

AEPTCo subsidiaries in PJM  
Transmission Cost of Service Formula Rate  
Utilizing Actual/Projected FERC Form 1 Data

For Twelve Months Ended 2017

AEP INDIANA MICHIGAN TRANSMISSION COMPANY

Line No.						Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 113)				\$145,366,086
			Total			
2	REVENUE CREDITS	(Worksheet E, ln 8) (Note A)	-	DA	1.00000	\$ -
3	Facility Credits under PJM OATT Section 30.9	Worksheet E, ln 9) (Note X)				0
4	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 2 plus ln 3)				\$ 145,366,086

MEMO: The Carrying Charge Calculations on lines 7 to 12 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 5 is included in the total on line 4.

5	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives)	(Worksheet J/K)	49,817,761	DA	1.00000	\$ 49,817,761
6	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)					
7	Annual Rate	( (ln 1- ln 80)/((ln 33 ) x 100) )				12.90%
8	Monthly Rate	(ln 7 / 12)				1.07%
9	NET PLANT CARRYING CHARGE ON LINE 7 , w/o depreciation or ROE incentives (Note B)					
10	Annual Rate	( (ln 1- ln 80 - ln 83)/((ln 33) x 100) )				11.27%
11	NET PLANT CARRYING CHARGE ON LINE 10, w/o Return, income taxes or ROE incentives (Note B)					
12	Annual Rate	( (ln 1 - ln 80 - ln 83 - ln 108 - ln 109) /((ln 33) x 100) )				2.06%
13	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J/K)					#N/A
14	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES					
15	Total Load Dispatch & Scheduling (Account 561)	Line 63 Below				510,624
16	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)					-
17	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)					-
18	Total 561 Internally Developed Costs	(Line 15 - Line 16 - Line 17)				510,624

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(1)		(2)	(3)	(4)		(5)
<u>RATE BASE CALCULATION</u>		<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u> <u>NOTE C</u>	<u>Allocator</u>		<u>Total</u> <u>Transmission</u>
Line No.						
19	GROSS PLANT IN SERVICE					
20	Transmission	(Worksheet A In 14.(d) & Ln 117)	1,152,515,336	DA	1.00000	1,152,515,336
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 14.(e))	-	TP	1.00000	-
22	General Plant	(Worksheet A In 14.(h))	6,193,511	W/S	1.00000	6,193,511
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 14.(i))	-	W/S	1.00000	-
24	Intangible Plant	(Worksheet A In 14.(j))	7,708,379	W/S	1.00000	7,708,379
	TOTAL GROSS PLANT	(Sum of Lines: 19 to 23)	1,166,417,225	GP=	1.000000	1,166,417,225
				GTD=	1.00000	
25	ACCUMULATED DEPRECIATION AND AMORTIZATION					
26	Transmission	(Worksheet A In 28.(d) & Ln 43.(b))	25,631,194	TP1=	1.00000	25,631,194
27	Less: Transmission ARO (Enter Negative)	(Worksheet A In 28.(e))	-	TP1=	1.00000	-
28	General Plant	(Worksheet A In 28.(h))	69,176	W/S	1.00000	69,176
29	Less: General Plant ARO (Enter Negative)	(Worksheet A In 28.(i))	-	W/S	1.00000	-
30	Intangible Plant	(Worksheet A In 28.(j))	2,013,832	W/S	1.00000	2,013,831.50
31	TOTAL ACCUMULATED DEPRECIATION	(Sum of Lines: 26 to 30)	27,714,201			27,714,201
32	NET PLANT IN SERVICE					
33	Transmission	(In 19 + In 20 - In 26 - In 27)	1,126,884,143			1,126,884,143
34	General Plant	(In 21 + In 22 - In 28 - In 29)	6,124,335			6,124,335
35	Intangible Plant	(In 23 - In 30)	5,694,547			5,694,547
36	TOTAL NET PLANT IN SERVICE	(Sum of Lines: 33 to 35)	1,138,703,025	NP=	1.000000	1,138,703,025
37	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)				
38	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	-	NA		-
39	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(209,661,511)	DA		(209,661,511)
40	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(22,959,510)	DA		(13,585,220)
41	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	23,739,344	DA		10,200,280
42	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	-	DA		-
43	TOTAL ADJUSTMENTS	(sum Ins 38 to 42)	(208,881,677)			(213,046,451)
44	PLANT HELD FOR FUTURE USE	(Worksheet A In 44.(e)) In 45.(e))	-	DA		-
45	REGULATORY ASSETS	(Worksheet A In 51.(e))	-	DA		-
46	UNFUNDED RESERVES (ENTER NEGATIVE) (NOTE Y)	(Worksheet A In 54.(e))		W/S	1.00000	
47	WORKING CAPITAL	(Note E)				
48	Cash Working Capital	(1/8 * In 66)	1,284,484			1,284,484
49	Transmission Materials & Supplies	(Worksheet C, In 2.(F))	639	TP	1.00000	639
50	A&G Materials & Supplies	(Worksheet C, In 3.(F))	-	W/S	1.00000	-
51	Stores Expense	(Worksheet C, In 4.(F))	-	GP	1.00000	-
52	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 8.(G))	3,625	W/S	1.00000	3,625
53	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 8.(F))	217,607	GP	1.00000	217,607
54	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 8.(E))	-	DA	1.00000	-
55	Prepayments (Account 165) - Unallocable	(Worksheet C, In 8.(D))	-	NA	0.00000	-
56	TOTAL WORKING CAPITAL	(sum Ins 48 to 55)	1,506,355			1,506,355
57	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8.B)	-	DA	1.00000	-
58	RATE BASE (sum Ins 36, 43, 44, 45, 46, 56, 57)		931,327,703			927,162,929

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AEP INDIANA MICHIGAN TRANSMISSION COMPANY

(1)		(2)	(3)	(4)		(5)
EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION		Data Sources (See "General Notes")	TO Total	Allocator		Total Transmission
Line	No.	OPERATION & MAINTENANCE EXPENSE				
	59	Customer Related Expense	322 & 323.164,171,178.b			
	60	Regional Marketing Expenses	322.131.b			
	61	Transmission	321.112.b			
	62	TOTAL O&M EXPENSES	(sum Ins 59 to 61)			
	63	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)			
	64	Less: Account 565	(Note H) 321.96.b			
	65	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)			
	66	Total O&M Allocable to Transmission	(Ins 61 - 63 - 64 - 65)	TP	1.00000	10,275,869
	67	Administrative and General	323.197.b (Notes J & M)			
	68	Less: Acct. 924, Property Insurance	323.185.b			
	69	Acct. 928, Reg. Com. Exp.	323.189.b			
	70	Acct. 930.1, Gen. Advert. Exp.	323.191.b			
	71	Acct. 930.2, Misc. Gen. Exp.	323.192.b			
	72	Balance of A & G	(In 67 - sum In 68 to In 71)	W/S	1.00000	4,039,572
	73	Plus: Acct. 924, Property Insurance	(In 68)	GP(h)	1.00000	444,984
	74	Acct. 928 - Transmission Specific	Worksheet F In 21.(E) (Note L)	TP	1.00000	64,375
	75	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 38.(E) (Note L)	TP	1.00000	-
	76	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 43.(E) (Note L)	DA	1.00000	(200)
	77	PBOP Adjustment	Worksheet O Ln 16.(B), (Note K & M)	W/S	1.00000	247,048
	78	A & G Subtotal	(sum Ins 72 to 77)			4,795,779
	79	O & M EXPENSE SUBTOTAL	(In 66 + In 78)			15,071,648
	80	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		DA	1.00000	-
	81	TOTAL O & M EXPENSE	(In 79 + In 80)			15,071,648
	82	DEPRECIATION AND AMORTIZATION EXPENSE				
	83	Transmission	336.7.f	TP1	1.00000	18,373,529
	84	General	336.10.f	W/S	1.00000	13,031
	85	Intangible	336.1.f	W/S	1.00000	1,360,191
	86	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 83+84+85)			19,746,751
	87	TAXES OTHER THAN INCOME	(Note N)			
	88	Labor Related				
	89	Payroll	Worksheet H In 23.(D)	W/S	1.00000	-
	90	Plant Related				
	91	Property	Worksheet H-p2 In 3.(C) & In 3.(G)	DA	1.00000	6,784,883
	92	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	NA	0.00000	-
	93	Other	Worksheet H In 23.(E)	GP	1.00000	57
	94	TOTAL OTHER TAXES	(sum Ins 89 to 93)			6,784,940
	95	INCOME TAXES	(Note O)			
	96	T=1 - {(1 - SIT) * (1 - FIT)} / (1 - SIT * FIT * p)} =				38.90%
	97	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =				48.84%
	98	where WCLTD=(In 136) and WACC = (In 139)				
	99	and FIT, SIT & p are as given in Note O.				
	100	GRCF=1 / (1 - T) = (from In 96)				1.6367
	101	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)			-
	102	Excess Deferred Income Tax	(Note T)	NP(h)	1.00000	-
	103	Tax Effect of Permanent and Flow-Through Differences	(Note T)	NP(h)	1.00000	310,800
	104	Income Tax Calculation	(In 97 * In 109)			33,880,854
	105	ITC adjustment	(In 100 * In 101)	NP(h)	1.00000	-
	106	Excess Deferred Income Tax	(In 100 * In 102)			-
	107	Tax Effect of Permanent and Flow-Through Differences	(In 100 * In 103)			508,674
	108	TOTAL INCOME TAXES	(sum Ins 104 to 107)			34,389,528
	109	RETURN ON RATE BASE (Rate Base*WACC)	(In 58 * In 139)			69,373,219
	110	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		DA	1.00000	-
	111	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))				-
	112	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 111 * In97)				-
	113	TOTAL REVENUE REQUIREMENT				145,366,086
		(sum Ins 81, 86, 94, 108, 109, 110, 111, 112)				

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
114	Total transmission plant	(In 19)								1,152,515,336
115	Less transmission plant excluded from PJM Tariff	(Worksheet A, In 42.(d)) (Note P)								
116	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 42, Col. (b)) (Note Q)								-
117	Transmission plant included in PJM Tariff	(In 114 - In 115 - In 116)								1,152,515,336
118	Percent of transmission plant in PJM Tariff	(In 117 / In 114)							TP=	1.00000
119	WAGES & SALARY ALLOCATOR (W/S)	(Note R)								
120	Line Deliberately Left Blank		Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
121	Transmission	354.21.b	-	3,309,919	3,309,919	TP	1.00000			3,309,919
122	Regional Market Expenses	354.22.b	-	-	-	NA	0.00000			-
123	Line Deliberately Left Blank									
124	Other (Excludes A&G)	354.24,25,26.b	-	-	-	NA	0.00000			-
125	Total	(sum Ins 121, 122, & 124)	-	3,309,919	3,309,919					3,309,919
126	Transmission related amount								W/S=	1.00000
127	Actual (Uncapped) Capital Structure									
127	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
128	Long Term Interest	(Worksheet M, In.36, col.(d))								20,710,923
129	Preferred Dividends	(Worksheet M, In. 45, col.(d))								-
130	Development of Common Stock:									
131	Proprietary Capital	(Worksheet M, In. 14, col.(b))								593,705,480
132	Less: Preferred Stock	(Worksheet M, In. 14, col.(c))								-
133	Less: Account 216.1	(Worksheet M, In. 14, col.(d))								-
134	Less: Account 219	(Worksheet M, In. 14, col.(e))								-
135	Common Stock	(In 131 - In 132 - In 133 - In 134)								593,705,480
136	Long Term Debt (Note S) Worksheet M, In 28, col. (g), In 37, col. (d))		Capital Structure Percentages			Cost				
137	Preferred Stock (In 132)		\$	%		(Note S)		Weighted		
138	Common Stock (In 135)		594,800,000	50.05%		3.48%		0.0174		
139	Total (Sum Ins 136 to 138)		-	0.00%		0.00%		0.0000		
			593,705,480	49.95%		11.49%		0.0574		
			1,188,505,480	100.00%				WACC=		0.0748



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Letter

Notes

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

- ARevenue 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.  
7) If AEP Transmission Companies have any directly assigned transmission facilities, the revenue credits in the formula rate shall include all revenues associated with those directly assigned transmission facilities, irrespective of whether the loads of the customer are included in the formula rate divisor; provided however, such addition to revenue credits shall not be reflected if the costs of such directly assigned transmission facilities are not included in the transmission plant balances on which the formula rate ATRR is based. See Worksheet E for details.
- BThe 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. Interest will be calculated based on Worksheet R and any over under recovery will be filed and posted as part of the informational filing.
- CTransmission Plant Balances in this study are projected or actual average beginning of year end of year balances.
- DThe 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.  
In compliance with FERC Rulemaking the calculation of ADIT in the annual projection will be performed in accordance with IRS regulation Section 1.167(l)-l(h)(6)(ii). Detailed balances for the projected or actual period, distinguished between utility and non-utility balances, will be filed and posted as part of the informational filing.  
The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
- ECash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 66. It excludes:  
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 63.  
2) Costs of Transmission of Electricity by Others, as described in Note H.  
3) The impact of state regulatory deferrals and amortizations, as shown on line 65  
4) All A&G Expenses, as shown on line 78.
- FConsistent with Paragraph 657 of Order 2003-A, the amount on line 57 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 110.
- GRemoves 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 16 & 17 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.
- HRemoves cost of transmission service provided by others to determine the basis of cash working capital on line 66. To the extent such service is incurred to provide the PJM service at issue, e.g. lease payments to affiliates, such costs are added back on line 80 to determine the total O&M collected in the formula. The amounts on line80 is also excluded in the calculation of the FCR percentage calculated on lines 6 through 12.  
  
The addbacks on line80 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 line80 is the AEP INDIANA MICHIGAN TRANSMISSION COMPANY general ledger.
- IRemoves the impact of state regulatory deferrals or their amortization from Transmission O&M expense.
- JGeneral 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.
- KThe Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- LExpenses 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.
- MSee note K above. Recoverable PBOP expense is based on a rate of \$(0.058) 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.
- NIncludes only FICA, unemployment, highway, property and other assessments. Gross receipts, sales & use and taxes related to income are excluded.
- OThe 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 101) 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)
- The formula rate shall reflect the applicable state and federal statutory tax rates in effect during the period the calculated estimated unit charges are applicable. If the statutory tax rates change during such period, the effective tax rates used in the formula shall be weighted by the number of days the pre-ochange rate and post-change rate each is in effect.
- PRemoves 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.
- QRemoves 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.
- RIncludes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- SLong Term Debt cost rate = long-term interest (Ln 128)/average long term debt (Ln 136). Preferred Stock cost rate = preferred dividends (Ln 129)/preferred outstanding (Ln 137). Common Stock cost rate (ROE) = 11.49%, the rate accepted by FERC in Docket No. ER10-355. It includes an additional 50 basis points for PJM RTO membership. All Transmission Companies other than AEP Appalachian Transmission Company utilize their own capital structure and costs as shown on Worksheet M. The calculations on Worksheet M will use the projected or actual beginning and ending average balances of long-term debt, common and preferred equity and calendar year long term debt interest expenses, preferred dividends and approved ROE. The long term debt balances and long term debt cost rate shall not include any amounts related to hedging activity. As shown on Worksheet Q, the AEP Appalachian Transmission Company capital structure and weighted cost of capital (WACC) shall be based on the weighted composite of the AEP East Operating Companies beginning and ending average outstanding LTD and PS issuances with the common equity portion in Docket No. ER08-1329, and (2) the weighted composite LTD and PS cost using projected or 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 Company establishes its own actual capital structure.
- Excess / (Deficit) Deferred Income Taxes will be amortized over the average remaining life of the assets to which it relates, unless the Commission requires a different amortization period. The Tax Effect of Permanent Differences captures the differences in the income taxes due under the Federal and State tax calculations that are not the result of a timing difference, including but not limited to depreciation related to capitalized AFUDC equity and meals and entertainment deductions. The Tax Effect of Flow-Through differences captures current tax expense related to timing differences on items for which tax deductions were used to reduce customer rates through the use of flow-through accounting in a prior period. Transmission balances for the projected or actual period, will be filed and posted as part of the informational filing.
- T
- UCash investment in prepaid pension and benefits recorded in FERC Account 165 is permitted to be included in the formula. A labor expense allocation factor will be used to allocate total company costs.
- VThe formula rate shall allocate property tax expense based on the as filed net plant cost allocation method detailed on Worksheet H.
- WAEP Transmission Companies will record depreciation expense using composites of the depreciation rates shown on Worksheet P which rates will not be changed absent a Section 205 or 206 filing at FERC to seek a change in depreciation rates. No other changes to the formula rate may be included in that filing.  
  
Under Section 30.9 of the PJM OATT, a network customer that owns existing transmission facilities that are integrated with the Transmission Provider's Transmission System may be eligible to receive consideration either through a billing credit or some other mechanism. Calculation of any credit under this subsection, pursuant to approval by FERC for inclusion in this formula rate for collection on behalf of the network customer, shall be addressed in either the Network Customer's Service Agreement or any other agreement between the parties.  
XThe cost of service will make a rate base adjustment to remove unfunded reserves associated with contingent liabilities recorded to Accounts 228.1-228.4 from rate base.  
Y



AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet A Rate Base  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

		Gross Plant In Service				
Line No	Month (a)	Transmission (d)	Transmission ARO (e)	General (h)	General ARO (i)	Intangible (j)
	(Note A)	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 57	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 99	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 98	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 5
1	December Prior to Rate Year	892,385,276	-	209,505	-	5,142,116
2	January					
3	February					
4	March					
5	April					
6	May					
7	June					
8	July					
9	August					
10	September					
11	October					
12	November					
13	December of Rate Year	1,412,645,396	-	12,177,516	-	10,274,641
14	Average of the Beginning and Ending Balances	1,152,515,336	-	6,193,511	-	7,708,379

		Accumulated Depreciation				
Line No	Month (a)	Transmission (d)	Transmission ARO (e)	General (h)	General ARO (i)	Intangible (j)
	(Note A)	FF1, page 219, ln 25, Col. (b)	Company Records (Included in total in Column (d))	FF1, page 219, ln 28, Col. (b)	Company Records (Included in total in Column (h))	FF1, page 200, ln 21, Col. (b)
15	December Prior to Rate Year	16,849,344	-	62,660	-	1,333,736
16	January					
17	February					
18	March					
19	April					
20	May					
21	June					
22	July					
23	August					
24	September					
25	October					
26	November					
27	December of Rate Year	34,413,043	-	75,691	-	2,693,927
28	Average of the Beginning and Ending Balances	25,631,194	-	69,176	-	2,013,832

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Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet A Rate Base  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

Line No	Month (a)	OATT Ancillary Services (GSU) Plant In Service (b)	OATT Ancillary Services (GSU) Accumulated Depreciation (c)	Excluded Plant - Plant In Service (d)	Excluded Plant - Accumulated Depreciation (e)
	(Note A)	Company Records (included in total in column (d) of gross plant above)	Company Records (included in total in column (d) of accumulated depreciation above)	Company Records	Company Records
29	December Prior to Rate Year	-	-	-	-
30	January				-
31	February				-
32	March				-
33	April				-
34	May				-
35	June				-
36	July				-
37	August				-
38	September				-
39	October				-
40	November				-
41	December of Rate Year	-	-	-	-
42	Average of the Beginning and Ending Balances	-	-	-	-

43 Transmission Accumulated Depreciation net of GSU 25,631,194

<u>Plant Held For Future Use</u>		<u>Source of Data</u>	<u>Balance @ December 31, 2017</u>	<u>Balance @ December 31, 2016</u>	<u>Average Balance for 2017</u>
(a)	(b)		(c)	(d)	(e)
44 <u>Plant Held For Future Use</u>	FF1, page 214, ln 47, Col. (d)		-	-	-
45 <u>Transmission Plant Held For Future Use (Included in total on line 4)</u>	Company Records - Note 1		-	-	-

**Regulatory Assets and Liabilities Approved for Recovery In Ratebase**

Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.

46		-
47		-
48		-
49		-
50		-
51	Total Regulatory Deferrals Included in Ratebase	-

**Unfunded Reserves Summary (Company Records)**



AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet A Rate Base  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

52	<u>Description</u>	<u>Account</u>			
53a					-
53b					-
54		Total	-	-	-

NOTE 1: On this worksheet, "Company Records" refers to AEP's property accounting ledger.  
NOTE 2: The ratebase should not include the unamortized balance of hedging gains or losses.

AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet B Supporting ADIT and ITC Balances  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) Source</u>	<u>(C) Balance @ December 31, 2017</u>	<u>(D) Balance @ December 31, 2016</u>	<u>(E) Average Balance for 2017</u>
1	<b><u>Account 281</u></b>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, ln 8, Col. (k)			-
3	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 4 (Note 1)			-
4	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 3 (Note 1)			-
5	Transmission Related Deferrals	Ln 2 - ln 3 - ln 4	-	-	-
6	<b><u>Account 282</u></b>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, ln 5, Col. (k)	259,292,066	160,030,956	209,661,511
8	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 7 (Note 1)			-
9	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 6 (Note 1)			-
10	Transmission Related Deferrals	Ln 7 - ln 8 - ln 9	259,292,066	160,030,956	209,661,511
11	<b><u>Account 283</u></b>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, ln 9, Col. (k)	24,863,763	21,055,257	22,959,510
13	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 13 (Note 1)			-
14	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 12 (Note 1)	8,073,213	10,675,368	9,374,291
15	Transmission Related Deferrals	Ln 12 - ln 13 - ln 14	16,790,550	10,379,889	13,585,220
16	<b><u>Account 190</u></b>				
17	Year End Utility Deferrals	FF1, p. 234, ln 8, Col. (c)	36,644,392	10,834,296	23,739,344
18	Less: ARO Related Deferrals	WS B-2 - Actual Stmt. AG Ln. 4 (Note 1)			-
19	Less: Other Excluded Deferrals	WS B-2 - Actual Stmt. AG Ln. 3 (Note 1)	26,727,508	350,620	13,539,064
20	Transmission Related Deferrals	Ln 17 - ln 18 - ln 19	9,916,884	10,483,676	10,200,280
21	<b><u>Account 255</u></b>				
22	Year End ITC Balances	FF1, p. 266-267, ln 8, Col. (h)	-	-	-
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	-	-	-
24	ITC Balances Includeable in Ratebase	Ln 22 - ln 23	-	-	-
25	Transmission Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 20 (Note 1)	-	-	-

NOTE 1 On this worksheet, "Company Records" refers to AEP's tax forecast and accounting ledger. The PTRR will use projected ending balances and reflect proration required by IRS Letter Rule Section I.I67(I)-I(h)(6)(ii). Line item detail of actual deferred tax items will be included on Work

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

(DEBIT) CREDIT

## DEBIT (CREDIT)

1 ACCOUNT 190:

AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet C Supporting Working Capital Rate Base Adjustments  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

Formula Rate  
WS C - Working Capital  
Page 13 of 37

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
Line Number	Source	Balance @ December 31, 2017	Balance @ December 31, 2016	Average Balance for 2017				
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c) & (b)	1,278	0	639			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c) & (b)	0	0	-			
4	Stores Expense (Undistributed) - Account 163	FF1, p. 227, ln 16, Col. (c) & (b)	0	0	-			

Prepayment Balance Summary (Note 1)

5		<u>Average of YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Transmission Plant Related</u>	<u>Transmission Labor Related</u>	<u>Total Included in Ratebase (E)+(F)+(G)</u>
6	Totals as of December 31, 2017	269,231	0	0	269,231	0	269,231
7	Totals as of December 31, 2016	173,234	0	0	165,983	7,251	173,234
8	<b>Average Balance</b>	<u>221,233</u>	<u>-</u>	<u>-</u>	<u>217,607</u>	<u>3,625</u>	<u>221,233</u>

Prepayments Account 165 - Balance @ 12/31/2017

9	Acc. No.	Description	2017 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
10	1650001	Prepaid Insurance	181,125	-		181,125		181,125	
11	1650021	Prepaid Insurance - EIS	50,401	-		50,401		50,401	
12	1650023	Prepaid Lease	37,705	-		37,705		37,705	
13	1650003	Prepaid Rents	0	-		-		-	
14	165001217	Prepaid Use Tax	0	-		-		-	
15	1650005	Prepaid Employee Benefits	0	-		-		-	
16	1650006	Other Prepayments	0	-		-		-	
17	1650009	Prepaid Carry Cost-Factored AR	0	-		-		-	
18	1650010	Prepaid Pension Benefits	0	-		-		-	
19	1650014	FAS 158 Qual Contra Asset	0	-		-		-	
20	1650016	FAS 112 ASSETS	0	-		-		-	
21	1650031	Prepaid OCIP Work Comp	0	-		-	-	-	
22	1650032	Prepaid OCIP Work Comp LT	0	-		-	-	-	
23	1650033	Prepaid OCIP Work Comp - Aff	0	-		-	-	-	
24	1650034	Prepaid OCIP Work Comp LT - Aff	0	-		-	-	-	
25		Subtotal - Form 1, p 111.57.c	269,231	0	0	269,231	0	269,231	

Prepayments Account 165 - Balance @ 12/31/ 2016

26	Acc. No.	Description	2016 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
27	1650001	Prepaid Insurance	139,259	-		139,259		139,259	
28	1650021	Prepaid Insurance - EIS	26,723	-		26,723		26,723	
29	1650023	Prepaid Lease	0	-		-		-	
30	1650003	Prepaid Rents	0	-		-		-	
31	1650004	Prepaid Interest	0	-		-		-	
32	1650005	Prepaid Employee Benefits	0	-		-		-	
33	1650006	Other Prepayments	0	-		-		-	
34	1650009	Prepaid Carry Cost-Factored AR	0	-		-		-	
35	1650010	Prepaid Pension Benefits	0	-		-		-	
36	1650014	FAS 158 Qual Contra Asset	0	-		-		-	
37	1650016	FAS 112 ASSETS	0	-		-		-	
38	1650031	Prepaid OCIP Work Comp	3,405	-		-	3,405	3,405	
39	1650032	Prepaid OCIP Work Comp LT	0	-		-	-	-	
40	1650033	Prepaid OCIP Work Comp - Aff	3,846	-		-	3,846	3,846	
40	1650034	Prepaid OCIP Work Comp LT - Aff	0	-		-	-	-	
		Subtotal - Form 1, p 111.57.d	173,234	0	0	165,983	7,251	173,234	

Note 1: Prepayment Balance will not include: (i) federal and state income tax payments made to offset additional tax liabilities resulting (or expected to result) from prior federal or state audits or from the filing of one or more amended income tax returns; (ii) outstanding income tax refunds due to [company] resulting (or expected to result) from prior federal or state audits or from the filing of one or more amended income tax returns; or (iii) prepayments of federal or state income taxes which are attributable to income earned during periods prior to January 1 of the year depicted in the Balance Sheet (as described in USofA Account 236).



AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet D Supporting IPP Credits  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2017</u>
1	Net Funds from IPP Customers 12/31/2016 (2017 FORM 1, P269)	-
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 12/31/2017 (2017 FORM 1, P269)	-
8	Average Balance for Year as Indicated in Column ((In 1 + In 7)/2)	-

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

AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet E Supporting Revenue Credits  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

<u>Line Number</u>	<u>Description</u>	<u>Total Company</u>	<u>Non- Transmission</u>	<u>Transmission</u>
1	Account 450, Forfeited Discounts (FF1 p.300.16.(b); Company Records - Note 1)	-	-	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	-	-	-
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	-	-	-
4	Account 4560015, Associated Business Development - (Company Records - Notes 1, 2)	-	-	-
5	Account 456 - Other Electric Revenues - (Company Records - Notes 1,2)	158,647,861	158,647,861	-
5a	Account 457.1, Regional Control Service Revenues (FF1 p.300.23.(b); Company Records - Note 1)	-	-	-
5b	Account 457.2, Miscellaneous Revenues (FF1 p.300.24.(b); Company Records - Note 1)	-	-	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	158,647,861	158,647,861	-
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	-	-	-
8	Total Other Operating Revenues To Reduce Revenue Requirement	158,647,861	158,647,861	-
9	Facility Credits under PJM OATT Section 30.9			

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

Note 2 The total of line 4 and line 5 will equal total Account 456 as listed on FF1 p.300.21-22.(b)

AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet F Supporting Allocation of Specific O&M or A&G Expenses  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

Formula Rate  
WS F Misc Exp  
Page 16 of 37

Line Number	(A) Item No.	(B) Description	(C) 2017 Expense	(D) 100% Non-Transmission	(E) 100% Transmission Specific	(F) Explanation
<b><u>Regulatory O&amp;M Deferrals &amp; Amortizations</u></b>						
1						
2						
3						
4		<b>Total</b>	-			
<b><u>Detail of Account 561 Per FERC Form 1</u></b>						
5						
6	FF1 p 321.85.b	561.1 - Load Dispatch - Reliability	4,647			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	384,494			
8	FF1 p 321.87.b	561.3 - Load Dispatch - Trans Service & Scheduling	-			
9	FF1 p 321.88.b	561.4 - Scheduling, System Control & Dispatch	-			
10	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	121,471			
11	FF1 p 321.90.b	561.6 - Transmission Service Studies	12			
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		<b>Total of Account 561</b>	510,624			
<b><u>Account 928</u></b>						
15	9280000	Regulatory Commission Exp	359	359	-	
16	9280001	Regulatory Commission Exp-Adm	-	-	-	
17	9280002	Regulatory Commission Exp-Case	1,044	1,044	-	
18	9280003	Regulatory Commission Exp-Case	-	-	-	
19	9280004	Regulatory Commission Exp-Case	-	-	-	
20	9280005	Regulatory Commission Exp-Case	64,375	-	64,375	
21		<b>Total (FERC Form 1 p.323.189.b)</b>	65,778	1,403	64,375	
<b><u>Account 930.1</u></b>						
22	9301000	General Advertising Expenses	728	728	-	
23	9301001	Newspaper Advertising Space	5	5	-	
24	9301002	Radio Station Advertising Time	-	-	-	
25	9301003	TV Station Advertising Time	-	-	-	
26	9301004	Newspaper Advertising Prod Exp	-	-	-	
27	9301005	Radio &TV Advertising Prod Exp	-	-	-	
28	9301006	Spec Corporate Comm Info Proj	-	-	-	
29	9301007	Special Adv Space & Prod Exp	-	-	-	
30	9301008	Direct Mail and Handouts	-	-	-	
31	9301009	Fairs, Shows, and Exhibits	-	-	-	
32	9301010	Publicity	397	397	-	
33	9301011	Dedications, Tours, & Openings	-	-	-	
34	9301012	Public Opinion Surveys	8	8	-	
35	9301013	Movies Slide Films & Speeches	-	-	-	
36	9301014	Video Communications	-	-	-	
37	9301015	Other Corporate Comm Exp	1,739	1,739	-	
38		<b>Total (FERC Form 1 p.323.191.b)</b>	2,877	2,877	-	
<b><u>Account 930.2</u></b>						
39	9302000	Misc General Expenses	75,707	75,707	-	
40	9302003	Corporate & Fiscal Expenses	5,114	5,114	-	
41	9302004	Research, Develop&Demonstr Exp	-	-	-	
42	9302007	Assoc Business Development Exp	(200)	-	(200)	
43		<b>Total (FERC Form 1 p.323.192.b)</b>	80,621	80,821	(200)	

AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet G Supporting - Development of Composite State Income Tax Rate  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

1	Indiana State Tax Rate	6.13%	
	Apportionment Factor - Note 1	0.00%	
	Effective State Tax Rate		0.00%
2	Michigan Tax Rate	6.00%	
	Apportionment Factor - Note 1	100.00%	
	Effective State Tax Rate		6.00%
3	_____ Tax Rate		
	Apportionment Factor - Note 1		
	Effective State Tax Rate		0.00%
4	_____ Tax Rate		
	Apportionment Factor - Note 1		
	Effective State Tax Rate		0.00%
5	_____ Tax Rate		
	Apportionment Factor - Note 1		
	Effective State Tax Rate		0.00%
	Total Effective State Income Tax Rate		<u>6.00%</u>

Note 1 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	<b>Revenue Taxes</b>					
2	Gross Receipts Tax	4				4
3	<b>Real Estate and Personal Property Taxes</b>					
4	Real and Personal Property - West Virginia	3,520,118	3,520,118			
5	Real and Personal Property - Virginia	3,264,765	3,264,765			
6	Real and Personal Property - Tennessee	-	-			
7	Real and Personal Property - Other Jurisdictions	-	-			
8	<b>Payroll Taxes</b>					
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	<b>Miscellaneous Taxes</b>					
15	State Business & Occupation Tax	-				-
16	State Public Service Commission Fees	-			-	
17	State Franchise Taxes	-			-	
18	State Lic/Registration Fee	57			57	
19	Misc. State and Local Tax	-			-	
20	Sales & Use	(1,162)				(1,162)
21	Federal Excise Tax	-				-
22	Michigan Single Business Tax	-				-
23	Total Taxes by Allocable Basis	6,783,782	6,784,883	-	57	(1,158)

(Total Company Amount Ties to FFI p.114, Ln 14,(c))  
NOTE 1: The detail of each total company number and its source in the FERC Form 1 is shown on WS H-1.

		Functional Property Tax Allocation				
		Lines 24-58 Column (B) Deliberately Left Blank		Lines 24-58 Column (D) Deliberately Left Blank		
			Transmission		General	Total
24	Functionalized Net Plant (TCOS, Lns 33 thru 36)	-	1,126,884,143	-	6,124,335	1,133,008,478
MICHIGAN JURISDICTION						
25	Percentage of Plant in MICHIGAN JURISDICTION					
26	Net Plant in MICHIGAN JURISDICTION (Ln 24 * Ln 25)	-	-	-	-	-
27	Less: Net Value of Exempted Generation Plant					
28	Taxable Property Basis (Ln 26 - Ln 27)	-	-	-	-	-
29	Relative Valuation Factor					-
30	Weighted Net Plant (Ln 28 * Ln 29)	-	-	-	-	
31	General Plant Allocator (Ln 30 / (Total - General Plant))	0.00%	100.00%	0.00%	-100.00%	
32	Functionalized General Plant (Ln 31 * General Plant)	-	-	-	-	-
33	Weighted MICHIGAN JURISDICTION Plant (Ln 30 + 32)	-	-	-	-	-
34	Functional Percentage (Ln 33/Total Ln 33)	0.00%	100.00%	0.00%		
INDIANA JURISDICTION						
35	Net Plant in INDIANA JURISDICTION (Ln 24 - Ln 26)	-	1,126,884,143	-	6,124,335	1,133,008,478
36	Less: Net Value Exempted Generation Plant					
37	Taxable Property Basis	-	1,126,884,143	-	6,124,335	1,133,008,478
38	Relative Valuation Factor					
39	Weighted Net Plant (Ln 37 * Ln 38)	-	-	-	-	
40	General Plant Allocator (Ln 39 / (Total - General Plant))	0.00%	100.00%	0.00%	-100.00%	
41	Functionalized General Plant (Ln 41 * General Plant)	-	-	-	-	
42	Weighted INDIANA JURISDICTION Plant (Ln 39 + 41)	-	-	-	-	-
43	Functional Percentage (Ln 42/Total Ln 42)	0.00%	100.00%	0.00%		



(A)		(B)	(C)	(D)		
Line No.	Annual Tax Expenses by Type (Note 1)	Total Company	FERC FORM 1 Tie-Back	FERC FORM 1 Reference		
1	Revenue Taxes					
2	Gross Receipts Tax		4	1 3	P.263.1 In 24 (i) P.263.2 In 25 (i)	
(A)	(B)	(C)	(D)	(E)	(F)	(G)
"Real Estate and Personal Property Tax Detail Annual Tax Expenses by Type (Note 1)"	Tax Year	Total Company	FERC FORM 1 Tie-Back	FERC FORM 1 Reference	Tax Year Factor (Note 2)	Transmission Function (Note 2)
Real Estate and Personal Property Taxes Total						
3	(Ln 4 + Ln 5 + Ln 6 + Ln 7)	6,784,883				6,784,883
4	Real and Personal Property - Michigan	3,520,118				3,520,118
	2015		20,948	P.263 In 17 (i)	100%	20,948
	2016		3,499,170	P.263 In 18 (i)	100%	3,499,170
						-
						-
						-
5	Real and Personal Property - Indiana	3,264,765				3,264,765
	2015		995	P.263 In 20 (i)	100%	995
	2016		(6,930)	P.263 In 21 (i)	100%	(6,930)
	2017		3,270,700	P.263.2 In 24 (i)	100%	3,270,700
						-
						-
						-
6	Real and Personal Property - Tennessee	-				-
						-
						-
7	Real and Personal Property - Other Jurisdictions	-				-
						-

(A)		(B)	(C)	(D)	
Line No.	Annual Tax Expenses by Type (Note 1)	Total Company	FERC FORM 1 Tie-Back	FERC FORM 1 Reference	
8	<u>Payroll Taxes</u>				
9	Federal Insurance Contribution (FICA )	-			
10	Federal Unemployment Tax	-			
11	State Unemployment Insurance	-			
12	<i>Line Left Deliberately Blank</i>				
13	State Severance Taxes	-			
14	<u>Miscellaneous Taxes</u>				
15	State Business & Occupation Tax	-			
16	State Public Service Commission Fees	-			
17	State Franchise Taxes	-			
18	State Lic/Registration Fee	57	57	P.263 In 13 (i)	
19	Misc. State and Local Tax	-			
20	Sales & Use	(1,162)	(1,162)	P.263 In 10 (i)	
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))	6,783,782	6,783,782		

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.(c) of the Ferc Form 1.

**AEPTCo subsidiaries in PJM**  
**Cost of Service Formula Rate Using Actual/Projected FF1 Balances**  
**Worksheet I RESERVED**  
**AEP INDIANA MICHIGAN TRANSMISSION COMPANY**

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

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

ROE w/o incentives (TCOS, ln 138)			11.49%
Project ROE Incentive Adder			0
ROE with additional 0 basis point incentive			11.49%
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the True-Up TCOS, lns 136 through 138)			
	%	Cost	Weighted cost
Long Term Debt	50.05%	3.48%	1.743%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	49.95%	11.49%	5.740%
		R =	7.482%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPPROJECTS				
TRUE-UP YEAR		Rev Require	W Incentives	Incentive Amounts
As Projected in Prior Year WS J		\$ 46,887,454	\$ 46,887,454	\$ -
Actual After True-up		\$ 49,817,761	\$ 49,817,761	\$ -
True-up of ARR For 2017		2,930,307	2,930,307	-

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

Rate Base (True-Up TCOS, ln 58)	927,162,929
R (from A. above)	7.482%
Return (Rate Base x R)	69,373,219

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

Return (from B. above)	69,373,219
Effective Tax Rate (TCOS, ln 97)	48.84%
Income Tax Calculation (Return x CIT)	33,880,854
ITC Adjustment	-
Excess Deferred Income Tax	-
Tax Affect of Permanent Differences	508,674
Income Taxes	34,389,528

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 (TCOS, ln 1)	145,366,086
Lease Payments (TCOS, lns 80)	-
Return (TCOS, ln 109)	69,373,219
Income Taxes (TCOS, ln 108)	34,389,528
Annual Revenue Requirement, Less Lease Payments, Return and Taxes	41,603,339

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

Annual Revenue Requirement, Less Lease Payments, Return and Taxes	41,603,339
Return (from I.B. above)	69,373,219
Income Taxes (from I.C. above)	34,389,528
Annual Revenue Requirement, with 0 Basis Point ROE increase	145,366,086
Depreciation (TCOS, ln 83)	18,373,529
Annual Rev. Req. w/ 0 Basis Point ROE increase, less Depreciation	126,992,557

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

Net Transmission Plant (Projected TCOS, ln 33)	1,126,884,143
Annual Revenue Requirement, with 0 Basis Point ROE increase	145,366,086
FCR with 0 Basis Point increase in ROE	12.90%

Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep.	126,992,557
FCR with 0 Basis Point ROE increase, less Depreciation	11.27%
FCR less Depreciation (TCOS, ln 10)	11.27%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

Average Transmission Plant Balance for 2017 TCOS, ln 19	1,152,515,336
Annual Depreciation and Amortization Expense (TCOS, ln 83)	18,373,529
Composite Depreciation Rate	1.59%
Depreciable Life for Composite Depreciation Rate	62.73
Average Life in Whole Years	63

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

### Facilities receiving incentives accepted by FERC in Docket No.

(e.g. ER05-925-000)

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

2017	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	1,860,187	1,860,187	-
Prior Yr True-Up	799,752	799,752	-
True-Up Adjustment	(1,060,435)	(1,060,435)	-

Details			
Investment	6,636,011	Current Year	2017
Service Year (yyyy)	2012	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	12	FCR w/o incentives, less depreciation	11.27%
Useful life	63	FCR w/incentives approved for these facilities, less dep.	11.27%
CIAC (Yes or No)	No	Annual Depreciation Expense	105,334

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 ##
2012	6,636,011	-	6,636,011	6,636,011	747,836	747,836	\$ -
2013	6,636,011	105,334	6,530,677	6,583,344	847,234	847,234	\$ -
2014	6,530,677	105,334	6,425,344	6,478,011	835,363	835,363	\$ -
2015	6,425,344	105,334	6,320,010	6,372,677	823,493	823,493	\$ -
2016	6,320,010	105,334	6,214,677	6,267,344	811,623	811,623	\$ -
2017	6,214,677	105,334	6,109,343	6,162,010	799,752	799,752	\$ -
2018	6,109,343	105,334	6,004,010	6,056,677	787,882	787,882	\$ -
2019	6,004,010	105,334	5,898,676	5,951,343	776,011	776,011	\$ -
2020	5,898,676	105,334	5,793,343	5,846,010	764,141	764,141	\$ -
2021	5,793,343	105,334	5,688,009	5,740,676	752,271	752,271	\$ -
2022	5,688,009	105,334	5,582,676	5,635,343	740,400	740,400	\$ -
2023	5,582,676	105,334	5,477,342	5,530,009	728,530	728,530	\$ -
2024	5,477,342	105,334	5,372,009	5,424,676	716,659	716,659	\$ -
2025	5,372,009	105,334	5,266,675	5,319,342	704,789	704,789	\$ -
2026	5,266,675	105,334	5,161,342	5,214,009	692,919	692,919	\$ -
2027	5,161,342	105,334	5,056,008	5,108,675	681,048	681,048	\$ -
2028	5,056,008	105,334	4,950,675	5,003,342	669,178	669,178	\$ -
2029	4,950,675	105,334	4,845,341	4,898,008	657,307	657,307	\$ -
2030	4,845,341	105,334	4,740,008	4,792,675	645,437	645,437	\$ -
2031	4,740,008	105,334	4,634,674	4,687,341	633,567	633,567	\$ -
2032	4,634,674	105,334	4,529,341	4,582,008	621,696	621,696	\$ -
2033	4,529,341	105,334	4,424,007	4,476,674	609,826	609,826	\$ -
2034	4,424,007	105,334	4,318,674	4,371,341	597,955	597,955	\$ -
2035	4,318,674	105,334	4,213,340	4,266,007	586,085	586,085	\$ -
2036	4,213,340	105,334	4,108,007	4,160,674	574,215	574,215	\$ -
2037	4,108,007	105,334	4,002,673	4,055,340	562,344	562,344	\$ -
2038	4,002,673	105,334	3,897,340	3,950,007	550,474	550,474	\$ -
2039	3,897,340	105,334	3,792,006	3,844,673	538,603	538,603	\$ -
2040	3,792,006	105,334	3,686,673	3,739,340	526,733	526,733	\$ -
2041	3,686,673	105,334	3,581,339	3,634,006	514,862	514,862	\$ -
2042	3,581,339	105,334	3,476,006	3,528,673	502,992	502,992	\$ -
2043	3,476,006	105,334	3,370,672	3,423,339	491,122	491,122	\$ -
2044	3,370,672	105,334	3,265,339	3,318,005	479,251	479,251	\$ -
2045	3,265,339	105,334	3,160,005	3,212,672	467,381	467,381	\$ -
2046	3,160,005	105,334	3,054,672	3,107,338	455,510	455,510	\$ -
2047	3,054,672	105,334	2,949,338	3,002,005	443,640	443,640	\$ -
2048	2,949,338	105,334	2,844,005	2,896,671	431,770	431,770	\$ -
2049	2,844,005	105,334	2,738,671	2,791,338	419,899	419,899	\$ -
2050	2,738,671	105,334	2,633,338	2,686,004	408,029	408,029	\$ -
2051	2,633,338	105,334	2,528,004	2,580,671	396,158	396,158	\$ -
2052	2,528,004	105,334	2,422,671	2,475,337	384,288	384,288	\$ -
2053	2,422,671	105,334	2,317,337	2,370,004	372,418	372,418	\$ -
2054	2,317,337	105,334	2,212,004	2,264,670	360,547	360,547	\$ -
2055	2,212,004	105,334	2,106,670	2,159,337	348,677	348,677	\$ -
2056	2,106,670	105,334	2,001,337	2,054,003	336,806	336,806	\$ -
2057	2,001,337	105,334	1,896,003	1,948,670	324,936	324,936	\$ -
2058	1,896,003	105,334	1,790,670	1,843,336	313,066	313,066	\$ -
2059	1,790,670	105,334	1,685,336	1,738,003	301,195	301,195	\$ -
2060	1,685,336	105,334	1,580,003	1,632,669	289,325	289,325	\$ -
2061	1,580,003	105,334	1,474,669	1,527,336	277,454	277,454	\$ -
2062	1,474,669	105,334	1,369,336	1,422,002	265,584	265,584	\$ -
2063	1,369,336	105,334	1,264,002	1,316,669	253,714	253,714	\$ -
2064	1,264,002	105,334	1,158,669	1,211,335	241,843	241,843	\$ -
2065	1,158,669	105,334	1,053,335	1,106,002	229,973	229,973	\$ -
2066	1,053,335	105,334	948,002	1,000,668	218,102	218,102	\$ -
2067	948,002	105,334	842,668	895,335	206,232	206,232	\$ -
2068	842,668	105,334	737,335	790,001	194,362	194,362	\$ -
2069	737,335	105,334	632,001	684,668	182,491	182,491	\$ -
2070	632,001	105,334	526,668	579,334	170,621	170,621	\$ -
2071	526,668	105,334	421,334	474,001	158,750	158,750	\$ -

Project Totals	6,214,677	30,424,369	30,424,369
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\*\* 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.

**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.

[illegible]



## 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.



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### Facilities receiving incentives accepted by FERC in Docket No.

(e.g. ER05-925-000)

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

2017	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	737,310	737,310	-
Prior Yr True-Up	710,052	710,052	-
True-Up Adjustment	(27,258)	(27,258)	-

Details			
Investment	5,805,543	Current Year	2017
Service Year (yyyy)	2013	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	12	FCR w/o incentives, less depreciation	11.27%
Useful life	63	FCR w/incentives approved for these facilities, less dep.	11.27%
CIAC (Yes or No)	No	Annual Depreciation Expense	92,151

**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 ##
2013	5,805,543	-	5,805,543	5,805,543	654,247	654,247	\$ -
2014	5,805,543	92,151	5,713,392	5,759,467	741,206	741,206	\$ -
2015	5,713,392	92,151	5,621,240	5,667,316	730,821	730,821	\$ -
2016	5,621,240	92,151	5,529,089	5,575,164	720,436	720,436	\$ -
2017	5,529,089	92,151	5,436,937	5,483,013	710,052	710,052	\$ -
2018	5,436,937	92,151	5,344,786	5,390,861	699,667	699,667	\$ -
2019	5,344,786	92,151	5,252,634	5,298,710	689,282	689,282	\$ -
2020	5,252,634	92,151	5,160,483	5,206,558	678,897	678,897	\$ -
2021	5,160,483	92,151	5,068,331	5,114,407	668,512	668,512	\$ -
2022	5,068,331	92,151	4,976,180	5,022,255	658,127	658,127	\$ -
2023	4,976,180	92,151	4,884,028	4,930,104	647,742	647,742	\$ -
2024	4,884,028	92,151	4,791,877	4,837,953	637,357	637,357	\$ -
2025	4,791,877	92,151	4,699,725	4,745,801	626,973	626,973	\$ -
2026	4,699,725	92,151	4,607,574	4,653,650	616,588	616,588	\$ -
2027	4,607,574	92,151	4,515,422	4,561,498	606,203	606,203	\$ -
2028	4,515,422	92,151	4,423,271	4,469,347	595,818	595,818	\$ -
2029	4,423,271	92,151	4,331,119	4,377,195	585,433	585,433	\$ -
2030	4,331,119	92,151	4,238,968	4,285,044	575,048	575,048	\$ -
2031	4,238,968	92,151	4,146,816	4,192,892	564,663	564,663	\$ -
2032	4,146,816	92,151	4,054,665	4,100,741	554,278	554,278	\$ -
2033	4,054,665	92,151	3,962,513	4,008,589	543,894	543,894	\$ -
2034	3,962,513	92,151	3,870,362	3,916,438	533,509	533,509	\$ -
2035	3,870,362	92,151	3,778,211	3,824,286	523,124	523,124	\$ -
2036	3,778,211	92,151	3,686,059	3,732,135	512,739	512,739	\$ -
2037	3,686,059	92,151	3,593,908	3,639,983	502,354	502,354	\$ -
2038	3,593,908	92,151	3,501,756	3,547,832	491,969	491,969	\$ -
2039	3,501,756	92,151	3,409,605	3,455,680	481,584	481,584	\$ -
2040	3,409,605	92,151	3,317,453	3,363,529	471,199	471,199	\$ -
2041	3,317,453	92,151	3,225,302	3,271,377	460,815	460,815	\$ -
2042	3,225,302	92,151	3,133,150	3,179,226	450,430	450,430	\$ -
2043	3,133,150	92,151	3,040,999	3,087,074	440,045	440,045	\$ -
2044	3,040,999	92,151	2,948,847	2,994,923	429,660	429,660	\$ -
2045	2,948,847	92,151	2,856,696	2,902,772	419,275	419,275	\$ -
2046	2,856,696	92,151	2,764,544	2,810,620	408,890	408,890	\$ -
2047	2,764,544	92,151	2,672,393	2,718,469	398,505	398,505	\$ -
2048	2,672,393	92,151	2,580,241	2,626,317	388,120	388,120	\$ -
2049	2,580,241	92,151	2,488,090	2,534,166	377,736	377,736	\$ -
2050	2,488,090	92,151	2,395,938	2,442,014	367,351	367,351	\$ -
2051	2,395,938	92,151	2,303,787	2,349,863	356,966	356,966	\$ -
2052	2,303,787	92,151	2,211,635	2,257,711	346,581	346,581	\$ -
2053	2,211,635	92,151	2,119,484	2,165,560	336,196	336,196	\$ -
2054	2,119,484	92,151	2,027,332	2,073,408	325,811	325,811	\$ -
2055	2,027,332	92,151	1,935,181	1,981,257	315,426	315,426	\$ -
2056	1,935,181	92,151	1,843,030	1,889,105	305,041	305,041	\$ -
2057	1,843,030	92,151	1,750,878	1,796,954	294,657	294,657	\$ -
2058	1,750,878	92,151	1,658,727	1,704,802	284,272	284,272	\$ -
2059	1,658,727	92,151	1,566,575	1,612,651	273,887	273,887	\$ -
2060	1,566,575	92,151	1,474,424	1,520,499	263,502	263,502	\$ -
2061	1,474,424	92,151	1,382,272	1,428,348	253,117	253,117	\$ -
2062	1,382,272	92,151	1,290,121	1,336,196	242,732	242,732	\$ -
2063	1,290,121	92,151	1,197,969	1,244,045	232,347	232,347	\$ -
2064	1,197,969	92,151	1,105,818	1,151,893	221,962	221,962	\$ -
2065	1,105,818	92,151	1,013,666	1,059,742	211,578	211,578	\$ -
2066	1,013,666	92,151	921,515	967,591	201,193	201,193	\$ -
2067	921,515	92,151	829,363	875,439	190,808	190,808	\$ -
2068	829,363	92,151	737,212	783,288	180,423	180,423	\$ -
2069	737,212	92,151	645,060	691,136	170,038	170,038	\$ -
2070	645,060	92,151	552,909	598,985	159,653	159,653	\$ -
2071	552,909	92,151	460,757	506,833	149,268	149,268	\$ -
2072	460,757	92,151	368,606	414,682	138,883	138,883	\$ -

[illegible]

Project Totals 5,436,937

\*\* 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.

### Facilities receiving incentives accepted by FERC in Docket No.

(e.g. ER05-925-000)

2017	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	8,620,533	8,620,533	-
Prior Yr True-Up	7,956,901	7,956,901	-
True-Up Adjustment	(663,632)	(663,632)	-

[illegible]

## 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.



### 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.

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### Facilities receiving incentives accepted by FERC in Docket No.

(e.g. ER05-925-000)

### Project Description:

**RTEP ID: b1659 (Sorenson: Add 765/345 kV transformer and all connection work)**

**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.

[illegible]

## 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.



## Page 8 of 11

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

### Facilities receiving incentives accepted by FERC in Docket No.

(e.g. ER05-925-000)

**Project Description:** RTEP ID: b1659.13 (Sorenson: Expansion work to establish 765 kV site)

**TRUE UP OF PROJECT REVENUE REQUIREMENT FOR PRIOR YEAR:**

[illegible]

\*\* 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.



Formula Rate  
WS K TRUE-UP RTEP RR  
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### A. Base Plan Facilities

(e.g. ER05-925-000)

RTEP ID: b1465.1 (Add a 3rd 2250 MVA 765/345 kV transformer at Sullivan station)

**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.

[illegible]

\*\* 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.

## Page 10 of 11

### Facilities receiving incentives accepted by FERC in Docket No.

(e.g. ER05-925-000)

**Project Description:** RTEP ID: b1659.14 (Sorenson: Approx. 14 miles of 765 kV line from existing Dumont-Marysville line)

**TRUE UP OF PROJECT REVENUE REQUIREMENT FOR PRIOR YEAR:**

[illegible]

Project Totals	58,273,526	285,281,964	285,281,964
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\*\* 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.



### A. Base Plan Facilities

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

**Project Description:** RTEP ID: b1465.5 (Sullivan Inst Baker 765kV trf.)

2017	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	-	-	-
Prior Yr True-Up	1,068,410	1,068,410	-
True-Up Adjustment	1,068,410	1,068,410	-

Details			
Investment	8,427,428	Current Year	2017
Service Year (yyyy)	2016	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	6	FCR w/o incentives, less depreciation	11.27%
Useful life	63	FCR w/incentives approved for these facilities, less dep.	11.27%
CIAC (Yes or No)	No	Annual Depreciation Expense	133,769

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 ##
2016	8,427,428	66,884	8,360,544	8,393,986	1,012,832	1,012,832	\$ -
2017	8,360,544	133,769	8,226,775	8,293,659	1,068,410	1,068,410	\$ -
2018	8,226,775	133,769	8,093,006	8,159,891	1,053,336	1,053,336	\$ -
2019	8,093,006	133,769	7,959,238	8,026,122	1,038,261	1,038,261	\$ -
2020	7,959,238	133,769	7,825,469	7,892,353	1,023,186	1,023,186	\$ -
2021	7,825,469	133,769	7,691,700	7,758,585	1,008,111	1,008,111	\$ -
2022	7,691,700	133,769	7,557,931	7,624,816	993,036	993,036	\$ -
2023	7,557,931	133,769	7,424,163	7,491,047	977,961	977,961	\$ -
2024	7,424,163	133,769	7,290,394	7,357,278	962,886	962,886	\$ -
2025	7,290,394	133,769	7,156,625	7,223,510	947,812	947,812	\$ -
2026	7,156,625	133,769	7,022,857	7,089,741	932,737	932,737	\$ -
2027	7,022,857	133,769	6,889,088	6,955,972	917,662	917,662	\$ -
2028	6,889,088	133,769	6,755,319	6,822,204	902,587	902,587	\$ -
2029	6,755,319	133,769	6,621,551	6,688,435	887,512	887,512	\$ -
2030	6,621,551	133,769	6,487,782	6,554,666	872,437	872,437	\$ -
2031	6,487,782	133,769	6,354,013	6,420,898	857,362	857,362	\$ -
2032	6,354,013	133,769	6,220,244	6,287,129	842,287	842,287	\$ -
2033	6,220,244	133,769	6,086,476	6,153,360	827,213	827,213	\$ -
2034	6,086,476	133,769	5,952,707	6,019,591	812,138	812,138	\$ -
2035	5,952,707	133,769	5,818,938	5,885,823	797,063	797,063	\$ -
2036	5,818,938	133,769	5,685,170	5,752,054	781,988	781,988	\$ -
2037	5,685,170	133,769	5,551,401	5,618,285	766,913	766,913	\$ -
2038	5,551,401	133,769	5,417,632	5,484,517	751,838	751,838	\$ -
2039	5,417,632	133,769	5,283,864	5,350,748	736,763	736,763	\$ -
2040	5,283,864	133,769	5,150,095	5,216,979	721,689	721,689	\$ -
2041	5,150,095	133,769	5,016,326	5,083,211	706,614	706,614	\$ -
2042	5,016,326	133,769	4,882,557	4,949,442	691,539	691,539	\$ -
2043	4,882,557	133,769	4,748,789	4,815,673	676,464	676,464	\$ -
2044	4,748,789	133,769	4,615,020	4,681,904	661,389	661,389	\$ -
2045	4,615,020	133,769	4,481,251	4,548,136	646,314	646,314	\$ -
2046	4,481,251	133,769	4,347,483	4,414,367	631,239	631,239	\$ -
2047	4,347,483	133,769	4,213,714	4,280,598	616,164	616,164	\$ -
2048	4,213,714	133,769	4,079,945	4,146,830	601,090	601,090	\$ -
2049	4,079,945	133,769	3,946,177	4,013,061	586,015	586,015	\$ -
2050	3,946,177	133,769	3,812,408	3,879,292	570,940	570,940	\$ -
2051	3,812,408	133,769	3,678,639	3,745,524	555,865	555,865	\$ -
2052	3,678,639	133,769	3,544,871	3,611,755	540,790	540,790	\$ -
2053	3,544,871	133,769	3,411,102	3,477,986	525,715	525,715	\$ -
2054	3,411,102	133,769	3,277,333	3,344,217	510,640	510,640	\$ -
2055	3,277,333	133,769	3,143,564	3,210,449	495,566	495,566	\$ -
2056	3,143,564	133,769	3,009,796	3,076,680	480,491	480,491	\$ -
2057	3,009,796	133,769	2,876,027	2,942,911	465,416	465,416	\$ -
2058	2,876,027	133,769	2,742,258	2,809,143	450,341	450,341	\$ -
2059	2,742,258	133,769	2,608,490	2,675,374	435,266	435,266	\$ -
2060	2,608,490	133,769	2,474,721	2,541,605	420,191	420,191	\$ -
2061	2,474,721	133,769	2,340,952	2,407,837	405,116	405,116	\$ -
2062	2,340,952	133,769	2,207,184	2,274,068	390,041	390,041	\$ -
2063	2,207,184	133,769	2,073,415	2,140,299	374,967	374,967	\$ -
2064	2,073,415	133,769	1,939,646	2,006,530	359,892	359,892	\$ -
2065	1,939,646	133,769	1,805,877	1,872,762	344,817	344,817	\$ -
2066	1,805,877	133,769	1,672,109	1,738,993	329,742	329,742	\$ -
2067	1,672,109	133,769	1,538,340	1,605,224	314,667	314,667	\$ -
2068	1,538,340	133,769	1,404,571	1,471,456	299,592	299,592	\$ -
2069	1,404,571	133,769	1,270,803	1,337,687	284,517	284,517	\$ -
2070	1,270,803	133,769	1,137,034	1,203,918	269,443	269,443	\$ -
2071	1,137,034	133,769	1,003,265	1,070,150	254,368	254,368	\$ -
2072	1,003,265	133,769	869,497	936,381	239,293	239,293	\$ -
2073	869,497	133,769	735,728	802,612	224,218	224,218	\$ -
2074	735,728	133,769	601,959	668,843	209,143	209,143	\$ -
2075	601,959	133,769	468,190	535,075	194,068	194,068	\$ -

Project Totals	7,959,238	38,255,952	38,255,952	-
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\*\*\* 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.

**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.

[illegible]

AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet L RESERVED  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

		Average Balance of Common Equity				
Line No	Month (a)	Proprietary Capital (b)	Less: Preferred Stock (c)	Less Undistributed Sub Earnings (Acct 216.1) (d)	Less AOCI (Acct 219.1) (e)	Average Balance of Common Equity (f)=(b)-( c)-(d)-( e)
	(Note A)	(FF1 112.16)	(FF1 250-251)	(FF1 112.12)	(FF1 112.15)	
1	December Prior to Rate Year	490,698,958	-	-	-	490,698,958
2	January					
3	February					
4	March					
5	April					
6	May					
7	June					
8	July					
9	August					
10	September					
11	October					
12	November					
13	December of Rate Year	696,712,002	-	-	-	696,712,002
14	Average of the Beginning and End Year Balances	593,705,480	-	-	-	593,705,480

Line No		Month (a)	Average Balance of Long Term Debt					Gross Proceeds Outstanding Long-Term Debt (g)=(b)-(c)+(d)+(e)-(f)
			Bonds (b)	Less: Reacquired Bonds (c)	Acct 223 LT Advances from Assoc. Companies (d)	Acct 224 Senior Unsecured Notes (e)	Less: Fair Value Hedges (f)	
					(FF1 112.20)	(FF1 112.21)	FF1, page 257, Col. (h) - Note 1	
		(Note A)	(FF1 112.18)	(FF1 112.19)	(FF1 112.20)	(FF1 112.21)		
15	December Prior to Rate Year		-	-	508,800,000	-	-	508,800,000
16	January							
17	February							
18	March							
19	April							
20	May							
21	June							
22	July							
23	August							
24	September							
25	October							
26	November							
27	December of Rate Year		-	-	680,800,000	-	-	680,800,000
28	Average of the Beginning and End Year Balances		-	-	594,800,000	-	-	594,800,000

NOTE 1: 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)



AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
29	<b>Annual Interest Expense for 2017</b>						
30	Interest on Long Term Debt - Accts 221 - 224 (256-257.33.i)			20,710,923			
31	Less: Total Hedge Gain/Expense Accumulated from p 256-257, col. (i) of FERC Form 1 included in Ln 30 and shown in 43 below.			-			
32	Amort of Debt Discount & Expense - Acct 428 (117.63.c)			-			
33	Amort of Loss on Recquired Debt - Acct 428.1 (117.64.c)			-			
34	Less: Amort of Premium on Debt - Acct 429 (117.65.c)			-			
35	Less: Amort of Gain on Recquired Debt - Acct 429.1 (117.66.c)			-			
36	<b>Total Interest Expense (Ln 30 - 31 + 32 + 33 - 34 - 35)</b>			<b>20,710,923</b>			
37	<b>Average Cost of Debt for 2017 (Ln 36/ Ln 28 (g))</b>			<b>3.48%</b>			

**CALCULATION OF HEDGE GAINS/LOSSES TO BE EXCLUDED FROM TCOS**

38 AEP INDIANA MICHIGAN TRANSMISSION COMPANY may not include costs (or gains) related to interest hedging activities.

			Amortization Period		
	HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)	(Amortization of (Gain)/Loss for 2017	Remaining Unamortized Balance	Beginning	Ending
39					
40					
41					
42					
43	Net (Gain)/Loss Hedge Amortization To Be Removed	-	-	-	-

**Development of Cost of Preferred Stock**

44	Balance of Preferred Stock (Line 14 (c))	-
45	Dividends on Preferred Stock (Acct 437, FF1 118.29))	
46	Average Cost of Preferred Stock (Ln 45 / Ln 44)	#DIV/0!

AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet N - Gains (Losses) on Sales of Plant Held For Future Use  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

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

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

PBOP	(A)	(B)
1	<b><u>Calculation of PBOP Expenses</u></b>	
2	<b><u>AEP System PBOP Rate</u></b>	
3	Total AEP System PBOP expenses	-\$62,529,765
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	-\$62,529,765
6	Total AEP System Direct Labor Expense	\$1,368,849,981
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	-\$0.046
8	Currently Approved PBOP Rate	-\$0.058
9	Base PBOP TransCo labor expensed in current year	4,700,147
10	Allowable TransCo PBOP Expense for current year (Ln 8 * Ln 9)	-\$272,609
11	Direct PBOP Expense per Actuarial Report	\$0
12	Additional PBOP Ledger Entry (From Company Records)	\$0
13	Medicare Credit	\$0
14	PBOP Expenses From AEP Affiliates (From Company Records)	-\$519,657
15	Actual PBOP Expense (Sum Lines 11-14)	-\$519,657
16	PBOP Adjustment Line 10 less Line 15	\$247,048

Note: PBOP Expense will be calculated in accordance with the settlement in Docket ER10-355.

As part of the annual update process, AEP will provide to transmission customers and include in its informational filing an independently prepared actuarial report that includes a ten (10) year forecast of PBOP expenses. During the annual update process conducted for rate year 2018 and every four years thereafter, Worksheet O will be used to determine whether the PBOP allowance rate (\$PBOP per \$Direct O&M Labor) should be adjusted going forward for the next four years. If the annual actuarial report issued during the year of any PBOP rate review projects PBOP costs during the next four years that, when allocated to the AEP Transmission Companies based on their projected direct labor expenses over that same projected four-year period, absent a change in the PBOP Rate, will likely cause the AEP East Transmission Companies to over or under collect their cumulative PBOP expenses by more than 20% of the projected next four year's total PBOP expense, taking into account the net over or under collection of such expenses during the previous four years, the PBOP rate shall be adjusted. In order to determine whether continued use of the then approved PBOP rate is likely to result in the AEP Companies' incurrence of a cumulative allowance of PBOP costs under the formula rate will result in a cumulative over or under-recovery of actual PBOP expenses exceeding 20% over the subsequent four year period, Worksheet O will be used to determine (a) the level of cumulative over or under collections of PBOP expense during the time since the PBOP allowance rate was last set, including carrying costs based on the weighted average cost of capital each year from the formula rate actual transmission cost-of-service (b) the cumulative net present value of projected PBOP costs during the next four years as estimated by the then current actuarial report, assuming a discount rate equal to the actual transmission cost of service average cost of capital for the immediately prior calendar year and (c) the cumulative net present value of continued collections over the next four years based on the projected AEP Transmission Companies direct labor expenses and the then effective PBOP allowance rate assuming a discount rate equal to the prior year weighted average cost of capital. If the absolute value of (a)+(b)-(c) exceeds 20% of (b), then the PBOP allowance rate used in the formula rate calculation shall be changed to the value that will cause the projected result of (a)+(b)-(c) to equal zero. If the projected over or under collection during the next four years, (a)+(b)-(c), is less than 20% of (b), then the PBOP Rate will continue in effect for the next four years at the then effective rate. If it is determined through this procedure AEP Companies will over-recover or under-recover actual PBOP expenses by more than 20% over the subsequent four-year period, AEP shall make a filing under FPA Section 205 to change the PBOP Rate stated in the formula rate shown on Worksheet O. No other changes to the formula rate may be included in that filing.

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