17,526	17,526					17,247
149	Transmission related amount								W/S=	0.98408
	ACTUAL CAPPED CAPITAL COST STRUCTURE (Note S)									
150	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
151	Long Term Interest	(Worksheet M, In. 20, col. (E))								-
152	Preferred Dividends	(Worksheet M, In. 49, col. (E))								-
153	<u>Development of Average Common Stock Balance:</u>									
154	Proprietary Capital	(Worksheet M, In. 1, col. (E))								(688,235)
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)								(688,235)
	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))	-		0.00%	0.00%		0.00%		0.0000	
160	Preferred Stock (In 155)	-		0.00%	0.00%		0.00%		0.0000	
161	Common Stock (In 158)	(688,235)		0.00%	0.00%		11.49%		0.0000	
162	Total (Sum Ins 159 to 161)	(688,235)		0.00%	0.00%		WACC=		0.0000	
163	Capital Structure Equity Limit (Note T)	50.0%								
	AEP OPERATING COMPANIES' COMPOSITE (Note S)									
164	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
165	Long Term Interest	(Worksheet Q, In. 132)								467,649,989
166	Preferred Dividends	(Worksheet Q, In. 134)								-
167	<u>Development of Actual Average Common Stock:</u>									Average
168	Proprietary Capital	(Worksheet Q, In. 135)								7,931,955,417
169	Less: Preferred Stock	(Worksheet Q, In. 136)								-
170	Less: Account 216.1	(Worksheet Q, In. 137)								6,495,866
171	Less: Account 219	(Worksheet Q, In. 138)								(10,105,810)
172	Common Stock	(In 168 - In 169 - In 170 - In 171)								7,935,565,361
173	True Up Capitalization with Equity Caps			%	\$		Cost		Weighted	
174	Long Term Debt (Worksheet Q, In 148)			52.56%	8,790,846,586		5.32%		0.0280	
175	Preferred Stock (Worksheet Q, In 149)			0.00%	-		0.00%		0.0000	
176	Common Stock (Worksheet Q, In 150)			47.44%	7,935,565,361		11.49%		0.0545	
177	Total (Worksheet Q, In 143)			100%	16,726,411,947		WACC=		0.0825	

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2014 with Average Ratebase Balances

Formula Rate
True-UP TCOS
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AEP APPALACHIAN TRANSMISSION COMPANY

Letter

Notes

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

- A** Revenue credits include:
1) Forfeited Discounts.
2) Miscellaneous Service Revenues.
3) Rental revenues earned on assets included in the rate base.
4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.
5) Other electric revenues.
6) Revenues for grandfathered PTP contracts included in the load divisor.
See Worksheet E for details.
- B** The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's.
- C** Transmission Plant balances in this study reflect the average of the balances at December 31, 2013 and December 31, 2014.
- D** The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. In compliance with FERC Rulemaking RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B. The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
- E** Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 88. It excludes:
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 85.
2) AEP transmission equalization transfers, as shown on line 86
3) The impact of state regulatory deferrals and amortizations, as shown on line 87
4) All A&G Expenses, as shown on line 100.
- F** Consistent with Paragraph 657 of Order 2003-A, the amount on line 77 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 133.
- G** Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 15 & 16 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 5 through 14, for descriptions and the Form 1 Source of these accounts' balances.
- H** Removes cost of transmission service provided by others to determine the basis of cash working capital on line 88. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 102 and 103 to determine the total O&M collected in the formula. The amounts on lines 102 and 103 are also excluded in the calculation of the FCR percentage calculated on lines 5 through 11. The addbacks on lines 102 and 103 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity. The company records referenced on lines 102 and 103 is the AEP APPALACHIAN TRANSMISSION COMPANY general ledger.
- I** Removes the impact of state regulatory deferrals or their amortization from O&M expense.
- J** General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
- K** The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense
- L** Expenses reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet F allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M** See note K above. Per the settlement in Docket ER10-355, recoverable PBOP expense is based on a rate of 9.4 cents per dollar of direct labor. This rate may be adjusted up or down every four years based on a comparison of the Allowable TransCo PBOP Expense and the Actual PBOP Expense for a four year Historic and four year Projected period. If the over or under collection is greater than plus or minus 20% of the recoverable amount, an adjustment will be proposed in a Section 205 rate filing.
- N** Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use and taxes related to income are excluded.
- O** The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = the percentage of federal income tax deductible for state income taxes. See Worksheet G for the development of the Company's composite SIT. A utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 128) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
Inputs Required: FIT = 35.00%
SIT= 6.00% (State Income Tax Rate or Composite SIT. Worksheet G))
p = 0.00% (percent of federal income tax deductible for state purposes)
- P** Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- Q** Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
- R** Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S** As shown on Worksheet Q, the AEP Appalachian Transmission Company capital structure and weighted cost of capital (WACC) shall be based on (1) the weighted composite of AEP East Operating Companies' actual end-of-year capital structure, including year-end outstanding long term debt (LTD) and preferred stock (PS) issuances (Projected) or the beginning and ending average capital structure, including the beginning and ending average outstanding LTD and PS issuances (True-Up) with the common equity portion as capped in Docket No. ER08-1329 where any excess common equity is priced at the cost of LTD and the composite equity ratio is further capped at 50%, and (2) the actual weighted composite LTD and PS cost using actual calendar year LTD expense and PS dividends of the AEP East Operating Companies excluding all interest rate hedging costs and/or gains, until the the Company establishes its own actual capital structure. Upon establishment of actual debt financing for AEP Appalachian Transmission Company, the Company shall use its own actual capital structure capped by a 50% Common Equity Cap and its own LTD costs, excluding all interest rate hedging costs and/or gains, as computed on Worksheet L for the Projected TCOS or Worksheet M for the True Up TCOS.
- T** AEP APPALACHIAN TRANSMISSION COMPANY's Common Stock is limited to 50% of the capital structure. This limit may only be changed through a Section 205 or 206 filing effective after June 30, 2013. If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure.

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using 2014 FF1 Balances
Worksheet A Supporting Plant Balances
AEP APPALACHIAN TRANSMISSION COMPANY

Line Number	(A) Rate Base Item & Supporting Balance	(B) Source of Data	(C) Balance @ December 31, 2014	(D) Balance @ December 31, 2013	(E) Average Balance for 2014
Plant Investment Balances					
1	Line Deliberately Left Blank				
2	Line Deliberately Left Blank				
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	-	-	-
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	-	-	-
5	Line Deliberately Left Blank				
6	Line Deliberately Left Blank				
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	-	-	-
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	-	-	-
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	-	-	-
10	Total Property Investment Balance	(Sum of Lines: 3, 7, 9)	-	-	-
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 8)	-	-	-
Accumulated Depreciation & Amortization Balances					
12	Line Deliberately Left Blank				
13	Line Deliberately Left Blank				
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	-	-	-
15	Transmission ARO Accumulated Depreciation	Company Records - Note 1	-	-	-
16	Line Deliberately Left Blank				
17	Line Deliberately Left Blank				
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	-	-	-
19	General ARO Accumulated Depreciation	Company Records - Note 1	-	-	-
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	-	-	-
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 18, 20)	-	-	-
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 19)	-	-	-
Generation Step-Up Units					
23	GSU Investment Amount	Company Records - Note 1	-	-	-
24	GSU Accumulated Depreciation	Company Records - Note 1	-	-	-
25	GSU Net Balance	(Line 23 - Line 24)	-	-	-
Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation					
26	Transmission Accumulated Depreciation	(Line 14 Above)	-	-	-
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	-	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	-	-	-
Plant Held For Future Use					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	-	-	-
30	Transmission Plant Held For Future	Company Records - Note 1	-	-	-
Regulatory Assets and Liabilities Approved for Recovery in Ratebase					
31	Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.				
32	Beginning Balance of Regulatory Asset (Note 2)		13,404	40,213	26,809
33	Amortization in Months		6	18	12
34	Monthly Amortization		2,234	2,234	2,234
35	Months in 2014 to be amortized		6	12	9
36	Amortization Expense in 2014		13,404	26,809	20,106
37	Months in 2015 to be amortized		-	6	3
38	Amortization Expense in 2015		-	13,404	6,702
39	Ending Balance of Regulatory Asset		-	13,404	6,702
40	Average Balance of Regulatory Asset		6,702	26,809	16,755
41	Unamortized Balance of Regulatory Asset at YE 2014		-	13,404	6,702
	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

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using 2014 FF1 Balances
Worksheet B Supporting ADIT and ITC Balances
AEP APPALACHIAN TRANSMISSION COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) Source</u>	<u>(C) Balance @ December 31, 2014</u>	<u>(D) Balance @ December 31, 2013</u>	<u>(E) Average Balance for 2014</u>
1	<u>Account 281</u>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, In 8, Col. (k)	-	-	-
3	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
4	Less: Other Excluded Deferrals	Company Records - Note 1	-	-	-
5	Transmission Related Deferrals	Ln 2 - In 3 - In 4	-	-	-
6	<u>Account 282</u>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, In 5, Col. (k)	2	2,237	1,120
8	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
9	Less: Other Excluded Deferrals	Company Records - Note 1	-	-	-
10	Transmission Related Deferrals	Ln 7 - In 8 - In 9	2	2,237	1,120
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, In 9, Col. (k)	(3,535)	15,108	5,787
13	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
14	Less: Other Excluded Deferrals	Company Records - Note 1	-	-	-
15	Transmission Related Deferrals	Ln 12 - In 13 - In 14	(3,535)	15,108	5,787
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, In 8, Col. (c)	35,304	131,076	83,190
18	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
19	Less: Other Excluded Deferrals	Company Records - Note 1	-	-	-
20	Transmission Related Deferrals	Ln 17 - In 18 - In 19	35,304	131,076	83,190
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 2014 FF1 Balances
 Worksheet D Supporting IPP Credits
 AEP APPALACHIAN TRANSMISSION COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2014</u>
1	Net Funds from IPP Customers 12/31/2013 (2014 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 12/31/2014 (2014 FORM 1, P269, line 24.f)	-
8	Average Balance for Year as Indicated in Column $((\text{In } 1 + \text{In } 7)/2)$	-

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

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2014 FF1 Balances
 Worksheet E Supporting Revenue Credits
 AEP APPALACHIAN TRANSMISSION COMPANY

<u>Line Number</u>	<u>Description</u>	<u>Total Company</u>	<u>Non-Transmission</u>	<u>Transmission</u>
1	Account 450, Forfeited Discounts (FF1 p.300.16.(b); Company Records - Note 1)	-	-	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	-	-	-
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	-	-	-
4	Account 4560015, Associated Business Development - (Company Records - Note 1)	-	-	-
5	Account 456 - Other Electric Revenues - (Company Records - Note 1)	13,404	13,404	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	13,404	13,404	-
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	-	-	-
8	Total Other Operating Revenues To Reduce Revenue Requirement	13,404	13,404	-

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

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2014 FF1 Balances
 Worksheet F Supporting Allocation of Specific O&M or A&G Expenses
 AEP APPALACHIAN TRANSMISSION COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	
<u>Line Number</u>	<u>Item No.</u>	<u>Description</u>	<u>2014 Expense</u>	<u>100% Non-Transmission</u>	<u>100% Transmission Specific</u>	<u>Explanation</u>
Regulatory O&M Deferrals & Amortizations						
1	5700005	Maint Station-Reliability-Df	-			
2						
3						
4		Total	-			
Detail of Account 561 Per FERC Form 1						
5	FF1 p 321.84.b	561 - Load Dispatching	-			
6	FF1 p 321.85.b	561.1 - Load Dispatch - Reliability	-			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	-			
8	FF1 p 321.87.b	561.3 - Load Dispatch - Trans Service & Scheduling	-			
9	FF1 p 321.88.b	561.4 - Scheduling, System Control & Dispatch	238			
10	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	-			
11	FF1 p 321.90.b	561.6 - Transmission Service Studies	-			
12	FF1 p 321.91.b	561.7 - Generation Interconnection Studies	-			
13	FF1 p 321.92.b	561.8 - Reliability, Planning and Standards Development Services	-			
14		Total of Account 561	238			
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 2014 FF1 Balances
 Worksheet G Supporting - Development of Composite State Income Tax Rate
 AEP APPALACHIAN TRANSMISSION COMPANY

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

Note 1 The Ohio State Income Tax is being phased-out prorata over a 5 year period from 2005 through 2009. The taxable portion of income is 20% in 2009. The phase-out factors can be found in the Ohio Revised Code at 5733.01(G)2(a)(v). This tax has been replaced with a Commercial Activities Tax that is included in Schedule H.

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

Line No.	(A) Account	(B) Total Company NOTE 1	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
1	Revenue Taxes					
2	Gross Receipts Tax	45				45
3	Real Estate and Personal Property Taxes					
4	Real and Personal Property - West Virginia	-	-			
5	Real and Personal Property - Virginia	-	-			
6	Real and Personal Property - Tennessee	-	-			
7	Real and Personal Property - Other Jurisdictions	-	-			
8	Payroll Taxes					
9	Federal Insurance Contribution (FICA)	-		-		
10	Federal Unemployment Tax	-		-		
11	State Unemployment Insurance	-		-		
12	<i>Line Deliberately Left Blank</i>					
13	State Severance Taxes	-				-
14	Miscellaneous Taxes					
15	State Business & Occupation Tax	-				-
16	State Public Service Commission Fees	-			-	
17	State Franchise Taxes	-			-	
18	State Lic/Registration Fee	-			-	
19	Misc. State and Local Tax	-			-	
20	Sales & Use	-				-
21	Federal Excise Tax	-				-
22	Michigan Single Business Tax	-				-
23	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14.(c))	45	-	-	-	45

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

Line No.	Account	Column (B) Deliberately Left Blank		Column (D) Deliberately Left Blank		Total
		Transmission	General	Transmission	General	
24	Functionalized Net Plant (Hist. TCOS, Lns 224 thru 234)	-	-	-	-	-
	VIRGINIA JURISDICTION					
25	Percentage of Plant in VIRGINIA JURISDICTION					
26	Net Plant in VIRGINIA JURISDICTION (Ln 24 * Ln 25)	-	-	-	-	-
27	Less: Net Value of Exempted Generation Plant	-	-	-	-	-
28	Taxable Property Basis (Ln 26 - Ln 27)	-	-	-	-	-
29	Relative Valuation Factor					0
30	Weighted Net Plant (Ln 28 * Ln 29)	-	-	-	-	-
31	General Plant Allocator (Ln 30 / (Total - General Plant))	0.00%	100.00%	0.00%	-100.00%	
32	Functionalized General Plant (Ln 31 * General Plant)	-	-	-	-	-
33	Weighted VIRGINIA JURISDICTION Plant (Ln 30 + 32)	-	-	-	-	-
34	Functional Percentage (Ln 33/Total Ln 33)	0.00%	100.00%	0.00%		
35	Functionalized Expense in VIRGINIA JURISDICTION	-	-	-	-	-
	WEST VA JURISDICTION					
36	Percentage of Plant in WEST VA JURISDICTION					
37	Net Plant in WEST VA JURISDICTION (Ln 24 * Ln 36)	-	-	-	-	-
38	Less: Net Value of Exempted Generation Plant	-	-	-	-	-
39	Taxable Property Basis (Ln 37 - Ln 38)	-	-	-	-	-
40	Relative Valuation Factor					0
41	Weighted Net Plant (Ln 39 * Ln 40)	-	-	-	-	-
42	General Plant Allocator (Ln 41 / (Total - General Plant))	0.00%	100.00%	0.00%	-100.00%	
43	Functionalized General Plant (Ln 42 * General Plant)	-	-	-	-	-
44	Weighted WEST VA JURISDICTION Plant (Ln 41 + 43)	-	-	-	-	-
45	Functional Percentage (Ln 44/Total Ln 44)	0.00%	100.00%	0.00%		
46	Functionalized Expense in WEST VA JURISDICTION	-	-	-	-	-
	TENNESSEE JURISDICTION					
47	Net Plant in TENNESSEE JURISDICTION (Ln 24 - Ln 26 - Ln 37)	-	-	-	-	-
48	Less: Net Value Exempted Generation Plant	-	-	-	-	-
49	Taxable Property Basis	-	-	-	-	-
50	Relative Valuation Factor					
51	Weighted Net Plant (Ln 49 * Ln 50)	-	-	-	-	-
52	General Plant Allocator (Ln 51 / (Total - General Plant))	0.00%	100.00%	0.00%	-100.00%	
53	Functionalized General Plant (Ln 53 * General Plant)	-	-	-	-	-
54	Weighted TENNESSEE JURISDICTION Plant (Ln 51 + 53)	-	-	-	-	-
55	Functional Percentage (Ln 54/Total Ln 54)	0.00%	100.00%	0.00%		
56	Functionalized Expense in TENNESSEE JURISDICTION	-	-	-	-	-
57	Total Other Jurisdictions: (Line 7 * Net Plant Allocator)		-			-
58	Total Func. Property Taxes (Sum Lns 35, 46 56, 57)	-	-	-	-	-

Line No.	(A) Annual Tax Expenses by Type (Note 1)	(B) Total Company	(C) FERC FORM 1 Tie-Back	(D) FERC FORM 1 Reference
1	Revenue Taxes			
2	Gross Receipts Tax	45	3 42	P.263 ln 7 (i) P.263 ln 8 (i) P.263.2 ln 4 (i)
3	Real Estate and Personal Property Taxes			
4	Real and Personal Property - West Virginia	-		P.263 ln 34 (i) P.263 ln 35 (i) P.263 ln 38 (i) P.263 ln 39 (i) P.263.1 ln 2 (i) P.263.1 ln 3 (i)
5	Real and Personal Property - Virginia	-		P.263.2 ln 21 (i) P.263.2 ln 22 (i) P.263.2 ln 24 (i) P.263.2 ln 25 (i) P.263.2 ln 26 (i) P.263.2 ln 27 (i)
6	Real and Personal Property - Tennessee	-		P.263.3 ln 3 (i) P.263.3 ln 4 (i)
7	Real and Personal Property - Other Jurisdictions	-		P.263.4 ln 12 (i)
8	Payroll Taxes			
9	Federal Insurance Contribution (FICA)	-		P.263 ln 6 (i)
10	Federal Unemployment Tax	-		P.263 ln 9 (i)
11	State Unemployment Insurance	-		P.263.1 ln 23 (i) P.263.2 ln 33 (i) P.263.3 ln 16 (i)
12	<i>Line Left Deliberately Blank</i>			
13	State Severance Taxes	-		
14	Miscellaneous Taxes			
15	State Business & Occupation Tax	-		P.263 ln 21 (i) P.263 ln 22 (i)
16	State Public Service Commission Fees	-		P.263 ln 26 (i) P.263 ln 27 (i) P.263.3 ln 20 (i)
17	State Franchise Taxes	-		P.263.1 ln 18 (i) P.263.1 ln 19 (i) P.263.1 ln 34 (i) P.263.2 ln 10 (i) P.263.2 ln 11 (i) P.263.2 ln 38 (i) P.263.2 ln 39 (i) P.263.3 ln 27 (i) P.263.3 ln 28 (i) P.263.4 ln 20 (i) P.263.4 ln 27 (i)
18	State Lic/Registration Fee	-		P.263.1 ln 15 (i) P.263.2 ln 13 (i) P.263.3 ln 8 (i) P.263.4 ln 21 (i)
19	Misc. State and Local Tax	-		P.263.1 ln 12 (i)
20	Sales & Use	-		P.263 ln 30 (i) P.263 ln 31(i) P.263.2 ln 16 (i) P.263.2 ln 17 (i) P.263.3 ln 21 (i)
21	Federal Excise Tax	-		P.263 ln 13 (i) P.263 ln 14 (i)
22	Michigan Single Business Tax	-		
23	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	45	45	

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 2014 FF1 Balances
Worksheet I Supporting Transmission Plant in Service Additions
AEP APPALACHIAN TRANSMISSION COMPANY

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

I. Calculation of Composite Depreciation Rate

1	Transmission Plant @ Beginning of Historic Period (2014) (P.206, In 58,(b)):	-
2	Transmission Plant @ End of Historic Period (2014) (P.207, In 58,(g)):	-
3		-
4	Average Balance of Transmission Investment	-
5	Annual Depreciation Expense, Historic TCOS, In 285	-
6	Composite Depreciation Rate	0.00%
7	Depreciation rate of AEP Operating Companies from Worksheet P (used if line 6 is zero)	1.67%

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

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

III. Plant Transferred

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

IV. List of Major Projects Expected to be In-Service in 2015

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

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

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2014 FF1 Balances
 Worksheet J Supporting Calculation of PROJECTED PJM RTEP Project Revenue Requirement Billed to Benefiting Zones
 AEP APPALACHIAN TRANSMISSION COMPANY

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

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

ROE w/o incentives (Projected TCOS, In 176) 11.49%
 Project ROE Incentive Adder 0 <==ROE Adder Cannot Exceed 125 Basis Points
 ROE with additional 0 basis point incentive 11.49% <== ROE including Incentives Cannot Exceed 12.74% Until July 1, 2012
 Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the Projected TCOS, lns 174 through 176)

	%	Cost	Weighted cost
Long Term Debt	51.25%	5.49%	2.815%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	48.75%	11.49%	5.602%
		R =	8.417%

SUMMARY OF PROJECTED ANNUAL RTEP REVENUE REQUIREMENTS			
PROJECTED YEAR	2015	Rev Require	W Incentives
		-	-
			Incentive Amounts
			\$ -

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

Rate Base (Projected TCOS, In 78) 40,233
 R (from A. above) 8.417%
 Return (Rate Base x R) 3,387

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

Return (from B. above) 3,387
 Effective Tax Rate (Projected TCOS, In 124) 42.37%
 Income Tax Calculation (Return x CIT) 1,435
 ITC Adjustment -
 Income Taxes 1,435

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) 219,165
 T.E.A. & Lease Payments (Projected TCOS, Lns 102 & 103) -
 Return (Projected TCOS, In 132) 3,387
 Income Taxes (Projected TCOS, In 131) 1,435
 Annual Revenue Requirement, Less TEA Charges, Return and Taxes 214,344

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes 214,344
 Return (from I.B. above) 3,387
 Income Taxes (from I.C. above) 1,435
 Annual Revenue Requirement, with 0 Basis Point ROE increase 219,165
 Depreciation (Projected TCOS, In 108) -
 Annual Rev. Req. w/0 Basis Point ROE increase, less Depreciation 219,165

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

Net Transmission Plant (Projected TCOS, In 48) -
 Annual Revenue Requirement, with 0 Basis Point ROE increase 219,165
 FCR with 0 Basis Point increase in ROE 0.00%
 Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep. 219,165
 FCR with 0 Basis Point ROE increase, less Depreciation 0.00%
 FCR less Depreciation (Projected TCOS, In 9) 0.00%
 Incremental FCR with 0 Basis Point ROE increase, less Depreciation 0.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Historic Period (2014) (P.206, In 58,(b)): -
 Transmission Plant @ End of Historic Period (2014) (P.207, In 58,(g)): -
 Subtotal -
 Average Transmission Plant Balance for 2014 -
 Annual Depreciation Rate (Projected TCOS, In 108) -
 Composite Depreciation Rate 1.67%
 Depreciable Life for Composite Depreciation Rate 59.88
 Round to nearest whole year 60

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

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

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

ROE w/o incentives (True-Up TCOS, In 176)			11.49%
Project ROE Incentive Adder		0	<=ROE Adder Cannot Exceed 100 Basis Points
ROE with additional 0 basis point incentive			11.49% <= ROE Including Incentives Cannot Exceed 12.5% Until July 1, 2012
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the True-Up TCOS, Ins 174 through 176)			
	<u>%</u>	<u>Cost</u>	<u>Weighted cost</u>
Long Term Debt	52.56%	5.32%	2.796%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	47.44%	11.49%	5.451%
		R =	8.247%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPPROJECTS			
TRUE-UP YEAR	2014	Rev Require	Incentive Amounts
As Projected in Prior Year WS J			\$ -
Actual after True-up	\$ -	\$ -	\$ -
True-up of ARR For 2014			-

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

Rate Base (True-Up TCOS, In 78)	77,680
R (from A. above)	8.247%
Return (Rate Base x R)	6,406

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

Return (from B. above)	6,406
Effective Tax Rate (True-Up TCOS, In 124)	42.08%
Income Tax Calculation (Return x CIT)	2,696
ITC Adjustment	-
Income Taxes	2,696

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

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

Annual Revenue Requirement (True-Up TCOS, In 1)	243,553
T.E.A. & Lease Payments (True-Up TCOS, Lns 102 & 103)	-
Return (True-Up TCOS, In 132)	6,406
Income Taxes (True-Up TCOS, In 131)	2,696
Annual Revenue Requirement, Less TEA	234,450
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	234,450
Return (from I.B. above)	6,406
Income Taxes (from I.C. above)	2,696
Annual Revenue Requirement, with 0 Basis Point ROE increase	243,553
Depreciation (True-Up TCOS, In 108)	-
Annual Rev. Req. w/ 0 Basis Point ROE increase, less Depreciation	243,553

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

Net Transmission Plant (True-Up TCOS, In 48)	-
Annual Revenue Requirement, with 0 Basis Point ROE increase	243,553
FCR with 0 Basis Point increase in ROE	0.00%

Annual Rev. Req. w/ 0 Basis Point ROE increase, less Dep.	243,553
FCR with 0 Basis Point ROE increase, less Depreciation	0.00%
FCR less Depreciation (True-Up TCOS, In 9)	0.00%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

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

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

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

A. Base Plan Facilities

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

Project Description:

2014	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	-	-	-
Prior Yr True-Up	-	-	-
True-Up Adjustment	-	-	-

Details		Current Year	2014
Investment			
Service Year (yyyy)	2014	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)		FCR w/o incentives, less depreciation	0.00%
Useful life	60	FCR w/incentives approved for these facilities, less dep.	0.00%
CIAC (Yes or No)	No	Annual Depreciation Expense	-

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

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	Average Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement #	RTEP Projected Rev. Req't. From Prior Year WS J w/o Incentives	RTEP Rev Req't True-up w/o Incentives	RTEP Projected Rev. Req't. From Prior Year WS J with Incentives **	RTEP Rev Req't True-up with Incentives **	True-up of Incentive with Incentives **
2014	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2015	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2016	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2017	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2018	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2019	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2020	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2021	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2022	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2023	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2024	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2025	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2026	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2027	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2028	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2029	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2030	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2031	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2032	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2033	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2034	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2035	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2036	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2037	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2038	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2039	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2040	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2041	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2042	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2043	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2044	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2045	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2046	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2047	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2048	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2049	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2050	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2051	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2052	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2053	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2054	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2055	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2056	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2057	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2058	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2059	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2060	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2061	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2062	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2063	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2064	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2065	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2066	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2067	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2068	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2069	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2070	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2071	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2072	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
2073	-	-	-	-	-	-	\$ -	\$ -	-	\$ -	-	\$ -
Project Totals												

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

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

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2014 FF1 Balances
 Worksheet L Supporting Projected Cost of Debt
 AEP APPALACHIAN TRANSMISSION COMPANY

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

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

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

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

**Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital
 Based on Average of Balances At 12/31/2013 & 12/31/2014**

(A)	(B)	(C)	(D)	(E)
Line		Balances @ 12/31/2014	Balances @ 12/31/2013	Average
Development of Average Balance of Common Equity				
1	Proprietary Capital (112.16.c&d)	(797,122)	(579,347)	(688,235)
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	(797,122)	(579,347)	(688,235)

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

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

12 NOTE: The balance of fair value hedges on outstanding long term debt are to be excluded from the balance of long term debt included in the formula's capital structure. (Page 257, Column H of the FF1)

13	Annual Interest Expense for 2014			
14	Interest on Long Term Debt (256-257.33.i)			-
	Less: Total Hedge (Gain)/Expense Accumulated from p 256-257, col (i) of FERC Form 1 included in Ln 14 and shown in Ln 32 below.			-
16	Amort of Debt Discount & Expense (117.63.c)			-
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)			-
21	Average Cost of Debt for 2014 (Ln 20/Ln 11)			0.00%

CALCULATION OF HEDGE GAINS/LOSSES TO BE EXCLUDED FROM TCOS

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

	HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)	(Amortization of (Gain)/Loss for 2014	Remaining Unamortized Balance	Amortization Period	
				Beginning	Ending
23					
24					
25					
26					
27					
28					
29					
30					
31					

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

Development of Cost of Preferred Stock

Preferred Stock			Average
33 0% Series - Dividend Rate (p. 250-251. 7 & 10.a)			
34 0% Series - Par Value (p. 250-251. 8.c)			
35 0% Series - Shares O/S (p.250-251. 8 & 11.e)			
36 0% Series - Monetary Value (Ln 34 * Ln 35)	-	-	-
37 0% Series - Dividend Amount (Ln 33 * Ln 36)	-	-	-
38 0% Series - Dividend Rate (p. 250-251.a)			
39 0% Series - Par Value (p. 250-251.c)			
40 0% Series - Shares O/S (p.250-251. e)			
41 0% Series - Monetary Value (Ln 39 * Ln 40)	-	-	-
42 0% Series - Dividend Amount (Ln 38 * Ln 41)	-	-	-
43 0% Series - Dividend Rate (p. 250-251.a)			
44 0% Series - Par Value (p. 250-251.c)			
45 0% Series - Shares O/S (p.250-251.e)			
46 0% Series - Monetary Value (Ln 44 * Ln 45)	-	-	-
47 0% Series - Dividend Amount (Ln 43 * Ln 46)	-	-	-
48 Balance of Preferred Stock (Lns 36, 41, 46)	-	-	-
49 Dividends on Preferred Stock (Lns 37, 42, 47)	-	-	-
50 Average Cost of Preferred Stock (Ln 49/48)	0.00%	0.00%	0.00%

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

**AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2014 FF1 Balances
 Worksheet N - Gains (Losses) on Sales of Plant Held For Future Use
 AEP APPALACHIAN TRANSMISSION COMPANY**

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

Line	(A) Date	(B) Property Description	(C) Function (T) or (G) T = Transmission G = General	(D) Basis	(E) Proceeds	(F) (Gain) / Loss	(G) Functional Allocator	(H) Functionalized Proceeds (Gain) / Loss	(I) FERC Account
1						-	0.000%	-	
2						-	0.000%	-	
3						-	0.000%	-	
4				Net (Gain) or Loss for 2014		-		-	

AEPTCo subsidiaries in PJM
 Cost of Service Formula Rate Using 2014 FF1 Balances
 Calculation of Post-employment Benefits Other than Pensions Expenses Allocable to Transmission Service
 Worksheet O - PBOP Support
 AEP APPALACHIAN TRANSMISSION COMPANY

PBOP	(A)	(B)
1	<u>Calculation of PBOP Expenses</u>	
2	<u>AEP System PBOP Rate</u>	
3	Total AEP System PBOP expenses	-\$76,811,513
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	-\$76,811,513
6	Total AEP System Direct Labor Expense	\$1,252,531,222
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	-\$0.061
8	Currently Approved PBOP Rate	-\$0.058
9	Base PBOP TransCo labor expensed in current year	36,301
10	Allowable TransCo PBOP Expense for current year (Ln 8 * Ln 9)	-\$2,105
11	Direct PBOP Expense per Actuarial Report	-
12	Additional PBOP Ledger Entry (From Company Records)	-
13	Medicare Credit	-
14	PBOP Expenses From AEP Affiliates (From Company Records)	-\$1,418
15	Actual PBOP Expense (Sum Lines 11-14)	-\$1,418
16	PBOP Adjustment Line 10 less Line 15	-\$687

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

AEP APPALACHIAN TRANSMISSION COMPANY

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

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

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

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

AEP East Consolidated Utility Capital Structure
Consolidation of Operating Companies' Capital Structure @ December 31, 2014
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)	367,622,368	-	-	-	-	-	367,622,368
2 Less: Reacquired Bonds (112.19.c&d)	-	40,000,000	-	-	345,400,000	-	385,400,000
3 LT Advances from Assoc. Companies (112.20.c&d)	86,000,000	-	-	20,000,000	-	25,000,000	131,000,000
4 Senior Unsecured Notes (112.21.c&d) Excludes Spent Nuc Fuel Disp Fund	3,534,821,976	1,628,907,909	820,000,000	-	2,415,019,994	-	8,398,749,879
5 Less: Fair Value Hedges (See Note on Ln 7 below)	-	-	-	-	-	-	-
6 Total Long Term Debt Balance	3,988,444,344	1,588,907,909	820,000,000	20,000,000	2,069,619,994	25,000,000	8,511,972,247
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)	198,433,109	82,484,400	38,642,264	904,000	121,704,036	1,312,500	443,480,309
9 Amort of Debt Discount & Expense (117.63.c)	3,105,002	2,188,650	517,866	-	1,580,870	-	7,392,388
10 Amort of Loss on Reacquired Debt (117.64.c)	7,213,006	8,235,783	33,635	-	1,338,683	-	16,821,107
11 Less: Amort of Premium on Debt (117.65.c)	-	-	-	-	-	-	-
12 Less: Amort of Gain on Reacquired Debt (117.66.c)	-	1,712	-	-	-	-	1,712
13 Less: Hedge Interest on pp 256-257(i)	1,240,531	806,279	92,956	-	(2,097,663)	-	42,103
14 LTD Interest Expense	207,510,586	92,100,842	39,100,809	904,000	126,721,252	1,312,500	467,649,989
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)	3,366,927,928	1,953,950,018	663,642,997	31,277,290	1,980,209,844	98,472,987	8,094,481,064
38 Less: Preferred Stock (Ln 35 Above)	-	-	-	-	-	-	-
39 Less: Account 216.1 (112.12.c)	1,649,787	(33,162)	-	-	4,915,704	-	6,532,329
40 Less: Account 219.1 (112.15.c)	5,031,962	(14,359,735)	(7,335,603)	-	5,601,842	772,181	(10,289,353)
41 Balance of Common Equity	3,360,246,179	1,968,342,915	670,978,600	31,277,290	1,969,692,298	97,700,806	8,098,238,088
Calculation of Capital Shares							
42 Long Term Debt (Ln 6 Above)	3,988,444,344	1,588,907,909	820,000,000	20,000,000	2,069,619,994	25,000,000	8,511,972,247
43 Preferred Stock (Ln 35 Above)	-	-	-	-	-	-	-
44 Common Equity (Ln 41 Above)	3,360,246,179	1,968,342,915	670,978,600	31,277,290	1,969,692,298	97,700,806	8,098,238,088
45 Total Company Structure	7,348,690,523	3,557,250,824	1,490,978,600	51,277,290	4,039,312,292	122,700,806	16,610,210,335
46 LTD Capital Shares (Ln 42 / Ln 45)	54.27%	44.67%	55.00%	39.00%	51.24%	20.37%	51.25%
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)	45.73%	55.33%	45.00%	61.00%	48.76%	79.63%	48.75%
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	54.27%	44.67%	55.00%	39.00%	51.24%	20.37%	51.25%
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	45.73%	55.33%	45.00%	61.00%	48.76%	79.63%	48.75%
Calculation of Capital Cost Rate							
53 LTD Capital Cost Rate (Ln 14 / Ln 6)	5.20%	5.80%	4.77%	4.52%	6.12%	5.25%	5.49%
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)	2.82%	2.59%	2.62%	1.76%	3.14%	1.07%	2.82%
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)	5.25%	6.36%	5.17%	7.01%	5.60%	9.15%	5.60%
59 Total Company Structure	8.08%	8.95%	7.79%	8.77%	8.74%	10.22%	8.42%

AEP East Consolidated Utility Capital Structure
Consolidation of Operating Companies' Capital Structure @ December 31, 2013
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)	380,300,000	-	-	-	-	-	380,300,000
61 Less: Reacquired Bonds (112.19.c&d)	-	40,000,000	-	-	460,400,000	-	500,400,000
62 LT Advances from Assoc. Companies (112.20.c&d)	86,000,000	-	20,000,000	20,000,000	-	25,000,000	151,000,000
63 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
64 Less: Fair Value Hedges (See Note on Ln 66 below)	-	-	-	-	-	-	-
65 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
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)	185,202,116	92,594,357	35,048,706	904,000	177,049,876	1,312,500	492,111,555
68 Amort of Debt Discount & Expense (117.63.c)	3,337,225	2,814,644	471,186	-	5,807,092	-	12,430,147
69 Amort of Loss on Reacquired Debt (117.64.c)	1,347,335	1,941,251	33,649	-	1,359,637	-	4,681,872
70 Less: Amort of Premium on Debt (117.65.c)	-	-	-	-	-	-	-
71 Less: Amort of Gain on Reacquired Debt (117.66.c)	-	1,712	-	-	-	-	1,712
72 Less: Hedge Interest on pp 256-257(i)	1,558,935	916,010	92,956	-	(2,097,663)	-	470,238
73 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							
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)	3,231,334,227	1,922,153,922	839,369,490	31,081,849	1,625,265,129	120,225,152	7,769,429,769
97 Less: Preferred Stock (Ln 94 Above)	-	-	-	-	-	-	-
98 Less: Account 216.1 (112.12.c)	1,639,734	(96,036)	-	-	4,915,704	-	6,459,402
99 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)
100 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							
101 Long Term Debt (Ln 65 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
102 Preferred Stock (Ln 94 Above)	-	-	-	-	-	-	-
103 Common Equity (Ln 100 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
104 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
105 LTD Capital Shares (Ln 101 / Ln 104)	56.56%	45.23%	47.03%	39.16%	60.52%	17.33%	53.85%
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)	43.44%	54.77%	52.97%	60.84%	39.48%	82.67%	46.15%
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	56.56%	45.23%	47.03%	39.16%	60.52%	17.33%	53.85%
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	43.44%	54.77%	52.97%	60.84%	39.48%	82.67%	46.15%
Calculation of Capital Cost Rate							
112 LTD Capital Cost Rate (Ln 73 / Ln 65)	4.48%	6.03%	4.73%	4.52%	7.53%	5.25%	5.61%
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)	2.54%	2.73%	2.22%	1.77%	4.56%	0.91%	3.02%
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)	4.99%	6.29%	6.09%	6.99%	4.54%	9.50%	5.30%
118 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' 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
<u>Development of Average Long Term Debt</u>							
119 Average Bonds (Ln 1 + Ln 60) / 2	373,961,184	-	-	-	-	-	373,961,184
120 Less: Average Reacquired Bonds (Ln 2 + Ln 61) / 2	-	40,000,000	-	-	402,900,000	-	442,900,000
121 Average LT Advances from Assoc. Companies (Ln 3 + Ln 62) / 2	86,000,000	-	10,000,000	20,000,000	-	25,000,000	141,000,000
122 Average Senior Unsecured Notes (Ln 4 + Ln 63) / 2	3,634,838,382	1,634,594,526	775,000,000	-	2,674,352,495	-	8,718,785,402
123 Less: Average Fair Value Hedges (See Note on Ln 125 below)	-	-	-	-	-	-	-
124 Average Balance of Long Term Debt	4,094,799,566	1,594,594,526	785,000,000	20,000,000	2,271,452,495	25,000,000	8,790,846,586
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)							
<u>Development of 2014 Long Term Debt Interest Expense</u>							
126 Interest on Long Term Debt (256-257.33.i)	198,433,109	82,484,400	38,642,264	904,000	121,704,036	1,312,500	443,480,309
127 Amort of Debt Discount & Expense (117.63.c)	3,105,002	2,188,650	517,866	-	1,580,870	-	7,392,388
128 Amort of Loss on Reacquired Debt (117.64.c)	7,213,006	8,235,783	33,635	-	1,338,683	-	16,821,107
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)	1,240,531	806,279	92,956	-	(2,097,663)	-	42,103
132 2014 LTD Interest Expense	207,510,586	92,100,842	39,100,809	904,000	126,721,252	1,312,500	467,649,989
<u>2014 Cost of Preferred Stock and Preferred Dividends</u>							
133 Average Balance of Preferred Stock (Ln 35 + Ln 94) / 2	-	-	-	-	-	-	-
134 2014 Preferred Dividends (Ln 36)	-	-	-	-	-	-	-
<u>Development of Average Common Equity</u>							
135 Average Proprietary Capital (Ln 37 + Ln 96) / 2	3,299,131,078	1,938,051,970	751,506,244	31,179,570	1,802,737,487	109,349,070	7,931,955,417
136 Less: Average Preferred Stock (Ln 133 Above)	-	-	-	-	-	-	-
137 Less: Average Account 216.1 (Ln 39 + Ln 98) / 2	1,644,761	(64,599)	-	-	4,915,704	-	6,495,866
138 Less: Average Account 219.1 (Ln 40 + Ln 99) / 2	3,991,586	(14,934,237)	(6,377,653)	1,648	6,340,653	872,194	(10,105,810)
139 Average Balance of Common Equity	3,293,494,731	1,953,050,806	757,883,896	31,177,922	1,791,481,130	108,476,876	7,935,565,361
<u>Calculation of Capital Shares</u>							
140 Average Balance of Long Term Debt (Ln 124 Above)	4,094,799,566	1,594,594,526	785,000,000	20,000,000	2,271,452,495	25,000,000	8,790,846,586
141 Average Balance of Preferred Stock (Ln 133 Above)	-	-	-	-	-	-	-
142 Average Balance of Common Equity (Ln 139 Above)	3,293,494,731	1,953,050,806	757,883,896	31,177,922	1,791,481,130	108,476,876	7,935,565,361
143 Average of Total Company Structure	7,388,294,297	3,547,645,332	1,542,883,896	51,177,922	4,062,933,625	133,476,876	16,726,411,947
144 Average Balance of LTD Capital Shares (Ln 140 / Ln 143)	55.42%	44.95%	50.88%	39.08%	55.91%	18.73%	52.56%
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)	44.58%	55.05%	49.12%	60.92%	44.09%	81.27%	47.44%
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	55.42%	44.95%	50.88%	39.08%	55.91%	18.73%	52.56%
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	44.58%	55.05%	49.12%	60.92%	44.09%	81.27%	47.44%
<u>Calculation of Capital Cost Rate</u>							
151 LTD Capital Cost Rate (Ln 132 / Ln 124)	5.07%	5.78%	4.98%	4.52%	5.58%	5.25%	5.32%
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%
<u>Calculation of Weighted Capital Cost Rate</u>							
154 LTD Weighted Capital Cost Rate (Ln 148 * Ln 151)	2.81%	2.60%	2.53%	1.77%	3.12%	0.98%	2.80%
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)	5.12%	6.33%	5.64%	7.00%	5.07%	9.34%	5.45%
157 ACTUAL WEIGHTED AVG COST OF CAPITAL	7.93%	8.92%	8.18%	8.77%	8.19%	10.32%	8.25%