

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2009 and Projected Net Plant at Year-End 2010

APPALACHIAN POWER COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 138)			\$191,656,808
2	REVENUE CREDITS	(Note A) (Worksheet E)	7,451,814	DA 1.00000	\$ 7,451,814
3	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 2)			<u>\$ 184,204,994</u>

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

4	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet J)		2,027,403	DA 1.00000	\$ 2,027,403
5	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
6	Annual Rate	$((ln 1 - ln 105 - ln 106) / ((ln 48 + ln 49 + ln 50 + ln 51 + ln 53) \times 100))$			16.02%
7	Monthly Rate	(ln 6 / 12)			1.34%
8	NET PLANT CARRYING CHARGE ON LINE 6, w/o depreciation or ROE incentives (Note B)				
9	Annual Rate	$((ln 1 - ln 105 - ln 106 - ln 111 - ln 112) / ((ln 48 + ln 49 + ln 50 + ln 51 + ln 53) \times 100))$			13.69%
10	NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B)				
11	Annual Rate	$((ln 1 - ln 105 - ln 106 - ln 111 - ln 112 - ln 133 - ln 134) / ((ln 48 + ln 49 + ln 50 + ln 51 + ln 53) \times 100))$			3.70%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J)				-
13	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES				
14	Total Load Dispatch & Scheduling (Account 561) Line 85 Below				10,271,824
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				5,355,294
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				1,011,205
17	Total 561 Internally Developed Costs (Line 14 - Line 15 - Line 16)				<u>3,905,325</u>

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Line No.	(1)	(2)	(3)	(4)	(5)
	<u>RATE BASE CALCULATION</u>	<u>Data Sources (See "General Notes")</u>	<u>TO Total NOTE C</u>	<u>Allocator</u>	<u>Total Transmission</u>
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.C)	4,281,772,611	NA 0.00000	-
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(58,809,967)	NA 0.00000	-
20	Transmission	(Worksheet A In 3.C & Ln 142)	1,811,822,367	DA	1,779,551,469
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C & Ln 143)	-	TP 0.98219	-
22	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.D)		82,174,988	DA 1.00000	82,174,988
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I, In 22.D)		-	DA 1.00000	-
24	Distribution	(Worksheet A In 5.C)	2,639,835,336	NA 0.00000	-
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	(3,069)	NA 0.00000	-
26	General Plant	(Worksheet A In 7.C)	183,495,855	W/S 0.07028	12,896,024
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(560,901)	W/S 0.07028	(39,420)
28	Intangible Plant	(Worksheet A In 9.C)	98,448,215	W/S 0.07028	6,918,906
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	9,038,175,435		1,881,501,967
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.C)	1,724,325,423	NA 0.00000	-
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(11,672,389)	NA 0.00000	-
33	Transmission	(Worksheet A In 14.C & 28.C)	568,568,591	TP1= 0.98095	557,735,361
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 0.98095	-
35	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.I)		658,104	DA 1.00000	658,104
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I In 24.D)		-	DA 1.00000	-
37	Plus: Additional Transmission Depreciation for 2010 (In 111)		29,597,240	TP1 0.98095	29,033,309
38	Plus: Additional General & Intangible Depreciation for 2010 (In 113 + In 114)		22,465,223	W/S 0.07028	1,578,848
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I In 23.D)		-	DA 1.00000	-
40	Distribution	(Worksheet A In 16.C)	759,544,874	NA 0.00000	-
41	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	(1,310)	NA 0.00000	-
42	General Plant	(Worksheet A In 18.C)	58,132,241	W/S 0.07028	4,085,513
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(272,912)	W/S 0.07028	(19,180)
44	Intangible Plant	(Worksheet A In 20.C)	73,961,653	W/S 0.07028	5,197,999
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	3,225,306,738		598,269,954
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	2,510,309,610		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	1,243,253,776		1,221,816,108
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		81,516,884		81,516,884
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		-		-
51	Plus: Additional Transmission Depreciation for 2010 (-In 37)		(29,597,240)		(29,033,309)
52	Plus: Additional General & Intangible Depreciation for 2010 (-In 38)		(22,465,223)		(1,578,848)
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		-		-
54	Distribution	(In 24 + In 25 - In 40 - In 41)	1,880,288,703		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	125,075,625		8,790,271
56	Intangible Plant	(In 28 - In 44)	24,486,562		1,720,907
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	5,812,868,697		1,283,232,013
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(96,784,031)	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(901,973,360)	DA	(204,680,352)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(359,567,409)	DA	(9,540,843)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	249,411,747	DA	43,919,532
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(6,962,788)	DA	(1,979,098)
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(1,115,875,841)		(172,280,761)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	5,719,690	DA	1,955,023
66	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
67	WORKING CAPITAL	(Note E)			
68	Cash Working Capital	(1/8 * In 88)	2,703,871		2,655,712
69	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	522,834	TP 0.98219	513,522
70	A&G Materials & Supplies	(Worksheet C, In 3.(D))	1,097,935	W/S 0.07028	77,162
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h) 0.20091	-
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	129,298,224	W/S 0.07028	9,087,033
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	5,395,391	GP(h) 0.20091	1,083,974
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA 1.00000	-
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(129,012,986)	NA 0.00000	-
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	10,005,269		13,417,403
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	(2,219,388)	DA 1.00000	(2,219,388)
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		4,710,498,427		1,124,104,291

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Formula Rate
APCo Projected TCOS
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Line No.	(1)	(2)	(3)	(4)	(5)
EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission	
79	OPERATION & MAINTENANCE EXPENSE				
80	Production	321.80.b	1,896,357,509		
81	Distribution	322.156.b	156,770,294		
82	Customer Related Expense	322.164,171,178.b	43,273,713		
83	Regional Marketing Expenses	322.131.b	5,759,935		
84	Transmission	321.112.b	(5,351,336)		
85	TOTAL O&M EXPENSES	(sum Ins 79 to 83)	2,096,810,115		
86	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	10,271,824		
87	Less: Account 565	(Note H) 321.96.b	(13,502,404)		
88	Less: State Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	(23,751,724)		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	21,630,968	TP 0.98219	21,245,692
89	Administrative and General	323.197.b (Note J)	127,567,140		
90	Less: Acct. 924, Property Insurance	323.185.b	2,913,014		
91	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	22,030,296		
92	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	(5,206,873)		
93	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	1,618,094		
94	Acct. 928, Reg. Com. Exp.	323.189.b	2,140,230		
95	Acct. 930.1, Gen. Advert. Exp.	323.191.b	1,099,009		
96	Acct. 930.2, Misc. Gen. Exp.	323.192.b	4,896,729		
97	Balance of A & G	(In 89 - sum In 90 to In 96)	98,076,641	W/S 0.07028	6,892,792
98	Plus: Acct. 924, Property Insurance	(In 90)	2,913,014	GP(h) 0.20091	585,246
99	Acct. 928 - Transmission Specific	Worksheet F In 18.(E) (Note L)	-	TP 0.98219	-
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 35.(E) (Note L)	-	TP 0.98219	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 40.(E) (Note L)	794,556	DA 1.00000	794,556
102	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 1, (Note M)	14,073,264	W/S 0.07028	989,064
103	A & G Subtotal	(sum Ins 97 to 102)	115,857,475		9,261,658
104	O & M EXPENSE SUBTOTAL	(In 88 + In 103)	137,488,443		30,507,350
105	Plus: TEA Settlement in Account 565	Company Records (Note H)	(12,534,861)	DA 1.00000	(12,534,861)
106	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA 1.00000	-
107	TOTAL O & M EXPENSE	(In 104 + In 105 + In 106)	124,953,582		17,972,489
108	DEPRECIATION AND AMORTIZATION EXPENSE				
109	Production	336.2-6.f	93,537,171	NA 0.00000	-
110	Distribution	336.8.f	84,578,421	NA 0.00000	-
111	Transmission	336.7.f	29,597,240	TP1 0.98095	29,033,309
112	Plus: Transmission Plant-in-Service Additions (Worksheet I In 21.I)		658,104	DA 1.00000	658,104
113	General	336.10.f	2,312,191	W/S 0.07028	162,500
114	Intangible	336.1.f	20,153,032	W/S 0.07028	1,416,348
115	TOTAL DEPRECIATION AND AMORTIZATION	(Ins 109+110+111 +112+113+114) (Note N)	230,836,159		31,270,260
116	TAXES OTHER THAN INCOME				
117	Labor Related				
118	Payroll	Worksheet H In 23.(D)	8,183,606	W/S 0.07028	575,141
119	Plant Related				
120	Property	Worksheet H In 23.(C) & In 58.(C)	46,281,059	DA	14,103,237
121	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	35,722,865	NA 0.00000	-
122	Other	Worksheet H In 23.(E)	1,482,194	GP(h) 0.20091	297,784
123	TOTAL OTHER TAXES	(sum Ins 118 to 122)	91,669,724		14,976,162
124	INCOME TAXES	(Note O)			
125	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) -		37.04%		
126	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		35.96%		
127	where WCLTD=(In 162) and WACC = (In 165)				
128	and FIT, SIT & p are as given in Note O.				
129	GRCF=1 / (1 - T) = (from In 125)		1.5883		
130	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(2,227,439)		
131	Income Tax Calculation	(In 126 * In 134)	141,977,857		33,881,323
132	ITC adjustment	(In 129 * In 130)	(3,537,920)	NP(h) 0.21308	(753,858)
133	TOTAL INCOME TAXES	(sum Ins 131 to 132)	138,439,937		33,127,465
134	RETURN ON RATE BASE (Rate Base * WACC)	(In 78 * In 165)	394,876,016		94,232,453
135	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		77,978	DA 1.00000	77,978
136	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-		-
137	Tax Impact on (Gains) / Losses on Sales of Plant Held for Future Use (In 136 * In126)		-		-
138	TOTAL REVENUE REQUIREMENT	(sum Ins 107, 115, 123, 133, 134, 135, 136, 137)	980,853,396		191,656,808

APPALACHIAN POWER COMPANY

SUPPORTING CALCULATIONS

In										
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
139	Total transmission plant	(In 20)								1,811,822,367
140	Less transmission plant excluded from PJM Tariff (Note P)									-
141	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note Q)									<u>32,270,898</u>
142	Transmission plant included in PJM Tariff	(In 139 - In 140 - In 141)								1,779,551,469
143	Percent of transmission plant in PJM Tariff	(In 142 / In 139)							TP	0.98219
144	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total					
145	Production	354.20.b	56,451,696	22,173,962	78,625,658	NA	0.00000			-
146	Transmission	354.21.b	4,945,980	5,425,281	10,371,261	TP	0.98219			10,186,535
147	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000			-
148	Distribution	354.23.b	33,686,746	2,982,672	36,669,418	NA	0.00000			-
149	Other (Excludes A&G)	354.24,25,26.b	9,965,737	9,310,821	19,276,558	NA	0.00000			-
150	Total	(sum Ins 145 to 149)	<u>105,050,159</u>	<u>39,892,736</u>	<u>144,942,895</u>					<u>10,186,535</u>
151	Transmission related amount								W/S=	0.07028
152	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									<u>\$</u>
153	Long Term Interest	(Worksheet L, In. 37, col. (D))								206,627,803
154	Preferred Dividends	(Worksheet L, In. 42, col. (D))								798,831
155	<u>Development of Common Stock:</u>									
156	Proprietary Capital	(FF1 p 112, Ln 16.c)								2,789,329,067
157	Less: Preferred Stock	(FF1 p 112, Ln 3.c)								17,751,800
158	Less: Account 216.1	(FF1 p 112, Ln 12.c)								2,593,528
159	Less: Account 219	(FF1 p 112, Ln 15.c)								<u>(50,254,363)</u>
160	Common Stock	(In 156 - In 157 - In 158 - In 159)								2,819,238,102
161			<u>\$</u>	<u>%</u>			<u>Cost</u>	<u>(Note S)</u>	<u>Weighted</u>	
162	Long Term Debt (Note T) Worksheet L, In 37, col. (B))		3,501,599,040	55.24%			0.0590		0.0326	
163	Preferred Stock (In 157)		17,751,800	0.28%			0.0450		0.0001	
164	Common Stock (In 160)		<u>2,819,238,102</u>	44.48%			11.49%		<u>0.0511</u>	
165	Total (Sum Ins 162 to 164)		6,338,588,942				WACC=		0.0838	

APPALACHIAN POWER COMPANY

Letter

Notes

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

- A Revenue credits include:
 1) Forfeited Discounts.
 2) Miscellaneous Service Revenues.
 3) Rental revenues earned on assets included in the rate base.
 4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.
 5) Other electric revenues.
 6) Revenues for grandfathered PTP contracts included in the load divisor.
 See Worksheet E for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's.
- C Transmission Plant balances in this study are projected as of December 31, 2010. Other ratebase amounts are as of December 31, 2009.
- D The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. In compliance with FERC Rulemaking RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B.
 The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 88. It excludes:
 1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 85.
 2) AEP transmission equalization transfers, as shown on line 86
 3) The impact of state regulatory deferrals and amortizations, as shown on line 87
 4) All A&G Expenses, as shown on line 103.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 77 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 135.
- G Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 15 & 16 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 5 through 14, for descriptions and the Form 1 Source of these accounts' balances.
- H Removes cost of transmission service provided by others to determine the basis of cash working capital on line 88. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 105 and 106 to determine the total O&M collected in the formula. The amounts on lines 105 and 106 are also excluded in the calculation of the FCR percentage calculated on lines 5 through 11. The addbacks on lines 105 and 106 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity.
 The company records referenced on lines 105 and 106 is the APPALACHIAN POWER COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from O&M expense.
- J General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
- K These deductions on lines 91 through 93 are to remove from the cost of service the expenses recorded by the company for Postemployment Benefits Other than Pensions (PBOP). See Note M below for the recoverable PBOP expense.
- L Expenses reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet F allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M See note K above. Per the settlement in Docket ER08-1329, recoverable PBOP expense is based on an annual total for the seven operating companies that is ratioed to them based on the total of actual annual PBOP costs, including charges from the AEP Service Corporation. The calculation of the recoverable amount for each company is shown on Worksheet O, and the process for updating the annual total is documented on Attachment F, Allowable PBOP Expense Formula.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = the percentage of federal income tax deductible for state income taxes. See Worksheet G for the development of the Company's composite SIT. A utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 130) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
 Inputs Required: FIT = 35.00%
 SIT= 3.14% (State Income Tax Rate or Composite SIT. Worksheet G))
 p = 0.00% (percent of federal income tax deductible for state purposes)
- P Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT
- Q Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
- R Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S Long Term Debt cost rate = long-term interest (In 153) / long term debt (In 162). Preferred Stock cost rate = preferred dividends (In 154) / preferred outstanding (In 163). Common Stock cost rate (ROE) = 11.49%, the rate accepted by FERC in Docket No. ER08-1329. It includes an additional 50 basis points for PJM RTO membership. In the Projected & Historic templates, the interest expense on long-term debt is the sum of a full year's interest expense at the coupon rate for each issuance outstanding as of December 31 of the historic year. The projected expense for variable rate debt will be based on the effective rate at December 31. These conventions ensure that the expense used in the projection will reflect a full year, similar to the actual expense that will appear in the subsequent true-up of the projection, and minimize the impact on the true-up of using a partial year interest expense. The projection will reflect the actual historic-year expense recorded for issuance expenses, discounts and premiums, and gains or losses on reacquired debt. Eligible hedging gains or losses will be limited to five basis points of the projected capital structure. Details and calculations are shown on Worksheet L.
- T This note only applies to Indiana Michigan Power Company.
- U This note only applies to the true-up template.

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2009 with Year-End Rate Base Balances

APPALACHIAN POWER COMPANY

Line No.			Total	Allocator	Transmission Amount
166	REVENUE REQUIREMENT (w/o incentives)	(In 303)			\$185,197,110
167	REVENUE CREDITS	(Note A) (Worksheet E)	7,451,814	DA 1.00000	\$ 7,451,814
168	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 167)			\$ 177,745,296

MEMO: The Carrying Charge Calculations on lines 171 to 176 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 169 is included in the total on line 168.

169	Not applicable on this template				
170	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
171	Annual Rate	((In 166 - In 270 - In 271) / In 213 x 100)			16.18%
172	Monthly Rate	(In 171 / 12)			1.35%
173	NET PLANT CARRYING CHARGE ON LINE 171 , w/o depreciation or ROE incentives (Note B)				
174	Annual Rate	((In 166 - In 270 - In 271 - In 276) / In 213 x 100)			13.81%
175	NET PLANT CARRYING CHARGE ON LINE 174, w/o Return, income taxes or ROE incentives (Note B)				
176	Annual Rate	((In 166 - In 270 - In 271 - In 276 - In 298 - In 299) / In 213 x 100)			3.86%
177	Not applicable on this template				

REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES

179	Total Load Dispatch & Scheduling (Account 561)	Line 250 Below			10,271,824
180	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				5,355,294
181	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				1,011,205
182	Total 561 Internally Developed Costs	(Line 179 - Line 180 - Line 181)			3,905,325

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APPALACHIAN POWER COMPANY

	(1)	(2)	(3)	(4)	(5)
	Data Sources		TO Total	Allocator	Total
	(See "General Notes")		NOTE C		Transmission
Line No.	RATE BASE CALCULATION				
183	GROSS PLANT IN SERVICE				
183	Production	(Worksheet A In 1.C)	4,281,772,611	NA	0.00000
184	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(58,809,967)	NA	0.00000
185	Transmission	(Worksheet A In 3.C & Ln 307)	1,811,822,367	DA	1,779,551,469
186	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C & Ln 308)	-	TP	0.98219
187	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA	0.00000
188	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	0.00000
189	Distribution	(Worksheet A In 5.C)	2,639,835,336	NA	0.00000
190	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	(3,069)	NA	0.00000
191	General Plant	(Worksheet A In 7.C)	183,495,855	W/S	0.07028
192	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(560,901)	W/S	0.07028
193	Intangible Plant	(Worksheet A In 9.C)	98,448,215	W/S	0.07028
194	TOTAL GROSS PLANT	(sum Ins 183 to 193)	8,956,000,447	GP(h)=	0.200907
				GTD=	0.39975
195	ACCUMULATED DEPRECIATION AND AMORTIZATION				
196	Production	(Worksheet A In 12.C)	1,724,325,423	NA	0.00000
197	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(11,672,389)	NA	0.00000
198	Transmission	(Worksheet A In 14.C & 28.C)	568,568,591	TP1=	0.98095
199	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.98095
200	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	1.00000
201	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
202	Plus: Additional Transmission Depreciation for 2010 (In 276)		N/A	TP1	0.98095
203	Plus: Additional General & Intangible Depreciation for 2010 (In 275 + In 276)		N/A	W/S	0.07028
204	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
205	Distribution	(Worksheet A In 16.C)	759,544,874	NA	0.00000
206	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	(1,310)	NA	0.00000
207	General Plant	(Worksheet A In 18.C)	58,132,241	W/S	0.07028
208	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(272,912)	W/S	0.07028
209	Intangible Plant	(Worksheet A In 20.C)	73,961,653	W/S	0.07028
210	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 196 to 209)	3,172,586,171		566,999,693
211	NET PLANT IN SERVICE				
212	Production	(In 183 + In 184 - In 196 - In 197)	2,510,309,610		-
213	Transmission	(In 185 + In 186 - In 198 - In 199)	1,243,253,776		1,221,816,108
214	Plus: Transmission Plant-in-Service Additions (In 187 - In 200)		N/A		N/A
215	Plus: Additional Trans Plant on Transferred Assets (In 188 - In 201)		N/A		N/A
216	Plus: Additional Transmission Depreciation for 2010 (-In 202)		N/A		N/A
217	Plus: Additional General & Intangible Depreciation for 2010 (-In 203)		N/A		N/A
218	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 204)		N/A		N/A
219	Distribution	(In 189 + In 190 - In 205 - In 206)	1,880,288,703		-
220	General Plant	(In 191 + In 192 - In 207 - In 208)	125,075,625		8,790,271
221	Intangible Plant	(In 193 - In 209)	24,486,562		1,720,907
222	TOTAL NET PLANT IN SERVICE	(sum Ins 212 to 221)	5,783,414,276	NP(h)=	0.213080
					1,232,327,286
223	DEFERRED TAX ADJUSTMENTS TO RATE BASE		(Note D)		
224	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(96,784,031)	NA	-
225	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(901,973,360)	DA	(204,680,352)
226	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(359,567,409)	DA	(9,540,843)
227	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	249,411,747	DA	43,919,532
228	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(6,962,788)	DA	(1,979,098)
229	TOTAL ADJUSTMENTS	(sum Ins 224 to 228)	(1,115,875,841)		(172,280,761)
230	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	5,719,690	DA	1,955,023
231	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
232	WORKING CAPITAL		(Note E)		
233	Cash Working Capital	(1/8 * In 253)	2,703,871		2,655,712
234	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	522,834	TP	0.98219
235	A&G Materials & Supplies	(Worksheet C, In 3.(D))	1,097,935	W/S	0.07028
236	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.20091
237	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	129,298,224	W/S	0.07028
238	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	5,395,391	GP(h)	0.20091
239	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	1.00000
240	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(129,012,986)	NA	0.00000
241	TOTAL WORKING CAPITAL	(sum Ins 233 to 240)	10,005,269		13,417,403
242	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	(2,219,388)	DA	1.00000
					(2,219,388)
243	RATE BASE (sum Ins 222, 229, 230, 231, 241, 242)		4,681,044,006		1,073,199,563

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APPALACHIAN POWER 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				
244 Production	321.80.b	1,896,357,509		
245 Distribution	322.156.b	156,770,294		
246 Customer Related Expense	322 & 323.164,171,178.b	43,273,713		
247 Regional Marketing Expenses	322.131.b	5,759,935		
248 Transmission	321.112.b	(5,351,336)		
249 TOTAL O&M EXPENSES	(sum Ins 244 to 248)	2,096,810,115		
250 Less: Acct. 924, Property Insurance	(Note G) (Worksheet F, In 14.C)	10,271,824		
251 Less: Account 565	(Note H) 321.96.b	(13,502,404)		
252 Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	(23,751,724)		
253 Total O&M Allocable to Transmission	(Ins 248 - 250 - 251 - 252)	21,630,968	TP 0.98219	21,245,692
254 Administrative and General	323.197.b (Note J)	127,567,140		
255 Less: Acct. 924, Property Insurance	323.185.b	2,913,014		
256 Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	22,030,296		
257 Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	(5,206,873)		
258 PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	1,618,094		
259 Acct. 928, Reg. Com. Exp.	323.189.b	2,140,230		
260 Acct. 930.1, Gen. Advert. Exp.	323.191.b	1,099,009		
261 Acct. 930.2, Misc. Gen. Exp.	323.192.b	4,896,729		
262 Balance of A & G	(In 254 - sum In 255 to In 261)	98,076,641	W/S 0.07028	6,892,792
263 Plus: Acct. 924, Property Insurance	(In 255)	2,913,014	GP(h) 0.20091	585,246
264 Acct. 928 - Transmission Specific	Worksheet F In 18,(E) (Note L)	-	TP 0.98219	-
265 Acct 930.1 - Only safety related ads -Direct	Worksheet F In 35,(E) (Note L)	-	TP 0.98219	-
266 Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 40,(E) (Note L)	794,556	DA 1.00000	794,556
267 Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 1, (Note M)	14,073,264	W/S 0.07028	989,064
268 A & G Subtotal	(sum Ins 262 to 267)	115,857,475		9,261,658
269 O & M EXPENSE SUBTOTAL	(In 253 + In 268)	137,488,443		30,507,350
270 Plus: TEA Settlement in Account 565	Company Records (Note H)	(12,534,861)	DA 1.00000	(12,534,861)
271 Plus: Transmission Lease Payments To Affiliates in	Acct 565 (Company Records) (Note H)	-	DA 1.00000	-
272 TOTAL O & M EXPENSE	(In 269 + In 270 + In 271)	124,953,582		17,972,489
273 DEPRECIATION AND AMORTIZATION EXPENSE				
274 Production	336.2-6.f	93,537,171	NA 0.00000	-
275 Distribution	336.8.f	84,578,421	NA 0.00000	-
276 Transmission	336.7.f	29,597,240	TP1 0.98095	29,033,309
277 Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
278 General	336.10.f	2,312,191	W/S 0.07028	162,500
279 Intangible	336.1.f	20,153,032	W/S 0.07028	1,416,348
280 TOTAL DEPRECIATION AND AMORTIZATION	(Ln 274+275+ 276+277+278+279)	230,178,055		30,612,156
281 TAXES OTHER THAN INCOME	(Note N)			
282 Labor Related				
283 Payroll	Worksheet H In 23.(D)	8,183,606	W/S 0.07028	575,141
284 Plant Related				
285 Property	Worksheet H In 23.(C) & In 58.(C)	46,281,059	DA 1.00000	14,103,237
286 Gross Receipts/Sales & Use	Worksheet H In 23.(F)	35,722,865	NA 0.00000	-
287 Other	Worksheet H In 23.(E)	1,482,194	GP(h) 0.20091	297,784
288 TOTAL OTHER TAXES	(sum Ins 283 to 287)	91,669,724		14,976,162
289 INCOME TAXES	(Note O)			
290 $T=1 - ((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p) =$		37.04%		
291 $EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		35.96%		
292 where WCLTD=(In 327) and WACC = (In 330)				
293 and FIT, SIT & p are as given in Note O.				
294 $GRCF=1 / (1 - T) =$ (from In 290)		1.5883		
295 Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(2,227,439)		
296 Income Tax Calculation	(In 291 * In 299)	141,090,080		32,347,017
297 ITC adjustment	(In 294 * In 295)	(3,537,920)	NP(h) 0.21308	(753,858)
298 TOTAL INCOME TAXES	(sum Ins 296 to 297)	137,552,160		31,593,159
299 RETURN ON RATE BASE (Rate Base*WACC)	(In 243 * In 330)	392,406,883		89,965,165
300 INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		77,978	DA 1.00000	77,978
301 (Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-		-
302 Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 301 * In 291)		-		-
303 TOTAL REVENUE REQUIREMENT		976,838,382		185,197,110
(sum Ins 272, 280, 288, 298, 299, 300, 301, 302)				

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SUPPORTING CALCULATIONS

In										
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
304	Total transmission plant	(In 185)								1,811,822,367
305	Less transmission plant excluded from PJM Tariff	(Note P)								32,270,898
306	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C))	(Note Q)							1,779,551,469
307	Transmission plant included in PJM Tariff	(In 304 - In 305 - In 306)								
308	Percent of transmission plant in PJM Tariff	(In 307 / In 304)							TP=	0.98219
309	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from	Total					
310	Production	354.20.b	56,451,696	22,173,962	78,625,658	NA	0.00000			-
311	Transmission	354.21.b	4,945,980	5,425,281	10,371,261	TP	0.98219			10,186,535
312	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000			-
313	Distribution	354.23.b	33,686,746	2,982,672	36,669,418	NA	0.00000			-
314	Other (Excludes A&G)	354.24,25,26.b	9,965,737	9,310,821	19,276,558	NA	0.00000			-
315	Total	(sum Ins 310 to 314)	105,050,159	39,892,736	144,942,895				W/S=	0.07028
316	Transmission related amount									
317	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
318	Long Term Interest	(Worksheet L, In. 37, col. (D))								206,627,803
319	Preferred Dividends	(Worksheet L, In. 42, col. (D))								798,831
320	<u>Development of Common Stock:</u>									
321	Proprietary Capital	(FF1 p 112, Ln 16.c)								2,789,329,067
322	Less: Preferred Stock	(FF1 p 112, Ln 3.c)								17,751,800
323	Less: Account 216.1	(FF1 p 112, Ln 12 .c)								2,593,528
324	Less: Account 219	(FF1 p 112, Ln 15.c)								(50,254,363)
325	Common Stock	(In 321 - In 322 - In 323 - In 324)								2,819,238,102
326			\$	%		Cost		Weighted		
327	Long Term Debt (Note T) Worksheet L, In 37, col. (B))		3,501,599,040	55.24%		0.0590		0.0326		
328	Preferred Stock (In 322)		17,751,800	0.28%		0.0450		0.0001		
329	Common Stock (In 325)		2,819,238,102	44.48%		11.49%		0.0511		
330	Total (Sum Ins 327 to 329)		6,338,588,942					WACC=		0.0838

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Letter

Notes

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

- A Revenue credits include:
1) Forfeited Discounts.
2) Miscellaneous Service Revenues.
3) Rental revenues earned on assets included in the rate base.
4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.
5) Other electric revenues.
6) Revenues for grandfathered PTP contracts included in the load divisor.
See Worksheet E for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's.
- C **Transmission Plant balances in this study are historic as of December 31, 2009.**
- D The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. In compliance with FERC Rulemaking RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B.
The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 253. It excludes:
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 250.
2) AEP transmission equalization transfers, as shown on line 251
3) The impact of state regulatory deferrals and amortizations, as shown on line 25
4) All A&G Expenses, as shown on line 268.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 242 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 300.
- G **Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 180 & 181 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 5 through 14, for descriptions and the Form 1 Source of these accounts' balances.**
- H Removes cost of transmission service provided by others to determine the basis of cash working capital on line 253. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 270 and 271 to determine the total O&M collected in the formula. The amounts on lines 270 and 271 are also excluded in the calculation of the FCR percentage calculated on lines 170 through 176.
The addbacks on lines 270 and 271 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity.
The company records referenced on lines 270 and 271 is the APPALACHIAN POWER COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from O&M expense.
- J **General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.**
- K These deductions on lines 256 through 258 are to remove from the cost of service the expenses recorded by the company for Postemployment Benefits Other than Pensions (PBOP). See Note M below for the recoverable PBOP expense.
- L Expenses reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet F allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M See note K above. Per the settlement in Docket ER08-1329, recoverable PBOP expense is based on an annual total for the seven operating companies that is ratioed to them based on the total of actual annual PBOP costs, including charges from the AEP Service Corporation. The calculation of the recoverable amount for each company is shown on Worksheet O, and the process for updating the annual total is documented on Attachment F, Allowable PBOP Expense Formula.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = the percentage of federal income tax deductible for state income taxes. See Worksheet G for the development of the Company's composite SIT.
A utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f)
(In 295) multiplied by (1/(1-T)). If the applicable tax rates are zero enter 0.
Inputs Required:
- | | | |
|-------|--------|---|
| FIT = | 35.00% | |
| SIT = | 3.14% | (State Income Tax Rate or Composite SIT. Worksheet G) |
| p = | 0.00% | (percent of federal income tax deductible for state purposes) |
- P Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- Q Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
- R Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S Long Term Debt cost rate = long-term interest (In 318) / long term debt (In 327). Preferred Stock cost rate = preferred dividends (In 319) / preferred outstanding (In 328). Common Stock cost rate (ROE) = 11.49%, the rate accepted by FERC in Docket No. ER08-1329. It includes an additional 50 basis points for remaining a member of the PJM RTO.
- In the Projected & Historic templates, the interest expense on long-term debt is the sum of a full year's interest expense at the coupon rate for each issuance outstanding as of December 31 of the historic year. The projected expense for variable rate debt will be based on the effective rate at December 31. These conventions ensure that the expense used in the projection will reflect a full year, similar to the actual expense that will appear in the subsequent true-up of the projection, and minimize the impact on the true-up of using a partial year interest expense. The projection will reflect the actual historic-year expense recorded for issuance expenses, discounts and premiums, and gains or losses on reacquired debt. Eligible hedging gains or losses will be limited to five basis points of the projected capital structure. Details and calculations are shown on Worksheet L.
- T This note only applies to Indiana Michigan Power Company.
- U **This note only applies to the true-up template.**

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Line No.			Total	Allocator		Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 138)				\$184,717,533
2	REVENUE CREDITS	(Note A) (Worksheet E)	7,451,814	DA 1.00000	\$	7,451,814
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			\$	177,265,719
MEMO: The Carrying Charge Calculations on lines 6 to 11 below are used in calculating project revenue requirements billed through PJM Schedule 12, Transmission Enhancement Charges. The total non-incentive revenue requirements for these projects shown on line 4 is included in the total on line 3.						
4	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet K)		2,110,183	DA 1.00000	\$	2,110,183
5	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)					
6	Annual Rate	((In 1 - In 105 - In 106) / In 48 x 100)				16.37%
7	Monthly Rate	(In 6 / 12)				1.36%
8	NET PLANT CARRYING CHARGE ON LINE 6, w/o depreciation or ROE incentives (Note B)					
9	Annual Rate	((In 1 - In 105 - In 106 - In 111) / In 48 x 100)				13.96%
10	NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B)					
11	Annual Rate	((In 1 - In 105 - In 106 - In 111 - In 133 - In 134) / In 48 x 100)				3.92%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet K)					-
13	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES					
14	Total Load Dispatch & Scheduling (Account 561)	Line 85 Below				10,271,824
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)					5,355,294
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)					1,011,205
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)				3,905,325

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Utilizing Actual Cost Data for 2009 with Average Ratebase Balances

APPALACHIAN POWER COMPANY

Line No.	(1)	(2)	(3)	(4)	(5)
	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total NOTE C	Allocator	Total Transmission
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.E)	3,994,768,690	NA	0.00000
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.E)	(42,585,203)	NA	0.00000
20	Transmission	(Worksheet A In 3.E & Ln 142)	1,782,136,236	DA	1,751,732,602
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E & Ln 143)	-	TP	0.98294
22	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA	0.00000
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	0.00000
24	Distribution	(Worksheet A In 5.E)	2,569,609,312	NA	0.00000
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.E)	(3,069)	NA	0.00000
26	General Plant	(Worksheet A In 7.E)	180,268,902	W/S	0.07033
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	(561,031)	W/S	0.07033
28	Intangible Plant	(Worksheet A In 9.E)	113,343,002	W/S	0.07033
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	8,596,976,840	GP(h)=	0.20616
				GTD=	0.00000
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.E)	1,700,268,128	NA	0.00000
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.E)	(10,228,231)	NA	0.00000
33	Transmission	(Worksheet A In 14.E & 28.E)	557,278,729	TP1=	0.98108
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	0.98108
35	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	1.00000
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
37	Plus: Additional Transmission Depreciation for 2010 (In 111)		N/A	TP1	0.98108
38	Plus: Additional General & Intangible Depreciation for 2010 (In 110 + In 111)		N/A	W/S	0.07033
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
40	Distribution	(Worksheet A In 16.E)	740,526,769	NA	0.00000
41	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.E)	(1,276)	NA	0.00000
42	General Plant	(Worksheet A In 18.E)	57,073,185	W/S	0.07033
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	(264,002)	W/S	0.07033
44	Intangible Plant	(Worksheet A In 20.E)	82,515,323	W/S	0.07033
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	3,127,168,624		556,532,844
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	2,262,143,591		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	1,224,857,508		1,204,998,923
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		N/A		N/A
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		N/A		N/A
51	Plus: Additional Transmission Depreciation for 2010 (-In 37)		N/A		N/A
52	Plus: Additional General & Intangible Depreciation for 2010 (-In 38)		N/A		N/A
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		N/A		N/A
54	Distribution	(In 24 + In 25 - In 40 - In 41)	1,829,080,750		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	122,898,689		8,643,881
56	Intangible Plant	(In 28 - In 44)	30,827,680		2,168,215
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	5,469,808,216	NP(h)=	0.22228
					1,215,811,019
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	(86,512,752)	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(791,601,826)	DA	(191,787,570)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(337,010,060)	DA	(14,915,031)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	273,174,782	DA	43,458,125
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	(8,105,809)	DA	(2,244,805)
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(950,055,664)		(165,489,381)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	4,586,605	DA	1,848,595
66	REGULATORY ASSETS	(Worksheet A In 36. (E))	-	DA	-
67	WORKING CAPITAL	(Note E)			
68	Cash Working Capital	(1/B - In 88)	2,703,871		2,657,742
69	Transmission Materials & Supplies	(Worksheet C, In 2.F)	547,570	TP	0.98294
70	A&G Materials & Supplies	(Worksheet C, In 3.F)	1,005,171	W/S	0.07033
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.20616
72	Prepayments (Account 185) - Labor Allocated	(Worksheet C, In 8.G)	134,535,694	W/S	0.07033
73	Prepayments (Account 185) - Gross Plant	(Worksheet C, In 8.F)	5,024,888	GP(h)	0.20616
74	Prepayments (Account 185) - Transmission Only	(Worksheet C, In 8.E)	-	DA	1.00000
75	Prepayments (Account 185) - Unallocable	(Worksheet C, In 8.D)	(133,497,927)	NA	0.00000
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	10,319,266		13,764,944
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8 (B))	(2,181,932)	DA	1.00000
					(2,181,932)
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		4,532,476,491		1,063,753,246

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Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
	OPERATION & MAINTENANCE EXPENSE				
79	Production	321.80.b	1,896,357,509		
80	Distribution	322.156.b	156,770,294		
81	Customer Related Expense	322.164,171,178.b	43,273,713		
82	Regional Marketing Expenses	322.131.b	5,759,935		
83	Transmission	321.112.b	(5,351,336)		
84	TOTAL O&M EXPENSES	(sum Ins 79 to 83)	2,096,810,115		
85	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	10,271,824		
86	Less: Account 565	(Note H) 321.96.b	(13,502,404)		
87	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	(23,751,724)		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	21,630,968	TP 0.98294	21,261,939
89	Administrative and General	323.197.b (Note J)	127,567,140		
90	Less: Acct. 924, Property Insurance	323.185.b	2,913,014		
91	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	22,030,296		
92	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	(5,206,873)		
93	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	1,618,094		
94	Acct. 928, Reg. Com. Exp.	323.189.b	2,140,230		
95	Acct. 930.1, Gen. Advert. Exp.	323.191.b	1,099,009		
96	Acct. 930.2, Misc. Gen. Exp.	323.192.b	4,896,729		
97	Balance of A & G	(In 89 - sum In 90 to In 96)	98,076,641	W/S 0.07033	6,898,063
98	Plus: Acct. 924, Property Insurance	(In 90)	2,913,014	GP(h) 0.20616	600,544
99	Acct. 928 - Transmission Specific	Worksheet F In 18.(E) (Note L)	-	TP 0.98219	-
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 35.(E) (Note L)	-	TP 0.98219	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 40.(E) (Note L)	794,556	DA 1.00000	794,556
102	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 1, (Note M)	14,073,264	W/S 0.07033	989,820
103	A & G Subtotal	(sum Ins 97 to 102)	115,857,475		9,282,983
104	O & M EXPENSE SUBTOTAL	(In 88 + In 103)	137,488,443		30,544,922
105	Plus: TEA Settlement in Account 565	Company Records (Note H)	(12,534,861)	DA 1.00000	(12,534,861)
106	Plus: Transmission Lease Payments To Affiliates in	Acct 565 (Company Records) (Note H)	-	DA 1.00000	-
107	TOTAL O & M EXPENSE	(In 104 + In 105 + In 106)	124,953,582		18,010,061
108	DEPRECIATION AND AMORTIZATION EXPENSE				
109	Production	336.2-6.f	93,537,171	NA 0.00000	-
110	Distribution	336.8.f	84,578,421	NA 0.00000	-
111	Transmission	336.7.f	29,597,240	TP1 0.98108	29,037,189
112	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
113	General	336.10.f	2,312,191	W/S 0.07033	162,624
114	Intangible	336.1.f	20,153,032	W/S 0.07033	1,417,431
115	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 109+110+ 111+112+113+114) (Note N)	230,178,055		30,617,245
116	TAXES OTHER THAN INCOME				
117	Labor Related				
118	Payroll	Worksheet H In 23.(D)	8,183,606	W/S 0.07033	575,581
119	Plant Related				
120	Property	Worksheet H In 23.(C) & In 58.(C)	46,281,059	DA	14,103,237
121	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	35,722,865	NA	-
122	Other	Worksheet H In 23.(E)	1,482,194	GP(h) 0.20616	305,568
123	TOTAL OTHER TAXES	(sum Ins 118 to 122)	91,669,724		14,984,386
124	INCOME TAXES				
125	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =	(Note O)	37.04%		
126	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		35.02%		
127	where WCLTD=(In 162) and WACC = (In 165)				
128	and FIT, SIT & p are as given in Note O.				
129	GRCF=1 / (1 - T) = (from In 125)		1.5883		
130	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(2,227,439)		
131	Income Tax Calculation	(In 126 * In 134)	134,629,530		31,596,987
132	ITC adjustment	(In 129 * In 130)	(3,537,920)	NP(h) 0.22228	(786,397)
133	TOTAL INCOME TAXES	(sum Ins 131 to 132)	131,091,610		30,810,589
134	RETURN ON RATE BASE (Rate Base*WACC)	(In 78 * In 165)	384,400,875		90,217,275
135	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		77,978	DA 1.00000	77,978
136	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-		-
137	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 136 * In126)		-		-
138	TOTAL REVENUE REQUIREMENT	(sum Ins 107, 115, 123, 133, 134, 135)	962,371,823		184,717,533

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
139	Total transmission plant	(In 20)						1,782,136,236
140	Less transmission plant excluded from PJM Tariff	(Note P)						-
141	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C))	(Note Q)					30,403,634
142	Transmission plant included in PJM Tariff	(In 139 - In 140 - In 141)						1,751,732,602
143	Percent of transmission plant in PJM Tariff	(In 142 / In 139)					TP	0.98294
144	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
145	Production	354.20.b	56,451,696	22,173,962	78,625,658	NA	0.00000	-
146	Transmission	354.21.b	4,945,980	5,425,281	10,371,261	TP	0.98294	10,194,325
147	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000	-
148	Distribution	354.23.b	33,686,746	2,982,672	36,669,418	NA	0.00000	-
149	Other (Excludes A&G)	354.24,25,26.b	9,965,737	9,310,821	19,276,558	NA	0.00000	-
150	Total	(sum Ins 145 to 149)	105,050,159	39,892,736	144,942,895			10,194,325
151	Transmission related amount						W/S=	0.07033
152	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
153	Long Term Interest	(Worksheet M, In. 21, col. (E))						205,732,769
154	Preferred Dividends	(Worksheet M, In. 55, col. (E))						798,836
155	Development of Common Stock:							Average
156	Proprietary Capital	(Worksheet M, In. 1, col. (E))						2,591,835,865
157	Less: Preferred Stock	(Worksheet M, In. 2, col. (E))						17,751,900
158	Less: Account 216.1	(Worksheet M, In. 3, col. (E))						2,528,053
159	Less: Account 219	(Worksheet M, In. 4, col. (E))						(55,239,871)
160	Common Stock	(In 156 - In 157 - In 158 - In 159)						2,626,795,783
161		Average \$						
162	Long Term Debt (Note T) W/S M, In 11, In 22, col. (E))		3,349,419,996	55.88%	0.00%		0.0614	0.0343
163	Preferred Stock (In 157)		17,751,900	0.30%	0.00%		0.0450	0.0001
164	Common Stock (In 160)		2,626,795,783	43.82%	0.00%		11.49%	0.0504
165	Total (Sum Ins 162 to 164)		5,993,967,678				WACC=	0.0848
166	Capital Structure Equity Limit (Note U)		50.0%					

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Actual Cost Data for 2009 with Average Ratebase Balances

APPALACHIAN POWER COMPANY

Letter

Notes

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

- A Revenue credits include:
1) Forfeited Discounts.
2) Miscellaneous Service Revenues.
3) Rental revenues earned on assets included in the rate base.
4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.
5) Other electric revenues.
6) Revenues for grandfathered PTP contracts included in the load divisor.
See Worksheet E for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's.
- C **Transmission Plant balances in this study reflect the average of the balances at December 31, 2008 and December 31, 2009.**
- D The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. In compliance with FERC Rulemaking RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B.
The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 88. It excludes:
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 85.
2) AEP transmission equalization transfers, as shown on line 86
3) The impact of state regulatory deferrals and amortizations, as shown on line 87
4) All A&G Expenses, as shown on line 103.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 77 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 135.
- G **Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 15 & 16 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 5 through 14, for descriptions and the Form 1 Source of these accounts' balances.**
- H **Removes cost of transmission service provided by others to determine the basis of cash working capital on line 88. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such costs are added back on lines 105 and 106 to determine the total O&M collected in the formula. The amounts on lines 105 and 106 are also excluded in the calculation of the FCR percentage calculated on lines 5 through 11. The addbacks on lines 105 and 106 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity.
The company records referenced on lines 105 and 106 is the APPALACHIAN POWER COMPANY general ledger.**
- I Removes the impact of state regulatory deferrals or their amortization from O&M expense.
- J **General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "WS" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.**
- K These deductions on lines 91 through 93 are to remove from the cost of service the expenses recorded by the company for Postemployment Benefits Other than Pensions (PBOP). See Note M below for the recoverable PBOP expense.
- L Expenses reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet F allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E
- M See note K above. Per the settlement in Docket ER08-1329, recoverable PBOP expense is based on an annual total for the seven operating companies that is ratioed to them based on the total of actual annual PBOP costs, including charges from the AEP Service Corporation. The calculation of the recoverable amount for each company is shown on Worksheet O, and the process for updating the annual total is documented on Attachment F, Allowable PBOP Expense Formula.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and $p =$ the percentage of federal income tax deductible for state income taxes. See Worksheet G for the development of the Company's composite SIT.
A utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f)
(In 130) multiplied by $(1/(1-T))$. If the applicable tax rates are zero enter 0.
Inputs Required:
FIT = 35.00%
SIT = 3.14% (State Income Tax Rate or Composite SIT. Worksheet G)
 $p =$ 0.00% (percent of federal income tax deductible for state purposes)
- P Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- Q Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
- R Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S Long Term Debt cost rate = long-term interest (In 153) / average long term debt (In 162). Preferred Stock cost rate = preferred dividends (In 154) / preferred outstanding (In 163). Common Stock cost rate (ROE) = 11.49%, the rate accepted by FERC in Docket No. ER08-1329. It includes an additional 50 basis points for PJM RTO membership.
Interest expense for the true-up WACC is based on actual expenses for the true-up year. The amount of eligible hedging gains or losses included in total interest expense is limited to five basis points of the true-up capital structure. Details and calculations of the true-up weighted average cost of capital are shown on Worksheet M. Eligible Hedging Gains and Losses are defined in the Formula Protocols in the tariff, and on Worksheet M.
- T This note only applies to Indiana Michigan Power Company.
- U **Per Settlement, equity for APPALACHIAN POWER COMPANY is limited to 50% of Capital Structure. If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure.
During the period ended December 31, 2011 the equity cap is in effect. During this period, a change in the cap percentage must be approved via a 205 filing with the FERC.**

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet A Supporting Plant Balances
APPALACHIAN POWER COMPANY

Line	(A)	(B)	(C)	(D)	(E)
Number	Rate Base Item & Supporting Balance	Source of Data	Balance @ December 31, 2009	Balance @ December 31, 2008	Average Balance for 2009
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here					
Plant Investment Balances					
1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 46	4,281,772,611	3,707,764,769	3,994,768,690
2	Production Asset Retirement Obligation (ARO)	FF1, page 205&204, Col.(g)&(b), Ins 15,24,34,44	58,809,967	26,360,439	42,585,203
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58	1,811,822,367	1,752,450,105	1,782,136,236
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 57	-	-	-
5	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 75	2,639,835,336	2,499,383,288	2,569,609,312
6	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 74	3,069	3,069	3,069
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 99	183,495,855	177,041,949	180,268,902
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 98	560,901	561,160	561,031
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 5	98,448,215	128,237,789	113,343,002
10	Total Property Investment Balance	(Sum of Lines: 3, 1, 5, 7, 9)	9,015,374,384	8,264,877,900	8,640,126,142
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 2, 6, 8)	59,373,937	26,924,668	43,149,303
Accumulated Depreciation & Amortization Balance:					
12	Production Accumulated Depreciator	FF1, page 219, Ins 20-24, Col. (b)	1,724,325,423	1,676,210,832	1,700,268,128
13	Production ARO Accumulated Depreciator	Company Records - Note 1	11,672,389	8,784,073	10,228,231
14	Transmission Accumulated Depreciator	FF1, page 219, ln 25, Col. (b)	568,568,591	545,988,866	557,278,729
15	Transmission ARO Accumulated Depreciator	Company Records - Note 1	-	-	-
16	Distribution Accumulated Depreciator	FF1, page 219, ln 26, Col. (b)	759,544,874	721,508,664	740,526,769
17	Distribution ARO Accumulated Depreciator	Company Records - Note 1	1,310	1,242	1,276
18	General Accumulated Depreciator	FF1, page 219, ln 28, Col. (b)	58,132,241	56,014,129	57,073,185
19	General ARO Accumulated Depreciator	Company Records - Note 1	272,912	255,092	264,002
20	Intangible Accumulated Amortization	FF1, page 200, ln 21, Col. (b)	73,961,653	91,068,992	82,515,323
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 12, 16, 18, 20)	3,184,532,782	3,090,791,483	3,137,662,133
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 13, 17, 19)	11,946,611	9,040,407	10,493,509
Generation Step-Up Units					
23	GSU Investment Amount	Company Records - Note 1	32,270,898	28,536,370	30,403,634
24	GSU Accumulated Depreciator	Company Records - Note 1	10,833,230	10,256,868	10,545,049
25	GSU Net Balance	(Line 23 - Line 24)	21,437,668	18,279,502	19,858,585
Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation					
26	Transmission Accumulated Depreciator	(Line 14 1bove)	568,568,591	545,988,866	557,278,729
27	Less: GSU Accumulated Depreciator	(Line 24 1bove)	10,833,230	10,256,868	10,545,049
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	557,735,361	535,731,998	546,733,680
Plant Held For Future Use					
29	Plant Held For Future Use	FF1, page 214, ln 47, Col. (d)	5,719,690	3,453,520	4,586,605
30	Transmission Plant Held For Future Use	Company Records - Note 1	1,955,023	1,742,167	1,848,595
Regulatory Assets and Liabilities Approved for Recovery in Ratebase					
Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.					
31					-
32					-
33					-
34					-
35					-
36	Total Regulatory Deferrals Included in Ratebase				-

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

NOTE: The ratebase should not include the unamortized balance of hedging gains or losses.

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet B Supporting ADIT and ITC Balances
APPALACHIAN POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) Source</u>	<u>(C) Balance @ December 31, 2009</u>	<u>(D) Balance @ December 31, 2008</u>	<u>(E) Average Balance for 2009</u>
1	<u>Account 281</u>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, In 8, Col. (k)	96,784,031	76,241,472	86,512,752
3	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
4	Less: Other Excluded Deferrals	Company Records - Note 1	96,784,031	76,241,472	86,512,752
5	Transmission Related Deferrals	Ln 2 - In 3 - In 4	-	-	-
6	<u>Account 282</u>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, In 5, Col. (k)	901,973,360	681,230,291	791,601,826
8	Less: ARO Related Deferrals	Company Records - Note 1	26,390,045	2,444,597	14,417,321
9	Less: Other Excluded Deferrals	Company Records - Note 1	670,902,963	499,890,906	585,396,935
10	Transmission Related Deferrals	Ln 7 - In 8 - In 9	204,680,352	178,894,788	191,787,570
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, In 9, Col. (k)	359,567,409	314,452,711	337,010,060
13	Less: ARO Related Deferrals	Company Records - Note 1	5,108,231	5,820,634	5,464,433
14	Less: Other Excluded Deferrals	Company Records - Note 1	344,918,336	288,342,858	316,630,597
15	Transmission Related Deferrals	Ln 12 - In 13 - In 14	9,540,843	20,289,219	14,915,031
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, In 8, Col. (c)	249,411,747	296,937,817	273,174,782
18	Less: ARO Related Deferrals	Company Records - Note 1	43,419,098	17,771,705	30,595,402
19	Less: Other Excluded Deferrals	Company Records - Note 1	162,073,117	236,169,395	199,121,256
20	Transmission Related Deferrals	Ln 17 - In 18 - In 19	43,919,532	42,996,717	43,458,125
21	<u>Account 255</u>				
22	Year End ITC Balances	FF1, p. 266-267, In 8, Col. (h)	10,981,759	15,075,280	13,028,520
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	4,018,971	5,826,450	4,922,711
24	ITC Balances Includeable Ratebase	Ln 22 - In 23	6,962,788	9,248,830	8,105,809
25	Transmission Related Deferrals	Company Records - Note 1	1,979,098	2,510,711	2,244,905

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

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

AEP East Companies
 Cost of Service Formula Rate Using 2009 FF1 Balances
 Worksheet C Supporting Working Capital Rate Base Adjustments
 APPALACHIAN POWER COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
Line Number	Source	Balance @ December 31, 2009	Balance @ December 31, 2008	Average Balance for 2009				
1								
2	Transmission Materials & Supplies	522,834	572,305	547,570				
3	General Materials & Supplies	1,097,935	912,406	1,005,171				
4	Stores Expense (Undistributed)	0	0	-				

Prepayment Balance Summary

Line	Description	Average of YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)
5							
6	Totals as of December 31, 2009	5,680,629	(129,012,986)	0	5,395,391	129,298,224	134,693,615
7	Totals as of December 31, 2008	6,444,681	(137,982,867)		4,654,385	139,773,163	144,427,548
8	Average Balance	6,062,655	(133,497,927)	-	5,024,888	134,535,694	139,560,582

Prepayments Account 165 - Balance @ 12/31/2009

Line	Acc. No.	Description	2009 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
9									
10	1650001	Prepaid Insurance	2,190,415	-		2,190,415		2,190,415	Plant Related Insurance Policies
11	165000209	Prepaid Taxes	1,880,492	-		1,880,492		1,880,492	Prepaid PSC Fees
12	1650003	Prepaid Rents	36,334	36,334				-	Prepaid Distribution Rent Expense
13	1650004	Prepaid Interest	27,681	27,681				-	
14	1650005	Prepaid Employee Benefits	0	-				-	
15	1650006	Other Prepayments	64,614	64,614				-	
16	1650009	Prepaid Carry Cost-Factored AR	89,942	89,942				-	AR Factoring - Retail Only
17	1650010	Prepaid Pension Benefits	129,298,224	-			129,298,224	129,298,224	Prefunded Pension Expense
18	1650014	FAS 158 Qual Contra Asset	(129,298,224)	(129,298,224)				-	SFAS 158 Offset
19	1650016	FAS 112 ASSETS	0	-				-	SFAS 112 Overfunding Asset
20	1650021	Prepaid Insurance - EIS	1,324,484	-		1,324,484		1,324,484	
21	1650023	Prepaid Lease	66,667	66,667				-	
		Subtotal - Form 1, p 111.57.c	5,680,629	(129,012,986)	0	5,395,391	129,298,224	134,693,615	

Prepayments Account 165 - Balance @ 12/31/ 2008

Line	Acc. No.	Description	2008 YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	Explanation
22									
23	1650001	Prepaid Insurance	3,011,157	-		3,011,157		3,011,157	Plant Related Insurance Policies
24	165000207	Prepaid Taxes	1,643,228	-		1,643,228		1,643,228	Prepaid PSC Fees
25	1650003	Prepaid Rents	36,334	36,334				-	
26	1650004	Prepaid Interest	41,066	41,066				-	
27	1650006	Other Prepayments	107,923	107,923				-	
28	1650009	Prepaid Carry Cost-Factored AR	167,014	167,014				-	AR Factoring - Retail Only
29	1650010	Prepaid Pension Benefits	139,773,163	-			139,773,163	139,773,163	Prefunded Pension Expense
30	1650014	FAS 158 Qual Contra Asset	(139,773,163)	(139,773,163)				-	SFAS 158 Offset
31	1650016	FAS 112 ASSETS	1,437,959	1,437,959				-	SFAS 112 Overfunding Asset
		Subtotal - Form 1, p 111.57.d	6,444,681	(137,982,867)	0	4,654,385	139,773,163	144,427,548	

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet D Supporting IPP Credits
APPALACHIAN POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2009</u>
1	Net Funds from IPP Customers 12/31/2008 (2009 FORM 1, P269, line 23.b)	(2,144,476.00)
2	Interest Accrual (Company Records - Note 1)	(77,978.00)
3	Revenue Credits to Generators (Company Records - Note 1)	-
4	<u>Other Adjustments</u>	
5	Accounting Adjustment (Company Records - Note 1)	3,066.00
6		-
7	Net Funds from IPP Customers 12/31/2009 (2009 FORM 1, P269, line 23.f)	(2,219,388.00)
8	Average Balance for Year as Indicated in Column ((ln 1 + ln 7)/2)	(2,181,932.00)

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

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet E Supporting Revenue Credits
APPALACHIAN POWER 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)	4,298,025	4,298,025	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	2,138,272	1,720,071	418,201
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	20,521,704	18,701,142	1,820,562
4	Account 4560015, Associated Business Development- (Company Records - Note 1)	5,956,363	4,590,382	1,365,981
5	Account 456 - Other Electric Revenues - (Company Records - Note 1)	19,315,811	19,315,811	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	52,230,175	48,625,431	3,604,744
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	4,228,566	381,496	3,847,070
8	Total Other Operating Revenues To Reduce Revenue Requirement	56,458,741	49,006,927	7,451,814

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

AEP East Companies
 Cost of Service Formula Rate Using 2009 FF1 Balances
 Worksheet F Supporting Allocation of Specific O&M or A&G Expenses
 APPALACHIAN POWER COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	
<u>Line</u> <u>Number</u>	<u>Item No.</u>	<u>Description</u>	<u>2009</u> <u>Expense</u>	<u>100%</u> <u>Non-Transmission</u>	<u>100%</u> <u>Transmission</u> <u>Specific</u>	<u>Explanation</u>
<u>Regulatory O&M Deferrals & Amortizations</u>						
1	5700005	Maint Station-Reliability-Df	2,431,923			
2	5660007	Virginia T-RAC UnderRecovery	(26,183,647)			
3						
4		Total	(23,751,724)			
<u>Detail of Account 561 Per FERC Form 1</u>						
5	FF1 p 321.84.b	561 - Load Dispatching	0			
6	FF1 p 321.85.b	561.1 - Load Dispatch - Reliability	50,835			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	3,622,741			
8	FF1 p 321.87.b	561.3 - Load Dispatch - Trans Service & Scheduling	7,700			
9	FF1 p 321.88.b	561.4 - Scheduling, System Control & Dispatch	5,355,294			
10	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	224,049			
11	FF1 p 321.90.b	561.6 - Transmission Service Studies	0			
12	FF1 p 321.91.b	561.7 - Generation Interconnection Studies	0			
13	FF1 p 321.92.b	561.8 - Reliability, Planning and Standards Development Services	1,011,205			
14		Total of Account 561	10,271,824			
<u>Account 928</u>						
15	9280000	Regulatory Commission Exp	21	21	-	
16	9280001	Regulatory Commission Exp-Adm	1,417,033	1,417,033	-	
17	9280002	Regulatory Commission Exp-Case	723,175	723,175	-	
18		Total	2,140,229	2,140,229	-	
<u>Account 930.1</u>						
19	9301000	General Advertising Expenses	60,632	60,632	-	
20	9301001	Newspaper Advertising Space	89,389	89,389	-	
21	9301002	Radio Station Advertising Time	2,823	2,823	-	
22	9301003	TV Station Advertising Time	12,450	12,450	-	
23	9301004	Newspaper Advertising Prod Exp	1,961	1,961	-	
24	9301005	Radio & TV Advertising Prod Exp	193	193	-	
25	9301006	Spec Corporate Comm Info Proj	10,824	10,824	-	
26	9301007	Special Adv Space & Prod Exp	-	-	-	
27	9301008	Direct Mail and Handouts	3,000	3,000	-	
28	9301009	Fairs, Shows, and Exhibits	1,363	1,363	-	
29	9301010	Publicity	341,393	341,393	-	
30	9301011	Dedications, Tours, & Openings	357	357	-	
31	9301012	Public Opinion Surveys	179,535	179,535	-	
32	9301013	Movies Slide Films & Speeches	111,912	111,912	-	
33	9301014	Video Communications	266	266	-	
34	9301015	Other Corporate Comm Exp	282,912	282,912	-	
35		Total	1,099,010	1,099,010	-	
<u>Account 930.2</u>						
36	9302000	Misc General Expenses	683,321	793,609		
37	9302003	Corporate & Fiscal Expenses	170,025	254,562		
38	9302004	Research, Develop&Demonstr Exp	23,401	23,401		
39	9302007	Assoc Business Development Exp	4,019,982	3,225,426	794,556	
40		Total	4,896,729	4,296,998	794,556	

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet G Supporting - Development of Composite State Income Tax Rate
APPALACHIAN POWER COMPANY

Tennessee Income Tax Rate	6.50%	
Apportionment Factor - Note 2	1.60%	
Effective State Tax Rate		0.10%
West Virginia Net Income Tax Rate	8.50%	
Apportionment Factor - Note 2	11.18%	
Effective State Tax Rate		0.95%
Virginia Income Tax Rate	6.00%	
Apportionment Factor - Note 2	34.22%	
Effective State Tax Rate		2.05%
Michigan Business Income Tax Rate	6.04%	
Apportionment Factor - Note 2	0.00%	
Effective State Tax Rate		0.00%
Ohio Franchise Tax Rate	0.00%	
Phase-out Factor Note 1	0.00%	
Apportionment Factor - Note 2	5.92%	
Effective State Tax Rate		0.00%
Illinois Corporate Income Tax Rate	7.30%	
Apportionment Factor - Note 2	0.58%	
Effective State Tax Rate		0.04%
Total Effective State Income Tax Rate		<u>3.14%</u>

Note 1 The Ohio State Income Tax is being phased-out prorata over a 5 year period from 2005 through 2009. The taxable portion of income is 0% in 2009. The phase-out factors can be found in the Ohio Revised Code at 5733.01(G)2(a)(v). This tax has been replaced with a Commercial Activities Tax that is included in Schedule H and H-1.

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

AEP East Companies
 Cost of Service Formula Rate Using 2009 FF1 Balances
 Worksheet H Supporting Taxes Other than Income
 APPALACHIAN POWER COMPANY

Line No.	(A) Account	(B) Total Company	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
		NOTE 1				
1	Revenue Taxes					
2	Gross Receipts Tax	10,704,711				10,704,711
3	Real Estate and Personal Property Taxes					
4	Real and Personal Property - West Virginia	32,075,715	32,075,715			
5	Real and Personal Property - Virginia	13,493,734	13,493,734			
6	Real and Personal Property - Tennessee	710,334	710,334			
7	Real and Personal Property - Other Jurisdictions	1,276	1,276			
8	Payroll Taxes					
9	Federal Insurance Contribution (FICA)	8,019,771		8,019,771		
10	Federal Unemployment Tax	35,590		35,590		
11	State Unemployment Insurance	128,245		128,245		
12	Production Taxes					
13	State Severance Taxes	-				-
14	Miscellaneous Taxes					
15	State Business & Occupation Tax	25,075,036				25,075,036
16	State Public Service Commission Fees	4,623,606			4,623,606	
17	State Franchise Taxes	(3,143,845)			(3,143,845)	
18	State Lic/Registration Fee	1,792			1,792	
19	Misc. State and Local Tax	641			641	
20	Sales & Use	(86,717)				(86,717)
21	Federal Excise Tax	29,835				29,835
22	Michigan Single Business Tax	-				-
23	Total Taxes by Allocable Basis	91,669,724	46,281,059	8,183,606	1,482,194	35,722,865
	(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					
		Production	Transmission	Distribution	General	Total
24	Functionalized Net Plant (Hist. TCOS, Lns 212 thru 222)	2,510,309,610	1,243,253,776	1,880,288,703	125,075,625	5,758,927,714
	VIRGINIA JURISDICTION					
25	Percentage of Plant in VIRGINIA JURISDICTION	15.78%	44.39%	56.03%	52.26%	
26	Net Plant in VIRGINIA JURISDICTION (Ln 24 * Ln 25)	396,207,186	551,902,108	1,053,515,231	65,368,411	2,066,992,937
27	Less: Net Value of Exempted Generation Plant	16,843,555				
28	Taxable Property Basis (Ln 26 - Ln 27)	379,363,631	551,902,108	1,053,515,231	65,368,411	2,050,149,382
29	Relative Valuation Factor	100%	100%	100%	100%	
30	Weighted Net Plant (Ln 28 * Ln 29)	379,363,631	551,902,108	1,053,515,231	65,368,411	
31	General Plant Allocator (Ln 30 / (Total - General Plant))	19.11%	27.81%	53.08%	-100.00%	
32	Functionalized General Plant (Ln 31 * General Plant)	12,494,274	18,176,799	34,697,338	(65,368,411)	-
33	Weighted VIRGINIA JURISDICTION Plant (Ln 30 + 32)	391,857,905	570,078,907	1,088,212,569	0	2,050,149,382
34	Functional Percentage (Ln 33/Total Ln 33)	19.11%	27.81%	53.08%		
35	Functionalized Expense in VIRGINIA JURISDICTION	2,579,142	3,752,162	7,162,430		13,493,734
	WEST VA JURISDICTION					
36	Percentage of Plant in WEST VA JURISDICTION	84.22%	52.15%	43.97%	47.55%	
37	Net Plant in WEST VA JURISDICTION (Ln 24 * Ln 36)	2,114,102,424	648,384,569	826,740,567	59,472,068	3,648,699,627
38	Less: Net Value of Exempted Generation Plant	1,432,047,679				
39	Taxable Property Basis (Ln 37 - Ln 38)	682,054,745	648,384,569	826,740,567	59,472,068	2,216,651,948
40	Relative Valuation Factor	100%	100%	100%	100%	
41	Weighted Net Plant (Ln 39 * Ln 40)	682,054,745	648,384,569	826,740,567	59,472,068	
42	General Plant Allocator (Ln 41 / (Total - General Plant))	31.62%	30.06%	38.33%	-100.00%	
43	Functionalized General Plant (Ln 42 * General Plant)	18,803,812	17,875,547	22,792,708	(59,472,068)	-
44	Weighted WEST VA JURISDICTION Plant (Ln 41 + 43)	700,858,557	666,260,116	849,533,275	(0)	2,216,651,948
45	Functional Percentage (Ln 44/Total Ln 44)	31.62%	30.06%	38.33%		
46	Functionalized Expense in WEST VA JURISDICTION	10,141,664	9,641,013	12,293,038		32,075,715
	TENNESSEE JURISDICTION					
47	Net Plant in TENNESSEE JURISDICTION (Ln 24 - Ln 26 - Ln 37)	-	42,967,099	32,905	235,146	43,235,150
48	Less: Net Value Exempted Generation Plant					
49	Taxable Property Basis	-	42,967,099	32,905	235,146	43,235,150
50	Relative Valuation Factor	100%	100%	100%	100%	
51	Weighted Net Plant (Ln 49 * Ln 50)	-	42,967,099	32,905	235,146	
52	General Plant Allocator (Ln 51 / (Total - General Plant))	0.00%	99.92%	0.08%	-100.00%	
53	Functionalized General Plant (Ln 53 * General Plant)	-	234,966	180	(235,146)	
54	Weighted TENNESSEE JURISDICTION Plant (Ln 51 + 53)	-	43,202,065	33,085	(0)	43,235,150
55	Functional Percentage (Ln 54/Total Ln 54)	0.00%	99.92%	0.08%		
56	Functionalized Expense in TENNESSEE JURISDICTION	-	709,790	544		710,334
57	Total Other Jurisdictions: (Line 7 * Net Plant Allocator)		272			1,276
58	Total Func. Property Taxes (Sum Lns 35, 46 56, 57)	12,720,806	14,103,237	19,456,012		46,281,059

Line No.	(A) Annual Tax Expenses by Type (Note 1)	(B) Total Company	(C) FERC FORM 1 Tie-Back	(D) FERC FORM 1 Reference
1	Revenue Taxes			
2	Gross Receipts Tax	10,704,711		
			9,690,326	P.263.1 ln 7 (i)
			(73,744)	P.263.2 ln 2 (i)
			1,088,129	P.263.2 ln 3 (i)
3	Real Estate and Personal Property Taxes			
4	Real and Personal Property - West Virginia	32,075,715		
			15,733,349	P.263 ln 34 (i)
			15,923,395	P.263 ln 35 (i)
			228,063	P.263 ln 38 (i)
			188,376	P.263 ln 39 (i)
			1,266	P.263.1 ln 2 (i)
			1,266	P.263.1 ln 3 (i)
5	Real and Personal Property - Virginia	13,493,734		
			223	P.263.2 ln 22 (i)
			52	P.263.2 ln 23 (i)
			90,760	P.263.2 ln 24 (i)
			12,568,015	P.263.2 ln 25 (i)
			(22,919)	P.263.2 ln 27 (i)
			(3,102)	P.263.2 ln 28 (i)
			(59,595)	P.263.2 ln 29 (i)
			920,300	P.263.2 ln 30 (i)
6	Real and Personal Property - Tennessee	710,334		
			(104,662)	P.263.3 ln 5 (i)
			814,996	P.263.3 ln 6 (i)
7	Real and Personal Property - Other Jurisdictions	1,276		
			893	P.263.4 ln 8 (i)
			224	P.263.1 ln 38 (i)
			111	P.263.1 ln 39 (i)
			48	P.263.1 ln 40 (i)
8	Payroll Taxes			
9	Federal Insurance Contribution (FICA)	8,019,771		
			8,019,771	P.263 ln 6 (i)
10	Federal Unemployment Tax	35,590		
			35,590	P.263 ln 9 (i)
11	State Unemployment Insurance	128,245		
			100,924	P.263.1 ln 23 (i)
			27,189	P.263.2 ln 37 (i)
			132	P.263.3 ln 18 (i)
12	Production Taxes			
13	State Severance Taxes	-	-	
14	Miscellaneous Taxes			
15	State Business & Occupation Tax	25,075,036		
			(91,940)	P.263 ln 21 (i)
			23,133,876	P.263 ln 22 (i)
			2,033,100	P.263 ln 23 (i)
16	State Public Service Commission Fees	4,623,606		
			1,619,951	P.263 ln 26 (i)
			3,003,555	P.263 ln 27 (i)
			100	P.263.3 ln 22 (i)
17	State Franchise Taxes	(3,143,845)		
			(76,126)	P.263.1 ln 19 (i)
			99,100	P.263.1 ln 20 (i)
			30,000	P.263.1 ln 35 (i)
			1,580,441	P.263.2 ln 11 (i)
			3,468,000	P.263.2 ln 12 (i)
			(5,062)	P.263.3 ln 1 (i)
			110,000	P.263.3 ln 2 (i)
			(22,363)	P.263.3 ln 29 (i)
			(27,693)	P.263.3 ln 30 (i)
			60	P.263.3 ln 31 (i)
			60	P.263.3 ln 32 (i)
			(8,300,262)	P.263.4 ln 21 (i)
18	State Lic/Registration Fee	1,792		
			70	P.263.1 ln 14 (i)
			1,700	P.263.2 ln 14 (i)
			22	P.263.3 ln 10 (i)
19	Misc. State and Local Tax	641		
			40	P.263.1 ln 11 (i)
			601	P.263.1 ln 12 (i)
20	Sales & Use	(86,717)		
			2,513	P.263 ln 30 (i)
			18,213	P.263 ln 31 (i)
			250	P.263.2 ln 17 (i)
			3,626	P.263.2 ln 18 (i)
			(111,381)	P.263.2 ln 19 (i)
			62	P.263.3 ln 23 (i)
21	Federal Excise Tax	29,835		
			29,835	P.263 ln 14 (i)
22	Michigan Single Business Tax	-	-	P.263.4 ln 26 (i)
23	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	91,669,724	91,669,724	

Note 1: The taxes assessed on each operating company can differ from year to year and between operating 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 operating companies' current year templates. For each update, this sheet will be revised to ensure that the total activity recorded hereon equals the total reported in account 408.1 on P. 114, Ln 14 of the Ferc Form 1.

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet I Supporting Transmission Plant in Service Additions
APPALACHIAN POWER COMPANY

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

I. Calculation of Composite Depreciation Rate

1	Transmission Plant @ Beginning of Historic Period (2009) (P.206, In 58,(b)):	1,752,450,105
2	Transmission Plant @ End of Historic Period (2009) (P.207, In 58,(g)):	<u>1,811,822,367</u>
3		3,564,272,472
4	Average Balance of Transmission Investment	1,782,136,236
5	Annual Depreciation Expense, Historic TCOS, In 276	29,597,240
6	Composite Depreciation Rate	1.66%
7	Round to 1.66% to Reflect a Composite Life of 60 Years	1.66%

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

8	Month in Service	Capitalized Balance	Composite Annual Depreciation Rate	Annual Depreciation	Monthly Depreciation	No. Months Depreciation	First Year Depreciation Expense
9	January	\$ 18,090,869	1.66%	\$ 300,308	\$ 25,026	11 \$	275,286
10	February	\$ 4,344,803	1.66%	\$ 72,124	\$ 6,010	10 \$	60,100
11	March	\$ 4,481,538	1.66%	\$ 74,394	\$ 6,199	9 \$	55,791
12	April	\$ 4,375,496	1.66%	\$ 72,633	\$ 6,053	8 \$	48,424
13	May	\$ 4,281,386	1.66%	\$ 71,071	\$ 5,923	7 \$	41,461
14	June	\$ 9,554,711	1.66%	\$ 158,608	\$ 13,217	6 \$	79,302
15	July	\$ 4,417,172	1.66%	\$ 73,325	\$ 6,110	5 \$	30,550
16	August	\$ 5,071,937	1.66%	\$ 84,194	\$ 7,016	4 \$	28,064
17	September	\$ 4,564,744	1.66%	\$ 75,775	\$ 6,315	3 \$	18,945
18	October	\$ 5,121,762	1.66%	\$ 85,021	\$ 7,085	2 \$	14,170
19	November	\$ 4,345,471	1.66%	\$ 72,135	\$ 6,011	1 \$	6,011
20	December	\$ 13,525,100	1.66%	\$ 224,517	\$ 18,710	0 \$	-
21	Investment	<u>\$ 82,174,988</u>				Depreciation Expense	<u>\$ 658,104</u>

III. Plant Transferred

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

IV. List of Major Projects Expected to be In-Service in 2010

	<u>Estimated Cost</u> <u>(000's)</u>	<u>Month in</u> <u>Service</u>
25 Major Zonal Projects		
26 000013902 TS/AP/MVA Transform Matt Funk	\$2,850	Jan-10
27 000016198 TS/APCO/Sporn Install	\$5,491	Feb-10
28 000011542 TL APC VA-ROW W Lake Penhook	\$4,943	Mar-10
	<u>Subtotal</u>	
	\$13,284	
29 PJM Socialized/Beneficiary Allocated Regional Projects		
30	\$0	
31	<u>Subtotal</u>	
	\$0	

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet J Supporting Calculation of PROJECTED PJM RTEP Project Revenue Requirement Billed to Benefiting Zones
APPALACHIAN POWER COMPANY

Page 1 of 2

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

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

ROE w/o incentives (Projected TCOS, In 164)	11.49%		
Project ROE Incentive Adder			←ROE Adder Cannot Exceed 125 Basis Points
ROE with additional basis point incentive	11.49%		←ROE Including Incentives Cannot Exceed 12.74% Until July 1, 2012
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the Projected TCOS, Ins 162 through 164)			
	<u>%</u>	<u>Cost</u>	<u>Weighted cost</u>
Long Term Debt	55.24%	5.90%	3.260%
Preferred Stock	0.25%	4.50%	0.013%
Common Stock	44.48%	11.49%	5.110%
		R =	8.383%

SUMMARY OF PROJECTED ANNUAL RTEP REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR	2010	2,027,403	2,027,403 \$ -

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

Rate Base (Projected TCOS, In 78)	1,124,104,291
R (from A, above)	8.383%
Return (Rate Base x R)	94,232,453

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

Return (from B, above)	94,232,453
Effective Tax Rate (Projected TCOS, In 126)	35.96%
Income Tax Calculation (Return x CIT)	33,881,323
ITC Adjustment	(753,858)
Income Taxes	33,127,465

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

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

Annual Revenue Requirement (Projected TCOS, In 1)	191,656,808
T.E.A. & Lease Payments (Projected TCOS, Lns 105 & 106)	(12,534,861)
Return (Projected TCOS, In 134)	94,232,453
Income Taxes (Projected TCOS, In 133)	33,127,465
Annual Revenue Requirement, Less TEA Charges, Return and Taxes	76,831,751

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	76,831,751
Return (from I.B. above)	94,232,453
Income Taxes (from I.C. above)	33,127,465
Annual Revenue Requirement, with Basis Point ROE increase	204,191,669
Depreciation (Projected TCOS, In 111)	29,033,309
Annual Rev. Req, w/ Basis Point ROE increase, less Depreciation	175,158,360

C. Determine FCR with hypothetical basis point ROE increase.

Net Transmission Plant (Projected TCOS, In 48)	1,221,816,108
Annual Revenue Requirement, with Basis Point ROE increase	204,191,669
FCR with Basis Point increase in ROE	16.71%
Annual Rev. Req, w / Basis Point ROE increase, less Dep.	175,158,360
FCR with Basis Point ROE increase, less Depreciation	14.34%
FCR less Depreciation (Projected TCOS, In 9)	13.69%
Incremental FCR with Basis Point ROE increase, less Depreciation	0.64%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Historic Period (2009) (P.206, In 58,(b)):	1,752,450,105
Transmission Plant @ End of Historic Period (2009) (P.207, In 58,(g)):	1,811,822,367
Subtotal	3,564,272,472
Average Transmission Plant Balance for 2009	1,782,136,236
Annual Depreciation Rate (Projected TCOS, In 111)	29,597,240
Composite Depreciation Rate	1.66%
Depreciable Life for Composite Depreciation Rate	60.21
Round to nearest whole year	60

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

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

A. Base Plan Facilities

Facilities receiving incentives accepted by FERC in Docket No. [REDACTED] (e.g. ERO5-925-000)

Project Description: Amos 765/138 kV Transformer

Current Projected Year ARR	2,027,403
Current Projected Year ARR w/ Incentive	2,027,403
Current Projected Year Incentive ARR	-

Details		2010
Investment	13,708,017	Current Year
Service Year (yyyy)	2008	ROE increase accepted by FERC (Basic Points)
Service Month (1-12)	6	FCR w/o incentives, less depreciation
Useful life	60	FCR w/incentives approved for these facilities, less dep.
CIAC (Yes or No)	No	Annual Depreciation Expense

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

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement ##	RTEP Projected Rev. Req't. From Prior Year Template w/o Incentives	RTEP Projected Rev. Req't. From Prior Year Template with Incentives **
2008	13,708,017	114,233	13,593,784	1,975,741	1,975,741	\$ -		
2009	13,593,784	228,467	13,365,317	2,058,689	2,058,689	\$ -		
2010	13,365,317	228,467	13,136,850	2,027,403	2,027,403	\$ -		
2011	13,136,850	228,467	12,908,383	1,996,117	1,996,117	\$ -		
2012	12,908,383	228,467	12,679,916	1,964,831	1,964,831	\$ -		
2013	12,679,916	228,467	12,451,449	1,933,545	1,933,545	\$ -		
2014	12,451,449	228,467	12,222,982	1,902,260	1,902,260	\$ -		
2015	12,222,982	228,467	11,994,515	1,870,974	1,870,974	\$ -		
2016	11,994,515	228,467	11,766,048	1,839,688	1,839,688	\$ -		
2017	11,766,048	228,467	11,537,581	1,808,402	1,808,402	\$ -		
2018	11,537,581	228,467	11,309,114	1,777,116	1,777,116	\$ -		
2019	11,309,114	228,467	11,080,647	1,745,830	1,745,830	\$ -		
2020	11,080,647	228,467	10,852,180	1,714,545	1,714,545	\$ -		
2021	10,852,180	228,467	10,623,713	1,683,259	1,683,259	\$ -		
2022	10,623,713	228,467	10,395,246	1,651,973	1,651,973	\$ -		
2023	10,395,246	228,467	10,166,779	1,620,687	1,620,687	\$ -		
2024	10,166,779	228,467	9,938,312	1,589,401	1,589,401	\$ -		
2025	9,938,312	228,467	9,709,845	1,558,115	1,558,115	\$ -		
2026	9,709,845	228,467	9,481,378	1,526,829	1,526,829	\$ -		
2027	9,481,378	228,467	9,252,911	1,495,544	1,495,544	\$ -		
2028	9,252,911	228,467	9,024,445	1,464,258	1,464,258	\$ -		
2029	9,024,445	228,467	8,795,978	1,432,972	1,432,972	\$ -		
2030	8,795,978	228,467	8,567,511	1,401,686	1,401,686	\$ -		
2031	8,567,511	228,467	8,339,044	1,370,400	1,370,400	\$ -		
2032	8,339,044	228,467	8,110,577	1,339,114	1,339,114	\$ -		
2033	8,110,577	228,467	7,882,110	1,307,829	1,307,829	\$ -		
2034	7,882,110	228,467	7,653,643	1,276,543	1,276,543	\$ -		
2035	7,653,643	228,467	7,425,176	1,245,257	1,245,257	\$ -		
2036	7,425,176	228,467	7,196,709	1,213,971	1,213,971	\$ -		
2037	7,196,709	228,467	6,968,242	1,182,685	1,182,685	\$ -		
2038	6,968,242	228,467	6,739,775	1,151,399	1,151,399	\$ -		
2039	6,739,775	228,467	6,511,308	1,120,114	1,120,114	\$ -		
2040	6,511,308	228,467	6,282,841	1,088,828	1,088,828	\$ -		
2041	6,282,841	228,467	6,054,374	1,057,542	1,057,542	\$ -		
2042	6,054,374	228,467	5,825,907	1,026,256	1,026,256	\$ -		
2043	5,825,907	228,467	5,597,440	994,970	994,970	\$ -		
2044	5,597,440	228,467	5,368,973	963,684	963,684	\$ -		
2045	5,368,973	228,467	5,140,506	932,398	932,398	\$ -		
2046	5,140,506	228,467	4,912,039	901,113	901,113	\$ -		
2047	4,912,039	228,467	4,683,572	869,827	869,827	\$ -		
2048	4,683,572	228,467	4,455,106	838,541	838,541	\$ -		
2049	4,455,106	228,467	4,226,639	807,255	807,255	\$ -		
2050	4,226,639	228,467	3,998,172	775,969	775,969	\$ -		
2051	3,998,172	228,467	3,769,705	744,683	744,683	\$ -		
2052	3,769,705	228,467	3,541,238	713,398	713,398	\$ -		
2053	3,541,238	228,467	3,312,771	682,112	682,112	\$ -		
2054	3,312,771	228,467	3,084,304	650,826	650,826	\$ -		
2055	3,084,304	228,467	2,855,837	619,540	619,540	\$ -		
2056	2,855,837	228,467	2,627,370	588,254	588,254	\$ -		
2057	2,627,370	228,467	2,398,903	556,968	556,968	\$ -		
2058	2,398,903	228,467	2,170,436	525,682	525,682	\$ -		
2059	2,170,436	228,467	1,941,969	494,397	494,397	\$ -		
2060	1,941,969	228,467	1,713,502	463,111	463,111	\$ -		
2061	1,713,502	228,467	1,485,035	431,825	431,825	\$ -		
2062	1,485,035	228,467	1,256,568	400,539	400,539	\$ -		
2063	1,256,568	228,467	1,028,101	369,253	369,253	\$ -		
2064	1,028,101	228,467	799,634	337,967	337,967	\$ -		
2065	799,634	228,467	571,167	306,682	306,682	\$ -		
2066	571,167	228,467	342,700	275,396	275,396	\$ -		
2067	342,700	228,467	114,233	244,110	244,110	\$ -		
Project Totals		13,593,784		69,908,303	69,908,303	-		

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

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

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

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

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

ROE w/o incentives (True-Up TCOS, In 164)	11.49%	
Project ROE Incentive Adde	0	ROE Adder Cannot Exceed 100 Basis Point:
ROE with additional 0 basis point incentive	11.49%	ROE Including Incentives Cannot Exceed 12.5% Until July 1, 2012
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the True-Up TCOS, Ins 162 through 164)		
	%	Cost
Long Term Debt	55.88%	6.14%
Preferred Stock	0.30%	4.50%
Common Stock	43.82%	11.49%
		Weighted cost
		3.432%
		0.013%
		5.035%
		8.481%
	R =	

SUMMARY OF TRUE-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPROJECTS			
TRUE-UP YEAR	2009	Rev Require	W Incentives
As Projected in Prior Year WS J			Incentive Amounts
			\$ -
Actual after True-up	\$	2,110,183	\$ 2,110,183
True-up of ARR For 2009		2,110,183	2,110,183

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

Rate Base (True-Up TCOS, In 78)	1,063,753,246
R (from A. above)	8.481%
Return (Rate Base x R)	90,217,275

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

Return (from B. above)	90,217,275
Effective Tax Rate (True-Up TCOS, In 126)	35.02%
Income Tax Calculation (Return x CIT)	31,596,987
ITC Adjustment	(786,397)
Income Taxes	30,810,589

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

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

Annual Revenue Requirement (True-Up TCOS, In 1)	184,717,533
T.E.A. & Lease Payments (True-Up TCOS, Lns 105 & 106)	(12,534,861)
Return (True-Up TCOS, In 134)	90,217,275
Income Taxes (True-Up TCOS, In 133)	30,810,589
Annual Revenue Requirement, Less TEA Charges, Return and Taxes	76,224,530

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	76,224,530
Return (from I.B. above)	90,217,275
Income Taxes (from I.C. above)	30,810,589
Annual Revenue Requirement, with 0 Basis Point ROE increase	197,252,394
Depreciation (True-Up TCOS, In 111)	29,037,189
Annual Rev. Req. w/ 0 Basis Point ROE increase, less Depreciation	168,215,205

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

Net Transmission Plant (True-Up TCOS, In 48)	1,204,998,923
Annual Revenue Requirement, with 0 Basis Point ROE increase	197,252,394
FCR with 0 Basis Point increase in ROE	16.37%
Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep.	168,215,205
FCR with 0 Basis Point ROE increase, less Depreciation	13.96%
FCR less Depreciation (True-Up TCOS, In 9)	13.96%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Historic Period () (P.206, In 58,(b)):	1,752,450,105
Transmission Plant @ End of Historic Period () (P.207, In 58,(g)):	1,811,822,367
Subtotal	3,564,272,472
Average Transmission Plant Balance for	1,782,136,236
Annual Depreciation Rate (True-Up TCOS, In 111)	29,597,240
Composite Depreciation Rate	1.66%
Depreciable Life for Composite Depreciation Rate	60.21
Round to nearest whole year	60

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet L Supporting Projected Cost of Debt
APPALACHIAN POWER COMPANY

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

<u>Line Number</u>	<u>(A) Issuance</u>	<u>(B) Principle Outstanding</u>	<u>(C) Interest Rate</u>	<u>(D) Annual Expense (See Note S on Projected Template)</u>	<u>(E) Notes</u>
1	Long Term Debt (FF1.p. 256-257.h)				
2	Advances From Associated Co.	100,000,000	4.708%	4,708,000	
3					
4	Installment Purchase Contracts (FF1.p. 256-257.h, a, & i)				
5	IPC Russell Series H	19,500,000	5.000%	975,000	
6	IPC Mason Series L	100,000,000	5.500%	5,500,000	
7	IPC Mason Series K	30,000,000	6.050%	1,815,000	
8	IPC Putnam Series C	30,000,000	4.850%	1,455,000	
9	IPC Putnam Series D	40,000,000	4.850%	1,940,000	
10	Reacquired: IPC Russell Series J	(17,500,000)	0.359%	(62,764)	
11	IPC Russell Series J	17,500,000	0.359%	62,764	
12	IPC WV Series 2008E	50,000,000	7.125%	3,562,500	
13	IPC WV. - Series 2008A	75,000,000	0.260%	195,000	
14	IPC WV. - Series 2008B	50,275,000	0.380%	191,045	
15	IPC WV. - Series 2009A	54,375,000	0.270%	146,813	
16	IPC WV. - Series 2009B	50,000,000	0.200%	100,000	
17	Senior Unsecured Notes - Series J	150,000,000	4.400%	6,600,000	
18	Senior Unsecured Notes - Series I	200,000,000	4.950%	9,900,000	
19	Senior Unsecured Notes - Series K	250,000,000	5.000%	12,500,000	
20	Senior Unsecured Notes - Series M	250,000,000	5.550%	13,875,000	
21	Senior Unsecured Notes - Series O	250,000,000	5.650%	14,125,000	
22	Senior Unsecured Notes - Series L	250,000,000	5.800%	14,500,000	
23	Senior Unsecured Notes - Series H	200,000,000	5.950%	11,900,000	
24	Senior Unsecured Notes - Series N	250,000,000	6.375%	15,937,500	
25	Senior Unsecured Notes - Series P	250,000,000	6.700%	16,750,000	
26	Senior Unsecured Notes - Series Q	500,000,000	7.000%	35,000,000	
27	Senior Unsecured Notes - Series R	350,000,000	7.950%	27,825,000	
28	Sale/Leaseback	2,449,040	13.614%	333,419	
29	<u>Issuance Discount, Premium, & Expenses:</u>				
30	Auction Fees	FF1.p. 256 & 257.Lines Described as Fees		-	
31	Allowable Hedge Amortization (See Ln 47 Below)			2,569,395	
32	Amort of Debt Discount and Expenses	FF1.p. 117.63.c		3,232,592	
33	Amort of Debt Premimums (Enter Negative)	FF1.p. 117.65.c		-	
34	<u>Reacquired Debt:</u>				
35	Amortization of Loss	FF1.p. 117.64.c		991,540	
36	Amortization of Gain	FF1.p. 117.66.c		-	
37	Total Interest on Long Term Debt	3,501,599,040	5.90%	206,627,803	
38	Preferred Stock (FF1.p. 250-251)	Preferred Shares Outstanding			
39	4.5% Series - \$100 - 177,518 Shares O/S	17,751,800	4.50%	798,831	
40				-	
41				-	
42	Dividends on Preferred Stock	17,751,800	4.50%	798,831	
43	Eligible Hedging Gains and Losses (WS M, Ln 34, (E))			2,569,395	
44	Total Projected Capital Structure Balance for 2010 (Projected TCOS, Ln 165)			6,338,588,942	
45	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005	
46	Limit of Recoverable Amount			3,169,294	
47	Recoverable Hedge Amortization (Lesser of Ln 43 or Ln 46)			2,569,395	

AEP East Companies
Transmission Cost of Service Formula Rate
APPALACHIAN POWER COMPANY

Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital Based on Average of Balances At 12/31/2008 & 12/31/2009

(A)	(B)	(C)	(D)	(E)
Line		Balances @ 12/31/2009	Balances @ 12/31/2008	Average
Development of Average Balance of Common Equity				
1	Proprietary Capital (112.16.c&d)	2,789,329,067	2,394,342,663	2,591,835,865
2	Less Preferred Stock (Ln 54 Below)	17,751,800	17,752,000	17,751,900
3	Less Account 216.1 (112.12.c&d)	2,593,528	2,462,578	2,528,053
4	Less Account 219.1 (112.15.c&d)	(50,254,363)	(60,225,378)	(55,239,871)
5	Average Balance of Common Equity	2,819,238,102	2,434,353,463	2,626,795,783

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

6	Bonds (112.18.c&d)	-	-	-
7	Less: Reacquired Bonds (112.19.c&d)	17,500,000	17,500,000	17,500,000
8	LT Advances from Assoc. Companies (112.20.c&d)	100,000,000	100,000,000	100,000,000
9	Senior Unsecured Notes (112.21.c&d)	3,419,099,201	3,114,740,790	3,266,919,996
10	Less: Fair Value Hedges (See Note on Ln 12 below)	-	-	-
11	Total Average Debt	3,501,599,201	3,197,240,790	3,349,419,996

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

13 Annual Interest Expense for 2009

14	Interest on Long Term Debt (256-257.33.i)			201,508,637
15	Less: Total Hedge Gain/Expense Accumulated from p 256-257, col. (i) of FERC Form 1 included in Ln 14 and shown in Ln 33 below.			2,569,395
16	Plus: Allowed Hedge Recovery From Ln 38 below.			2,569,395
17	Amort of Debt Discount & Expense (117.63.c)			3,232,592
18	Amort of Loss on Reacquired Debt (117.64.c)			991,540
19	Less: Amort of Premium on Debt (117.65.c)			-
20	Less: Amort of Gain on Reacquired Debt (117.66.c)			-
21	Total Interest Expense (Ln 14 + Ln 17 + Ln 18 - Ln 19 - Ln 20)			205,732,769

22 Average Cost of Debt for 2009 (Ln 21/Ln 11)

6.14%

CALCULATION OF RECOVERABLE HEDGE GAINS/LOSSES

23 NOTE: The net amount of hedging gains or losses recorded in account 427 to be recovered in this formula rate should be limited to the effective portion of pre-issuance cash flow hedges that are amortized over the life of the underlying debt issuances. The recovery of a net loss or passback of a net gain will be limited to five basis points of the total Capital Structure. Amounts related to the ineffective portion of pre-issuance hedges, cash settlements of fair value hedges issued on Long Term Debt, post-issuance cash flow hedges, and cash flow hedges of variable rate debt issuances are not recoverable in this formula and are to be recorded in the "Excludable" column below.

HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)	Total Hedge (Gain)/Loss for 2009	Less Excludable Amounts (See NOTE on Line 23)	Net Includable Hedge Amount	Amortization Period		
				Remaining Unamortized Balance	Beginning	Ending
24 Senior Unsecured Notes - Series J	973,154	-	973,154	405,481	Jun-05	Jun-10
25 Senior Unsecured Notes - Series I	764,169	-	764,169	3,502,442	Jan-05	Feb-15
26 Senior Unsecured Notes - Series K	1,336,324	-	1,336,324	7,238,424	Jun-05	Jun-17
27 Senior Unsecured Notes - Series M	(364,373)	-	(364,373)	(455,467)	Apr-06	Apr-11
28 Senior Unsecured Notes - Series O	96,458	-	96,458	253,204	Aug-07	Aug-12
29 Senior Unsecured Notes - Series L	(238,880)	-	(238,880)	(1,373,559)	Sep-05	Oct-35
30 Senior Unsecured Notes - Series H	37,068	-	37,068	865,020	May-03	May-33
31 Senior Unsecured Notes - Series N	(194,198)	-	(194,198)	(5,097,710)	Apr-06	Apr-36
32 Senior Unsecured Notes - Series Q	159,672	-	159,672	4,504,059	Mar-08	Apr-38
33 Total Hedge Amortization	2,569,395	-	-	-	-	-
34 Hedge Gain or Loss Prior to Application of Recovery Limit (Sum of Lines 24 to 32)	-	-	2,569,395	2,569,395	-	-
35 Total Average Capital Structure Balance for 2009 (True-UP TCOS, Ln 165)	-	-	5,993,967,678	5,993,967,678	-	-
36 Financial Hedge Recovery Limit - Five Basis Points of Total Capital	-	-	0.0005	0.0005	-	-
37 Limit of Recoverable Amount	-	-	2,996,984	2,996,984	-	-
38 Recoverable Hedge Amortization (Lesser of Ln 34 or Ln 37)	-	-	2,569,395	2,569,395	-	-

Development of Cost of Preferred Stock

Preferred Stock			Average
39 4.5% Series - 100 - Dividend Rate (p. 250-251. 7 & 10.a)	4.50%	4.50%	
40 4.5% Series - 100 - Par Value (p. 250-251. 8.c)	\$ 100.00	\$ 100.00	
41 4.5% Series - 100 - Shares O/S (p.250-251. 8 & 11.e)	177,518	177,520	
42 4.5% Series - 100 - Monetary Value (Ln 40 * Ln 41)	17,751,800	17,752,000	17,751,900
43 4.5% Series - 100 - Dividend Amount (Ln 39 * Ln 42)	798,831	798,840	798,836
44 0% Series - - Dividend Rate (p. 250-251.a)	-	-	-
45 0% Series - - Par Value (p. 250-251.c)	-	-	-
46 0% Series - - Shares O/S (p.250-251. e)	-	-	-
47 4.5% Series - 100 - Monetary Value (Ln 45 * Ln 46)	-	-	-
48 0% Series - - Dividend Amount (Ln 44 * Ln 47)	-	-	-
49 0% Series - - Dividend Rate (p. 250-251.a)	-	-	-
50 0% Series - - Par Value (p. 250-251.c)	-	-	-
51 0% Series - - Shares O/S (p.250-251.e)	-	-	-
52 4.5% Series - 100 - Monetary Value (Ln * Ln 49)	-	-	-
53 0% Series - - Dividend Amount (Ln 49 * Ln 52)	-	-	-
54 Balance of Preferred Stock (Lns 42, 47, 52)	17,751,800	17,752,000	17,751,900
55 Dividends on Preferred Stock (Lns 43, 48, 53)	798,831	798,840	798,836
56 Average Cost of Preferred Stock (Ln 55/54)	4.50%	4.50%	4.50%

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

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet N - Gains (Losses) on Sales of Plant Held For Future Use
APPALACHIAN POWER 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 2009		<u>-</u>		<u>-</u>	

AEP East Companies
 Cost of Service Formula Rate Using 2008 FF1 Balances
 Worksheet O - Calculation of Postemployment Benefits Other than Pensions Expenses Allocable to Transmission Service
 APPALACHIAN POWER COMPANY

Total AEP East Operating Company PBOP Settlement Amount 48,100,000

Allocation of PBOP Settlement Amount for 2008:

Line#	Company	Total Company Amount						
		Actual Expense (Including AEPSC Billed OPEB)	Ratio of Company Actual to Total	Allocation of PBOB Recovery Allowance	Labor Allocator for 2008	Actual Expense	Allowable Expense	One Year Functional Expense (Over)/Under
		(A)	(B)=(A)/Total (A)	(C)=(B) * 48100000	(D)	(E)=(A) * (D)	(F)=(C) * (D)	(G)=(E) - (F)
		(Line 14)						
1	APCo	18,441,517	29.26%	14,073,264	7.028%	1,296,063	989,064	306,999
2	CSP	10,281,860	16.31%	7,846,390	4.162%	427,913	326,553	101,360
3	I&M	12,473,804	19.79%	9,519,127	4.127%	514,802	392,861	121,941
4	KPCo	3,529,520	5.60%	2,693,481	8.595%	303,351	231,496	71,855
5	KNGP	544,295	0.86%	415,367	11.148%	60,678	46,305	14,373
6	OPCo	17,102,723	27.13%	13,051,591	7.326%	1,252,955	956,167	296,788
7	WPCo	656,219	1.04%	500,780	4.102%	26,916	20,540	6,376
8	Sum of Lines 1 to 7	63,029,939		48,100,000		3,882,678	2,962,986	919,692

Detail of Actual PBOP Expenses to be Removed in Cost of Service

	APCo	CSP	I&M	KPCo	KNGSPT	OPCo	WPCo	AEP East Total
9 Direct Charged PBOP Expense per Actuarial Report *	25,117,708	11,854,216	19,543,777	4,099,566	620,366	20,108,946	765,967	82,110,546
10 Additional PBOP Ledger Entries (from Company Records)	(3,087,412)	24,390	(4,186,450)	(1)	-	(210,679)	-	(7,460,152)
11 Medicare Subsidy *	(5,206,873)	(2,393,921)	(4,008,620)	(867,380)	(123,297)	(4,175,705)	(152,317)	(16,928,113)
12 Net Company Expense (Ln 9 + Ln 10 + Ln 11)	16,823,423	9,484,685	11,348,707	3,232,185	497,069	15,722,562	613,650	57,722,281
13 PBOP Expenses From AEP Service Corporation (from Company Records)	1,618,094	797,175	1,125,097	297,335	47,226	1,380,161	42,569	5,307,658
14 Company PBOP Expense (Ln 12 + Ln 13)	18,441,517	10,281,860	12,473,804	3,529,520	544,295	17,102,723	656,219	63,029,939

* Sourced from Actuarial Report

AEP EAST COMPANIES
Worksheet - P CALCULATION OF
TOTAL WEIGHTED AVERAGE DEPRECIATION RATES
FOR TRANSMISSION PLANT PROPERTY ACCOUNT
EFFECTIVE AS OF 1/1/2009
FOR MULTIPLE JURISDICTION COMPANIES
APPALACHIAN POWER COMPANY

	VIRGINIA				WEST VIRGINIA			FERC WHOLESALE			FERC KINGSFORT			COMPANY
	(1) PLANT ACCT.	VA SCC RATES	ALLOCATION FACTOR (5)	WTD AVG. DEPREC. RATE	(2) PSC OF WV APPROVED RATES	ALLOCATION FACTOR (5)	WTD AVG. DEPREC. RATE	(3) FERC RATES	ALLOCATION FACTOR (5)	WTD AVG. DEPREC. RATE	(4) FERC RATES	ALLOCATION FACTOR (5)	WTD AVG. DEPREC. RATE	WTD AVG. DEPREC. RATE
TRANSMISSION PLANT														
Land Rights - Va.	350.1	0.66%	1.000000	0.66%										0.66%
Structures & Improvements	352.0	1.55%	0.461344	0.72%	1.55%	0.451517	0.70%	2.19%	0.029810	0.07%	2.19%	0.057329	0.13%	1.61%
Station Equipment	353.0	1.95%	0.461344	0.90%	1.95%	0.451517	0.88%	2.19%	0.029810	0.07%	2.19%	0.057329	0.13%	1.97%
Towers & Fixtures	354.0	1.14%	0.461344	0.53%	1.14%	0.451517	0.51%	2.19%	0.029810	0.07%	2.19%	0.057329	0.13%	1.23%
Poles & Fixtures	355.0	2.77%	0.461344	1.28%	2.77%	0.451517	1.25%	2.19%	0.029810	0.07%	2.19%	0.057329	0.13%	2.72%
Overhead Conductor	356.0	1.01%	0.461344	0.47%	1.01%	0.451517	0.46%	2.19%	0.029810	0.07%	2.19%	0.057329	0.13%	1.12%
Underground Conduit	357.0	1.23%	0.461344	0.57%	1.24%	0.451517	0.56%	2.19%	0.029810	0.07%	2.19%	0.057329	0.13%	1.32%
Underground Conductors	358.0	3.18%	0.461344	1.47%	3.18%	0.451517	1.44%	2.19%	0.029810	0.07%	2.19%	0.057329	0.13%	3.10%

(1) As approved in VA Case No. PUE 2006-00065 on May 15, 2007. Depreciation rates were made effective on January 1, 2006.

(3) Approved by FERC March 2, 1990 in Docket ER90-132

(2) Approved by PSC of WV Order dated July 26, 2006 in Case No. 05-1278-E-PC-PW-42T effective July 1, 2006.

(4) Approved by FERC March 2, 1990 in Docket ER90-133

(5) 2009 Allocation factors based on APCo's 12 monthly Coincident Peaks for twelve months ended September 30, 2008 as provided by AEPSC Regulated Pricing. The demand allocation factors are updated annually as of January 1, based on the 12 monthly CP's as of the previous September 30th.

GENERAL NOTES:

The rates for each AEP company have been approved by their respective regulatory commissions.

APCo falls under the authority of Virginia, West Virginia and the FERC. Therefore, APCo's rates are a composite of the jurisdictions under which it operates. Each jurisdictions' rate is multiplied by an allocation factor, and the product for each jurisdiction is added with the other jurisdictions to derive the composite rate for the company.

Per the terms of the settlement in this case, AEP will make a 205 filing whenever a company's rates are changed by their commission(s), or if the methodology to calculate the jurisdictional allocator in multiple-state companies changes. Changes in the allocation factors will not necessitate a 205 filing.