

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

For Twelve Months Ended

2017

AEP APPALACHIAN TRANSMISSION COMPANY

Line No.						Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 113)				\$192,217
			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)				\$ 192,217

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)	-	DA	1.00000	\$ -
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))				227475.20%
8	Monthly Rate	(ln 7 / 12)				18956.27%
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))				227475.20%
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))				227852.10%
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				2,253
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)				2,253

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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)	-	DA	1.00000	-
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 14.(e))	-	TP	1.00000	-
22	General Plant	(Worksheet A In 14.(h))	-	W/S	1.00000	-
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 14.(i))	-	W/S	1.00000	-
24	Intangible Plant	(Worksheet A In 14.(j))	-	W/S	1.00000	-
25	TOTAL GROSS PLANT	(Sum of Lines: 19 to 23)	-	GP=	0.000000	-
26				GTD=	0.00000	
27	ACCUMULATED DEPRECIATION AND AMORTIZATION					
28	Transmission	(Worksheet A In 28.(d) & Ln 43.(b))	(85)	TP1=	1.00000	(85)
29	Less: Transmission ARO (Enter Negative)	(Worksheet A In 28.(e))	-	TP1=	1.00000	-
30	General Plant	(Worksheet A In 28.(h))	-	W/S	1.00000	-
31	Less: General Plant ARO (Enter Negative)	(Worksheet A In 28.(i))	-	W/S	1.00000	-
32	Intangible Plant	(Worksheet A In 28.(j))	-	W/S	1.00000	-
33	TOTAL ACCUMULATED DEPRECIATION	(Sum of Lines: 26 to 30)	(85)			(85)
34	NET PLANT IN SERVICE					
35	Transmission	(In 19 + In 20 - In 26 - In 27)	85			85
36	General Plant	(In 21 + In 22 - In 28 - In 29)	-			-
37	Intangible Plant	(In 23 - In 30)	-			-
38	TOTAL NET PLANT IN SERVICE	(Sum of Lines: 33 to 35)	85	NP=	1.000000	85
39	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)				
40	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	-	NA		-
41	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(12,070)	DA		(12,070)
42	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(12,159)	DA		(12,159)
43	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	18,889	DA		18,889
44	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	-	DA		-
45	TOTAL ADJUSTMENTS	(sum Ins 38 to 42)	(5,340)			(5,340)
46	PLANT HELD FOR FUTURE USE	(Worksheet A In 44.(e)) In 45.(e))	-	DA		-
47	REGULATORY ASSETS	(Worksheet A In 51.(e))	-	DA		-
48	UNFUNDED RESERVES (ENTER NEGATIVE) (NOTE Y)	(Worksheet A In 54.(e))		W/S	1.00000	
49	WORKING CAPITAL	(Note E)				
50	Cash Working Capital	(1/8 * In 66)	3,348			3,348
51	Transmission Materials & Supplies	(Worksheet C, In 2.(F))	-	TP	1.00000	-
52	A&G Materials & Supplies	(Worksheet C, In 3.(F))	-	W/S	1.00000	-
53	Stores Expense	(Worksheet C, In 4.(F))	-	GP	0.00000	-
54	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 8.(G))	-	W/S	1.00000	-
55	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 8.(F))	-	GP	0.00000	-
56	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 8.(E))	-	DA	1.00000	-
57	Prepayments (Account 165) - Unallocable	(Worksheet C, In 8.(D))	-	NA	0.00000	-
58	TOTAL WORKING CAPITAL	(sum Ins 48 to 55)	3,348			3,348
59	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8.B)	-	DA	1.00000	-
60	RATE BASE (sum Ins 36, 43, 44, 45, 46, 56, 57)		(1,908)			(1,908)

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(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	26,781
	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	150,994
	73	Plus: Acct. 924, Property Insurance	(In 68)	GP(h)	0.00000	-
	74	Acct. 928 - Transmission Specific	Worksheet F In 21.(E) (Note L)	TP	1.00000	202
	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	-
	77	PBOP Adjustment	Worksheet O Ln 16.(B), (Note K & M)	W/S	1.00000	14,558
	78	A & G Subtotal	(sum Ins 72 to 77)			165,754
	79	O & M EXPENSE SUBTOTAL	(In 66 + In 78)			192,535
	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)			192,535
	82	DEPRECIATION AND AMORTIZATION EXPENSE				
	83	Transmission	336.7.f	TP1	1.00000	-
	84	General	336.10.f	W/S	1.00000	-
	85	Intangible	336.1.f	W/S	1.00000	-
	86	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 83+84+85)			-
	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	-
	92	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	NA	0.00000	-
	93	Other	Worksheet H In 23.(E)	GP	0.00000	-
	94	TOTAL OTHER TAXES	(sum Ins 89 to 93)			-
	95	INCOME TAXES	(Note O)			
	96	T=1 - {(1 - SIT) * (1 - FIT)} / (1 - SIT * FIT * p)} =	39.23%			
	97	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =	45.28%			
	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)	1.6454			
	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	-
	104	Income Tax Calculation	(In 97 * In 109)			(99)
	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)			-
	108	TOTAL INCOME TAXES	(sum Ins 104 to 107)			(99)
	109	RETURN ON RATE BASE (Rate Base*WACC)	(In 58 * In 139)			(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	194,341			192,217
		(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)								-
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)								-
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									
121	Transmission	354.21.b	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
122	Regional Market Expenses	354.22.b	-	19,243	19,243	TP	1.00000			19,243
123	Line Deliberately Left Blank		-	-	-	NA	0.00000			-
124	Other (Excludes A&G)	354.24,25,26.b	-	-	-	NA	0.00000			-
125	Total	(sum Ins 121, 122, & 124)	-	19,243	19,243					19,243
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))								-
129	Preferred Dividends	(Worksheet M, In. 45, col.(d))								-
130	Development of Common Stock:									
131	Proprietary Capital	(Worksheet M, In. 14, col.(b))								(376,068)
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)								(376,068)
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)		-	0.00%		0.00%			0.0000	
139	Total (Sum Ins 136 to 138)		-	0.00%		0.00%			0.0000	
			(376,068)	100.00%		11.49%			0.1149	
			(376,068)	100.00%				WACC=		0.1149
140	AEP OPERATING COMPANIES' COMPOSITE (Note S)									
140	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$	
141	Long Term Interest	(Worksheet Q, In. 132)								451,269,103
142	Preferred Dividends	(Worksheet Q, In. 134)								-
143	Development of Common Stock:									
144	Proprietary Capital	(Worksheet Q, In. 135)								9,216,119,144
145	Less: Preferred Stock	(Worksheet Q, In. 136)								-
146	Less: Account 216.1	(Worksheet Q, In. 137)								(2,449,065)
147	Less: Account 219	(Worksheet Q, In. 138)								(15,999,110)
148	Common Stock	(In 144 - In 145 - In 146 - In 147)								9,234,567,318
149										
150	Long Term Debt (Worksheet Q, In 140)		%	\$		Cost			Weighted	
151	Preferred Stock (Worksheet Q, In 141)		49.40%	9,014,816,425		5.01%			0.0247	
152	Common Stock (Worksheet Q, In 142)		0.00%	-		0.00%			0.0000	
153	Total (Worksheet Q, In 143)		50.60%	9,234,567,318		11.49%			0.0581	
				18,249,383,743				WACC=		0.0829

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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 APPALACHIAN 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= 6.50% (State Income Tax Rate or Composite SIT. Worksheet G))
p = 0.00% (percent of federal income tax deductible for state purposes)
- PThe 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.
- QRemoves 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.
- RRemoves 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.
- SIncludes 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.
- TExcess / (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.
- 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 APPALACHIAN 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	-	-	-	-	-
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	-	-	-	-	-
14	Average of the Beginning and Ending Balances	-	-	-	-	-

		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	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	(169)	-	-	-	-
28	Average of the Beginning and Ending Balances	(85)	-	-	-	-

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet A Rate Base
AEP APPALACHIAN 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 (85)

<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 APPALACHIAN 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 APPALACHIAN 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	<u>Account 281</u>				
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	<u>Account 282</u>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, ln 5, Col. (k)	24,137	3	12,070
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	24,137	3	12,070
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, ln 9, Col. (k)	23,866	451	12,159
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)			-
15	Transmission Related Deferrals	Ln 12 - ln 13 - ln 14	23,866	451	12,159
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, ln 8, Col. (c)	30,978	6,799	18,889
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)			-
20	Transmission Related Deferrals	Ln 17 - ln 18 - ln 19	30,978	6,799	18,889
21	<u>Account 255</u>				
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.167(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.

AEP APPALACHIAN TRANSMISSION COMPANY
SPECIFIED DEFERRED CREDITS - Actual Cycle Only
PERIOD ENDED DECEMBER 31, 2017

(DEBIT) CREDIT

[illegible]

AEP APPALACHIAN TRANSMISSION COMPANY
ACCUMULATED DEFERRED INCOME TAX IN ACCOUNT 190 - Actual Cycle Only
PERIOD ENDED DECEMBER 31, 2017

DEBIT (CREDIT)

[illegible]

(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)	0	0	-			
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	Average of YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)
6	Totals as of December 31, 2017	0	0	0	0	0
7	Totals as of December 31, 2016	0	0	0	0	0
8	Average Balance	-	-	-	-	-

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	0	-		-		-	
11	1650021	Prepaid Insurance - EIS	0	-		-		-	
12	1650023	Prepaid Lease	0	-		-		-	
13	1650003	Prepaid Rents	0	-		-		-	
14	1650004	Prepaid Interest	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		0	0	0	0	0	0	

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	0			0		-	
28	1650021	Prepaid Insurance - EIS	0	-		-		-	
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	0	-		-	-	-	
39	1650032	Prepaid OCIP Work Comp LT	0	-			-	-	
40	1650033	Prepaid OCIP Work Comp - Aff	0	-			-	-	
40	1650034	Prepaid OCIP Work Comp LT - Aff	0	-			-	-	
	Subtotal - Form 1, p 111.57.d		0	0	0	0	0	0	

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 APPALACHIAN 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 $((\text{Ln } 1 + \text{Ln } 7)/2)$	-

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 Actual/Projected 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 - Notes 1, 2)	-	-	-
5	Account 456 - Other Electric Revenues - (Company Records - Notes 1,2)	50,167	50,167	-
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))	50,167	50,167	-
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	-	-	-
8	Total Other Operating Revenues To Reduce Revenue Requirement	50,167	50,167	-
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 APPALACHIAN 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 APPALACHIAN TRANSMISSION COMPANY

Formula Rate
WS F Misc Exp
Page 16 of 31

Line Number	(A) Item No.	(B) Description	(C) 2017 Expense	(D) 100% Non-Transmission	(E) 100% Transmission Specific	(F) Explanation
<u>Regulatory O&M Deferrals & Amortizations</u>						
1	5700005	Maint Station-Reliability-Df				
2						
3						
4		Total	-			
<u>Detail of Account 561 Per FERC Form 1</u>						
5						
6	FF1 p 321.85.b	561.1 - Load Dispatch - Reliability	6			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	2,032			
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	215			
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	2,253			
<u>Account 928</u>						
15	9280000	Regulatory Commission Exp	1	1	-	
16	9280001	Regulatory Commission Exp-Adm	-	-	-	
17	9280002	Regulatory Commission Exp-Case	15	15	-	
18	9280003	Regulatory Commission Exp-Case	-	-	-	
19	9280004	Regulatory Commission Exp-Case	-	-	-	
20	9280005	Regulatory Commission Exp-Case	202	-	202	
21		Total (FERC Form 1 p.323.189.b)	218	16	202	
<u>Account 930.1</u>						
22	9301000	General Advertising Expenses	4	4	-	
23	9301001	Newspaper Advertising Space	-	-	-	
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	2	2	-	
33	9301011	Dedications, Tours, & Openings	-	-	-	
34	9301012	Public Opinion Surveys	-	-	-	
35	9301013	Movies Slide Films & Speeches	-	-	-	
36	9301014	Video Communications	-	-	-	
37	9301015	Other Corporate Comm Exp	2	2	-	
38		Total (FERC Form 1 p.323.191.b)	8	8	-	
<u>Account 930.2</u>						
39	9302000	Misc General Expenses	950	950	-	
40	9302003	Corporate & Fiscal Expenses	4	4	-	
41	9302004	Research, Develop&Demonstr Exp	-	-	-	
42	9302007	Assoc Business Development Exp	-	-	-	
43		Total (FERC Form 1 p.323.192.b)	954	954	-	

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 APPALACHIAN TRANSMISSION COMPANY

1	Tennessee Excise Tax Rate	6.50%	
	Apportionment Factor - Note 1	100.00%	
	Effective State Tax Rate		6.50%
2	Virginia State Tax Rate	6.00%	
	Apportionment Factor - Note 1	0.00%	
	Effective State Tax Rate		0.00%
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>6.50%</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	Revenue Taxes					
2	Gross Receipts Tax	-				-
3	Real Estate and Personal Property Taxes					
4	Real and Personal Property - West Virginia	-	-			
5	Real and Personal Property - Virginia	-	-			
6	Real and Personal Property - Tennessee	-	-			
7	Real and Personal Property - Other Jurisdictions	-	-			
8	Payroll Taxes					
9	Federal Insurance Contribution (FICA)	-		-		
10	Federal Unemployment Tax	-		-		
11	State Unemployment Insurance	-		-		
12	<i>Line Deliberately Left Blank</i>					
13	State Severance Taxes	-				-
14	Miscellaneous Taxes					
15	State Business & Occupation Tax	-				-
16	State Public Service Commission Fees	-			-	
17	State Franchise Taxes	-			-	
18	State Lic/Registration Fee	-			-	
19	Misc. State and Local Tax	-			-	
20	Sales & Use	-				-
21	Federal Excise Tax	-				-
22	Michigan Single Business Tax	-				-
23	Total Taxes by Allocable Basis	-	-	-	-	-

(Total Company Amount Ties to FFI p.114, Ln 14,(c))

NOTE 1: The detail of each total company number and its source in the FERC Form 1 is shown on WS H-1.

		Functional Property Tax Allocation				
		Lines 24-58 Column (B) Deliberately Left Blank	Transmission	Lines 24-58 Column (D) Deliberately Left Blank	General	Total
24	Functionalized Net Plant (TCOS, Lns 33 thru 36)	-	85	-	-	85
TENNESSEE JURISDICTION						
25	Percentage of Plant in TENNESSEE JURISDICTION					
26	Net Plant in TENNESSEE 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 TENNESSEE JURISDICTION Plant (Ln 30 + 32)	-	-	-	-	-
34	Functional Percentage (Ln 33/Total Ln 33)	0.00%	100.00%	0.00%		
JURISDICTION						
35	Net Plant in JURISDICTION (Ln 24 - Ln 26)	-	85	-	-	85
36	Less: Net Value Exempted Generation Plant					
37	Taxable Property Basis	-	85	-	-	85
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 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	<u>Revenue Taxes</u>			
2	Gross Receipts Tax	-		

(A)		(B)	(C)	(D)	(E)
"Real Estate and Personal Propety Tax Detail Annual Tax Expenses by Type (Note 1)"		Tax Year	Total Company	FERC FORM 1 Tie-Back	FERC FORM 1 Reference
<u>Real Estate and Personal Property Taxes Total</u>					
3	<u>(Ln 4 + Ln 5 + Ln 6 + Ln 7)</u>		-		
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		-		

(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	-		
19	Misc. State and Local Tax	-		
20	Sales & Use	-		
21	Federal Excise Tax	-		
22	Michigan Single Business Tax	-		
23	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	-	-	

Note 1: The 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 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 (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)		
	%	<u>Cost</u>
Long Term Debt	0.00%	0.00%
Preferred Stock	0.00%	0.00%
Common Stock	100.00%	11.49%
		<u>Weighted cost</u>
		11.490%
R =		11.490%

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	#N/A	#N/A	#N/A
	Actual After True-up	#N/A	#N/A	#N/A
	True-up of ARR For 2017	#N/A	#N/A	#N/A

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

Rate Base (True-Up TCOS, ln 58)	(1,908)
R (from A. above)	11.490%
Return (Rate Base x R)	(219)

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

Return (from B. above)	(219)
Effective Tax Rate (TCOS, ln 97)	45.28%
Income Tax Calculation (Return x CIT)	(99)
ITC Adjustment	-
Excess Deferred Income Tax	-
Tax Affect of Permanent Differences	-
Income Taxes	(99)

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)	192,217
Lease Payments (TCOS, lns 80)	-
Return (TCOS, ln 109)	(219)
Income Taxes (TCOS, ln 108)	(99)
Annual Revenue Requirement, Less Lease Payments, Return and Taxes	192,535

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

Annual Revenue Requirement, Less Lease Payments, Return and Taxes	192,535
Return (from I.B. above)	(219)
Income Taxes (from I.C. above)	(99)
Annual Revenue Requirement, with 0 Basis Point ROE increase	192,217
Depreciation (TCOS, ln 83)	-
Annual Rev. Req. w/ 0 Basis Point ROE increase, less Depreciation	192,217

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

Net Transmission Plant (Projected TCOS, ln 33)	85
Annual Revenue Requirement, with 0 Basis Point ROE increase	192,217
FCR with 0 Basis Point increase in ROE	227475.20%

Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep.	192,217
FCR with 0 Basis Point ROE increase, less Depreciation	227475.20%
FCR less Depreciation (TCOS, ln 10)	227475.20%
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	-
Annual Depreciation and Amortization Expense (TCOS, ln 83)	-
Composite Depreciation Rate	#DIV/0!
Depreciable Life for Composite Depreciation Rate	#DIV/0!
Average Life in Whole Years	#DIV/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.

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

Project Description:

TRUE UP OF PROJECT REVENUE REQUIREMENT FOR PRIOR YEAR:

[illegible]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 Actual/Projected FF1 Balances
Worksheet L RESERVED
AEP APPALACHIAN 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 APPALACHIAN 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	(389,210)	-	-	-	(389,210)
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	(362,925)	-	-	-	(362,925)
14	Average of the Beginning and End Year Balances	(376,068)	-	-	-	(376,068)

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)	
		(Note A)	(FF1 112.18)	(FF1 112.19)	(FF1 112.20)	(FF1 112.21)	FF1, page 257, Col. (h) - Note 1	
15	December Prior to Rate Year		-	-	-	-	-	-
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		-	-	-	-	-	-
28	Average of the Beginning and End Year Balances		-	-	-	-	-	-

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 APPALACHIAN TRANSMISSION COMPANY

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

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
29	Annual Interest Expense for 2017						
30	Interest on Long Term Debt - Accts 221 - 224 (256-257.33.i)			-			
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	Total Interest Expense (Ln 30 - 31 + 32 + 33 - 34 - 35)			-			
37	Average Cost of Debt for 2017 (Ln 36/ Ln 28 (g))			#DIV/0!			

CALCULATION OF HEDGE GAINS/LOSSES TO BE EXCLUDED FROM TCOS

38 AEP APPALACHIAN 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 APPALACHIAN TRANSMISSION COMPANY

Note: Gain or loss on plant held for future are recorded in accounts 411.6 or 411.7 respectiviely. 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 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	-\$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	53,017
10	Allowable TransCo PBOP Expense for current year (Ln 8 * Ln 9)	-\$3,075
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)	-\$17,633
15	Actual PBOP Expense (Sum Lines 11-14)	-\$17,633
16	PBOP Adjustment Line 10 less Line 15	\$14,558

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 APPALACHIAN TRANSMISSION COMPANY

AEP East Consolidated Utility Capital Structure
Consolidation of Operating Companies' Capital Structure @ December 31, 2017
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
<u>Development of Long Term Debt Balances at Year End</u>							
1 Bonds (112.18.c&d)	298,676,142	-	-	-	-	-	298,676,142
2 Less: Reacquired Bonds (112.19.c&d)	104,375,000	-	-	-	345,400,000	-	449,775,000
3 LT Advances from Assoc. Companies (112.20.c&d)	-	-	-	50,000,000	-	-	50,000,000
4 Senior Unsecured Notes (112.21.c&d) Excludes Spent Nuc Fuel Disp Fund	3,820,691,863	2,306,411,596	870,000,000	-	1,978,783,364	350,000,000	9,325,886,823
5 Less: Fair Value Hedges (See Note on Ln 7 below)	-	-	-	-	-	-	-
6 Total Long Term Debt Balance	4,014,993,005	2,306,411,596	870,000,000	50,000,000	1,633,383,364	350,000,000	9,224,787,965
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)							
<u>Development of Long Term Debt Interest Expense</u>							
8 Interest on Long Term Debt (256-257.33.i)	183,897,633	100,206,743	42,982,017	1,639,122	95,865,686	11,295,356	435,886,557
9 Amort of Debt Discount & Expense (117.63.c)	3,251,998	2,129,649	1,250,623	12,309	1,225,222	235,280	8,105,081
10 Amort of Loss on Reacquired Debt (117.64.c)	3,996,264	1,252,844	33,651	-	1,278,516	-	6,561,275
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)	(1,128,890)	2,028,229	61,972	-	(1,679,213)	-	(717,902)
14 LTD Interest Expense	192,274,785	101,559,295	44,204,319	1,651,431	100,048,637	11,530,636	451,269,103
<u>Development of Cost of Preferred Stock and Preferred Dividends</u>							
15 Dividend Rate (p. 250-251. 7.a)							
16 Par Value (p. 250-251. 8.c)							
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)							
21 Par Value (p. 250-251. 8.c)							
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)							
26 Par Value (p. 250-251. 8.c)							
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)							
31 Par Value (p. 250-251. 8.c)							
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)	-	-	-	-	-	-	-
<u>Development of Common Equity</u>							
37 Proprietary Capital (112.16.c)	3,804,481,343	2,217,622,969	670,262,743	43,517,384	2,310,330,965	415,196,764	9,461,412,168
38 Less: Preferred Stock (Ln 35 Above)	-	-	-	-	-	-	-
39 Less: Account 216.1 (112.12.c)	(3,524,449)	(6,289,416)	-	-	4,915,704	-	(4,898,161)
40 Less: Account 219.1 (112.15.c)	1,354,510	(12,123,365)	261,112	-	1,915,758	449,945	(8,142,040)
41 Balance of Common Equity	3,806,651,282	2,236,035,750	670,001,631	43,517,384	2,303,499,503	414,746,819	9,474,452,369
<u>Calculation of Capital Shares</u>							
42 Long Term Debt (Ln 6 Above)	4,014,993,005	2,306,411,596	870,000,000	50,000,000	1,633,383,364	350,000,000	9,224,787,965
43 Preferred Stock (Ln 35 Above)	-	-	-	-	-	-	-
44 Common Equity (Ln 41 Above)	3,806,651,282	2,236,035,750	670,001,631	43,517,384	2,303,499,503	414,746,819	9,474,452,369
45 Total Company Structure	7,821,644,287	4,542,447,346	1,540,001,631	93,517,384	3,936,882,867	764,746,819	18,699,240,334
46 LTD Capital Shares (Ln 42 / Ln 45)	51.33%	50.77%	56.49%	53.47%	41.49%	45.77%	49.33%
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)	48.67%	49.23%	43.51%	46.53%	58.51%	54.23%	50.67%
49 Reserved							
50 Reserved							
51 Reserved							
52 Reserved							
<u>Calculation of Capital Cost Rate</u>							
53 LTD Capital Cost Rate (Ln 14 / Ln 6)	4.79%	4.40%	5.08%	3.30%	6.13%	3.29%	4.89%
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%
<u>Calculation of Weighted Capital Cost Rate</u>							
56 LTD Weighted Capital Cost Rate (Ln 46 * Ln 53)	2.46%	2.24%	2.87%	1.77%	2.54%	1.51%	2.41%
57 Preferred Stock Capital Cost Rate (Ln 47 * Ln 54)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
58 Common Equity Capital Cost Rate (Ln 48 * Ln 55)	5.59%	5.66%	5.00%	5.35%	6.72%	6.23%	5.82%
59 Total Company Structure	8.05%	7.89%	7.87%	7.11%	9.26%	7.74%	8.24%

AEP East Consolidated Utility Capital Structure
Consolidation of Operating Companies' Capital Structure @ December 31, 2016
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
<u>Development of Long Term Debt Balances at Year End</u>							
60 Bonds (112.18.c&d)	322,118,952						322,118,952
61 Less: Reacquired Bonds (112.19.c&d)		40,000,000			345,400,000		385,400,000
62 LT Advances from Assoc. Companies (112.20.c&d)				20,000,000			20,000,000
63 Senior Unsecured Notes (112.21.c&d) Excludes Spent Nuc Fuel Disp Fund	3,745,741,308	2,007,898,146	870,000,000		1,978,861,479	350,000,000	8,952,500,933
64 Less: Fair Value Hedges (See Note on Ln 66 below)	-	-	-	-	-	-	-
65 Total Long Term Debt Balance	4,067,860,260	1,967,898,146	870,000,000	20,000,000	1,633,461,479	350,000,000	8,909,219,885
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)							
<u>Development of Long Term Debt Interest Expense</u>							
67 Interest on Long Term Debt (256-257.33.i)	183,241,456	90,712,806	44,423,930	904,000	104,441,643	11,095,742	434,819,577
68 Amort of Debt Discount & Expense (117.63.c)	2,982,641	1,820,729	725,700		1,369,728	245,632	7,144,430
69 Amort of Loss on Reacquired Debt (117.64.c)	4,269,063	1,283,093	33,651		1,287,793		6,873,600
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)	(1,128,890)		92,956		(1,853,567)		(2,889,501)
73 LTD Interest Expense	191,622,050	93,814,916	45,090,325	904,000	108,952,731	11,341,374	451,725,396
<u>Development of Cost of Preferred Stock and Preferred Dividends</u>							
74 Dividend Rate (p. 250-251. 7.a)							
75 Par Value (p. 250-251. 8.c)							
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)							
80 Par Value (p. 250-251. 8.c)							
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)							
85 Par Value (p. 250-251. 8.c)							
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)							
90 Par Value (p. 250-251. 8.c)							
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)	-	-	-	-	-	-	-
<u>Development of Common Equity</u>							
96 Proprietary Capital (112.16.c)	3,582,763,277	2,151,747,058	668,401,428	37,530,838	2,117,544,466	412,839,052	8,970,826,119
97 Less: Preferred Stock (Ln 94 Above)	-	-	-	-	-	-	-
98 Less: Account 216.1 (112.12.c)	1,758,641	(6,674,314)			4,915,704		31
99 Less: Account 219.1 (112.15.c)	(9,136,157)	(16,256,513)	(1,354,460)		3,016,012	(125,061)	(23,856,179)
100 Balance of Common Equity	3,590,140,793	2,174,677,885	669,755,888	37,530,838	2,109,612,750	412,964,113	8,994,682,267
<u>Calculation of Capital Shares</u>							
101 Long Term Debt (Ln 65 Above)	4,067,860,260	1,967,898,146	870,000,000	20,000,000	1,633,461,479	350,000,000	8,909,219,885
102 Preferred Stock (Ln 94 Above)	-	-	-	-	-	-	-
103 Common Equity (Ln 100 Above)	3,590,140,793	2,174,677,885	669,755,888	37,530,838	2,109,612,750	412,964,113	8,994,682,267
104 Total Company Structure	7,658,001,053	4,142,576,031	1,539,755,888	57,530,838	3,743,074,229	762,964,113	17,903,902,152
105 LTD Capital Shares (Ln 101 / Ln 104)	53.12%	47.50%	56.50%	34.76%	43.64%	45.87%	49.76%
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)	46.88%	52.50%	43.50%	65.24%	56.36%	54.13%	50.24%
108 Reserved							
109 Reserved							
110 Reserved							
111 Reserved							
<u>Calculation of Capital Cost Rate</u>							
112 LTD Capital Cost Rate (Ln 73 / Ln 65)	4.71%	4.77%	5.18%	4.52%	6.67%	3.24%	5.07%
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%
<u>Calculation of Weighted Capital Cost Rate</u>							
115 LTD Weighted Capital Cost Rate (Ln 105 * Ln 112)	2.50%	2.26%	2.93%	1.57%	2.91%	1.49%	2.52%
116 Preferred Stock Capital Cost Rate (Ln 106 * Ln 113)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
117 Common Equity Capital Cost Rate (Ln 107 * Ln 114)	5.39%	6.03%	5.00%	7.50%	6.48%	6.22%	5.77%
118 Total Company Structure	7.89%	8.30%	7.93%	9.07%	9.39%	7.71%	8.30%

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	310,397,547	-	-	-	-	-	310,397,547
120 Less: Average Reacquired Bonds (Ln 2 + Ln 61) / 2	104,375,000	20,000,000	-	-	345,400,000	-	469,775,000
121 Average LT Advances from Assoc. Companies (Ln 3 + Ln 62) / 2	-	-	-	35,000,000	-	-	35,000,000
122 Average Senior Unsecured Notes (Ln 4 + Ln 63) / 2	3,783,216,586	2,157,154,871	870,000,000	-	1,978,822,422	350,000,000	9,139,193,878
123 Less: Average Fair Value Hedges (See Note on Ln 125 below)	-	-	-	-	-	-	-
124 Average Balance of Long Term Debt	3,989,239,133	2,137,154,871	870,000,000	35,000,000	1,633,422,422	350,000,000	9,014,816,425
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 Long Term Debt Interest Expense</u>							
126 Interest on Long Term Debt (256-257.33.i)	183,897,633	100,206,743	42,982,017	1,639,122	95,865,686	11,295,356	435,886,557
127 Amort of Debt Discount & Expense (117.63.c)	3,251,998	2,129,649	1,250,623	12,309	1,225,222	235,280	8,105,081
128 Amort of Loss on Reacquired Debt (117.64.c)	3,996,264	1,252,844	33,651	-	1,278,516	-	6,561,275
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)	(1,128,890)	2,028,229	61,972	-	(1,679,213)	-	(717,902)
132 LTD Interest Expense	192,274,785	101,559,295	44,204,319	1,651,431	100,048,637	11,530,636	451,269,103
<u>Cost of Preferred Stock and Preferred Dividends</u>							
133 Average Balance of Preferred Stock (Ln 35 + Ln 94) / 2	-	-	-	-	-	-	-
134 Preferred Dividends (Ln 36)	-	-	-	-	-	-	-
<u>Development of Average Common Equity</u>							
135 Average Proprietary Capital (Ln 37 + Ln 96) / 2	3,693,622,310	2,184,685,014	669,332,086	40,524,111	2,213,937,716	414,017,908	9,216,119,144
136 Less: Average Preferred Stock (Ln 133 Above)	-	-	-	-	-	-	-
137 Less: Average Account 216.1 (Ln 39 + Ln 98) / 2	(882,904)	(6,481,865)	-	-	4,915,704	-	(2,449,065)
138 Less: Average Account 219.1 (Ln 40 + Ln 99) / 2	(3,890,824)	(14,189,939)	(546,674)	-	2,465,885	162,442	(15,999,110)
139 Average Balance of Common Equity	3,698,396,038	2,205,356,818	669,878,760	40,524,111	2,206,556,127	413,855,466	9,234,567,318
<u>Calculation of Capital Shares</u>							
140 Average Balance of Long Term Debt (Ln 124 Above)	3,989,239,133	2,137,154,871	870,000,000	35,000,000	1,633,422,422	350,000,000	9,014,816,425
141 Average Balance of Preferred Stock (Ln 133 Above)	-	-	-	-	-	-	-
142 Average Balance of Common Equity (Ln 139 Above)	3,698,396,038	2,205,356,818	669,878,760	40,524,111	2,206,556,127	413,855,466	9,234,567,318
143 Average of Total Company Structure	7,687,635,170	4,342,511,689	1,539,878,760	75,524,111	3,839,978,548	763,855,466	18,249,383,743
144 Average Balance of LTD Capital Shares (Ln 140 / Ln 143)	51.89%	49.21%	56.50%	46.34%	42.54%	45.82%	49.40%
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)	48.11%	50.79%	43.50%	53.66%	57.46%	54.18%	50.60%
147 Reserved							
148 Reserved							
149 Reserved							
150 Reserved							
<u>Calculation of Capital Cost Rate</u>							
151 LTD Capital Cost Rate (Ln 132 / Ln 124)	4.82%	4.75%	5.08%	4.72%	6.13%	3.29%	5.01%
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 144 * Ln 151)	2.50%	2.34%	2.87%	2.19%	2.61%	1.51%	2.47%
155 Preferred Stock Capital Cost Rate (Ln 145 * Ln 152)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
156 Common Equity Capital Cost Rate (Ln 146 * Ln 153)	5.53%	5.84%	5.00%	6.17%	6.60%	6.23%	5.81%
157 ACTUAL WEIGHTED AVG COST OF CAPITAL	8.03%	8.17%	7.87%	8.35%	9.21%	7.73%	8.29%