

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

OHIO POWER COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 138)			\$157,906,817
2	REVENUE CREDITS	(Note A) (Worksheet E)	4,836,598	DA 1.00000	\$ 4,836,598
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			\$ 153,070,219

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)		1,094,271	DA 1.00000	\$ 1,094,271
5	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
6	Annual Rate	$(\text{In } 1 - \text{In } 105 - \text{In } 106) / ((\text{In } 48 + \text{In } 49 + \text{In } 50 + \text{In } 51 + \text{In } 53) \times 100)$			21.93%
7	Monthly Rate	(In 6 / 12)			1.83%
8	NET PLANT CARRYING CHARGE ON LINE 6 , w/o depreciation or ROE incentives (Note B)				
9	Annual Rate	$(\text{In } 1 - \text{In } 105 - \text{In } 106 - \text{In } 111 - \text{In } 112) / ((\text{In } 48 + \text{In } 49 + \text{In } 50 + \text{In } 51 + \text{In } 53) \times 100)$			18.20%
10	NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B)				
11	Annual Rate	$(\text{In } 1 - \text{In } 105 - \text{In } 106 - \text{In } 111 - \text{In } 112 - \text{In } 133 - \text{In } 134) / ((\text{In } 48 + \text{In } 49 + \text{In } 50 + \text{In } 51 + \text{In } 53) \times 100)$			7.95%
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			8,806,009
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				3,399,831
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				638,327
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			4,767,851

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Line No.	(1) RATE BASE CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total NOTE C	(4) Allocator	(5) Total Transmission
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.C)	6,708,450,960	NA 0.00000	-
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(33,696,935)	NA 0.00000	-
20	Transmission	(Worksheet A In 3.C & Ln 142)	1,164,351,684	DA	1,123,648,157
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C& Ln 143)	(3,120)	TP 0.96504	(3,011)
22	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.D)		57,499,161	DA 1.00000	57,499,161
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I, In 22.D)		-	DA 1.00000	-
24	Distribution	(Worksheet A In 5.C)	1,567,145,843	NA 0.00000	-
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	-	NA 0.00000	-
26	General Plant	(Worksheet A In 7.C)	141,102,161	W/S 0.07326	10,337,221
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(154,277)	W/S 0.07326	(11,302)
28	Intangible Plant	(Worksheet A In 9.C)	76,310,966	W/S 0.07326	5,590,583
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	9,681,006,443		1,197,060,809
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.C)	2,282,292,501	NA 0.00000	-
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(16,950,996)	NA 0.00000	-
33	Transmission	(Worksheet A In 14.C & 28.C)	497,042,871	TP1= 0.96708	480,679,449
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	(2,414)	TP1= 0.96708	(2,335)
35	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.I)		546,929	DA 1.00000	546,929
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)		25,505,773	TP1 0.96708	24,666,083
38	Plus: Additional General & Intangible Depreciation for 2010 (In 113 + In 114)		22,615,751	W/S 0.07326	1,656,842
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I In 23.D)		-	DA 1.00000	-
40	Distribution	(Worksheet A In 16.C)	503,030,507	NA 0.00000	-
41	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	-	NA 0.00000	-
42	General Plant	(Worksheet A In 18.C)	53,691,303	W/S 0.07326	3,933,454
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(82,122)	W/S 0.07326	(6,016)
44	Intangible Plant	(Worksheet A In 20.C)	67,051,494	W/S 0.07326	4,912,229
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	3,434,741,597		516,386,636
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	4,409,412,520		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	667,308,107		642,968,031
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		56,952,232		56,952,232
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		-		-
51	Plus: Additional Transmission Depreciation for 2010 (-In 37)		(25,505,773)		(24,666,083)
52	Plus: Additional General & Intangible Depreciation for 2010 (-In 38)		(22,615,751)		(1,656,842)
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		-		-
54	Distribution	(In 24 + In 25 - In 40 - In 41)	1,064,115,336		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	87,338,703		6,398,481
56	Intangible Plant	(In 28 - In 44)	9,259,472		678,354
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	6,246,264,846		680,674,173
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(234,470,859)	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(889,743,183)	DA	(95,778,725)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(316,859,259)	DA	(13,347,375)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	170,687,196	DA	14,837,121
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(1,572,372)	DA	(937,262)
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(1,271,958,477)		(95,226,241)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	2,953,379	DA	2,205,322
66	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
67	WORKING CAPITAL	(Note E)			
68	Cash Working Capital	(1/8 * In 88)	2,773,316		2,676,366
69	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	1,536,995	TP 0.96504	1,483,265
70	A&G Materials & Supplies	(Worksheet C, In 3.(D))	473,871	W/S 0.07326	34,716
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h) 0.11841	-
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	149,500,306	W/S 0.07326	10,952,474
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	2,762,919	GP(h) 0.11841	327,169
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA 1.00000	-
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(148,765,119)	NA 0.00000	-
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	8,282,288		15,473,990
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	(2,464,504)	DA 1.00000	(2,464,504)
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		4,983,077,532		600,662,740

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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
79	OPERATION & MAINTENANCE EXPENSE				
79	Production	321.80.b	1,632,871,790		
80	Distribution	322.156.b	81,524,827		
81	Customer Related Expense	322.164,171,178.b	49,335,396		
82	Regional Marketing Expenses	322.131.b	3,628,655		
83	Transmission	321.112.b	45,830,240		
84	TOTAL O&M EXPENSES	(sum lns 79 to 83)	1,813,190,908		
85	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	8,806,009		
86	Less: Account 565	(Note H) 321.96.b	12,475,994		
87	Less: State Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	2,361,709		
88	Total O&M Allocable to Transmission	(lns 83 - 85 - 86 - 87)	22,186,528	TP 0.96504	21,410,929
89	Administrative and General	323.197.b (Note J)	106,033,190		
90	Less: Acct. 924, Property Insurance	323.185.b	3,622,786		
91	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	19,898,267		
92	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	(4,175,705)		
93	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	1,380,161		
94	Acct. 928, Reg. Com. Exp.	323.189.b	243,481		
95	Acct. 930.1, Gen. Advert. Exp.	323.191.b	1,538,158		
96	Acct. 930.2, Misc. Gen. Exp.	323.192.b	1,287,756		
97	Balance of A & G	(ln 89 - sum ln 90 to ln 96)	82,238,286	W/S 0.07326	6,024,822
98	Plus: Acct. 924, Property Insurance	(ln 90)	3,622,786	GP(h) 0.11841	428,990
99	Acct. 928 - Transmission Specific	Worksheet F ln 18.(E) (Note L)	-	TP 0.96504	-
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F ln 30.(E) (Note L)	-	TP 0.96504	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F ln 35.(E) (Note L)	118,136	DA 1.00000	118,136
102	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 6, (Note M)	13,051,591	W/S 0.07326	956,167
103	A & G Subtotal	(sum lns 97 to 102)	99,030,799		7,528,114
104	O & M EXPENSE SUBTOTAL	(ln 88 + ln 103)	121,217,327		28,939,043
105	Plus: TEA Settlement in Account 565	Company Records (Note H)	8,461,258	DA 1.00000	8,461,258
106	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		1,359,166	DA 1.00000	1,359,166
107	TOTAL O & M EXPENSE	(ln 104 + ln 105 + ln 106)	131,037,751		38,759,467
108	DEPRECIATION AND AMORTIZATION EXPENSE				
109	Production	336.2-6.f	223,591,198	NA 0.00000	-
110	Distribution	336.8.f	59,661,524	NA 0.00000	-
111	Transmission	336.7.f	25,505,773	TP1 0.96708	24,666,083
112	Plus: Transmission Plant-in-Service Additions (Worksheet I ln 21.i)		546,929	DA 1.00000	546,929
113	General	336.10.f	4,952,963	W/S 0.07326	362,857
114	Intangible	336.1.f	17,662,788	W/S 0.07326	1,293,986
115	TOTAL DEPRECIATION AND AMORTIZATION	(lns 109+110+111 +112+113+114)	331,921,175		26,869,855
116	TAXES OTHER THAN INCOME	(Note N)			
117	Labor Related				
118	Payroll	Worksheet H ln 21.(D)	7,986,075	W/S 0.07326	585,064
119	Plant Related				
120	Property	Worksheet H ln 21.(C) & ln 45.(C)	88,052,879	DA	22,529,243
121	Gross Receipts/Sales & Use	Worksheet H ln 21.(F)	97,429,021	NA 0.00000	-
122	Other	Worksheet H ln 21.(E)	(31,029)	GP(h) 0.11841	(3,674)
123	TOTAL OTHER TAXES	(sum lns 118 to 122)	193,436,946		23,110,633
124	INCOME TAXES	(Note O)			
125	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\}$		36.08%		
126	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		39.98%		
127	where WCLTD=(ln 162) and WACC = (ln 165)				
128	and FIT, SIT & p are as given in Note O.				
129	$GRCF=1 / (1 - T) =$ (from ln 125)		1.5644		
130	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	(437,912)		
131	Income Tax Calculation	(ln 126 * ln 134)	164,042,390		19,773,754
132	ITC adjustment	(ln 129 * ln 130)	(685,083)	NP(h) 0.10422	(71,397)
133	TOTAL INCOME TAXES	(sum lns 131 to 132)	163,357,306		19,702,357
134	RETURN ON RATE BASE (Rate Base * WACC)	(ln 78 * ln 165)	410,355,832		49,464,504
135	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, ln 2.(B))		1	DA 1.00000	1
136	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, ln 4, Cols. ((F) & (H))		-		-
137	Tax Impact on (Gains) / Losses on Sales of Plant Held for Future Use (ln 136 * ln126)		-		-
138	TOTAL REVENUE REQUIREMENT		1,230,109,011		157,906,817
	(sum lns 107, 115, 123, 133, 134, 135, 136, 137)				

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OHIO 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 OHIO 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. Act 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= 1.66% (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
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Line No.			Total	Allocator	Transmission Amount
166	REVENUE REQUIREMENT (w/o incentives)	(In 303)			\$153,829,255
167	REVENUE CREDITS	(Note A) (Worksheet E)	4,836,598	DA 1.00000	\$ 4,836,598
168	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 167)			\$ 148,992,657

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)		22.40%
172	Monthly Rate	(In 171 / 12)		1.87%
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)		18.56%
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)		8.35%
177	Not applicable on this template			

178	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES			
179	Total Load Dispatch & Scheduling (Account 561)	Line 250 Below		8,806,009
180	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)			3,399,831
181	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)			638,327
182	Total 561 Internally Developed Costs	(Line 179 - Line 180 - Line 181)		4,767,851

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Line No.	(1) <u>RATE BASE CALCULATION</u>	(2) <u>Data Sources</u> <u>(See "General Notes")</u>	(3) <u>TO Total</u> <u>NOTE C</u>	(4) <u>Allocator</u>	(5) <u>Total</u> <u>Transmission</u>
183	GROSS PLANT IN SERVICE				
183	Production	(Worksheet A In 1.C)	6,708,450,960	NA	0.00000
184	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(33,696,935)	NA	0.00000
185	Transmission	(Worksheet A In 3.C & Ln 307)	1,164,351,684	DA	1,123,648,157
186	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C & Ln 308)	(3,120)	TP	0.96504
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)	1,567,145,843	NA	0.00000
190	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	-	NA	0.00000
191	General Plant	(Worksheet A In 7.C)	141,102,161	W/S	0.07326
192	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(154,277)	W/S	0.07326
193	Intangible Plant	(Worksheet A In 9.C)	76,310,966	W/S	0.07326
194	TOTAL GROSS PLANT	(sum Ins 183 to 193)	9,623,507,282	GP(h)=	0.118414
				GTD=	0.41137
195	ACCUMULATED DEPRECIATION AND AMORTIZATION				
196	Production	(Worksheet A In 12.C)	2,282,292,501	NA	0.00000
197	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(16,950,996)	NA	0.00000
198	Transmission	(Worksheet A In 14.C & 28.C)	497,042,871	TP1=	0.96708
199	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	(2,414)	TP1=	0.96708
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	0.96708
203	Plus: Additional General & Intangible Depreciation for 2010 (In 275 + In 276)		N/A	W/S	0.07326
204	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
205	Distribution	(Worksheet A In 16.C)	503,030,507	NA	0.00000
206	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	-	NA	0.00000
207	General Plant	(Worksheet A In 18.C)	53,691,303	W/S	0.07326
208	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(82,122)	W/S	0.07326
209	Intangible Plant	(Worksheet A In 20.C)	67,051,494	W/S	0.07326
210	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 196 to 209)	3,386,073,144		
211	NET PLANT IN SERVICE				
212	Production	(In 183 + In 184 - In 196 - In 197)	4,409,412,520		-
213	Transmission	(In 185 + In 186 - In 198 - In 199)	667,308,107		642,968,031
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)	1,064,115,336		-
220	General Plant	(In 191 + In 192 - In 207 - In 208)	87,338,703		6,398,481
221	Intangible Plant	(In 193 - In 209)	9,259,472		678,354
222	TOTAL NET PLANT IN SERVICE	(sum Ins 212 to 221)	6,237,434,138	NP(h)=	0.104217
223	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
224	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(234,470,859)	NA	-
225	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(889,743,183)	DA	(95,778,725)
226	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(316,859,259)	DA	(13,347,375)
227	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	170,687,196	DA	14,837,121
228	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(1,572,372)	DA	(937,262)
229	TOTAL ADJUSTMENTS	(sum Ins 224 to 228)	(1,271,958,477)		(95,226,241)
230	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	2,953,379	DA	2,205,322
231	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
232	WORKING CAPITAL	(Note E)			
233	Cash Working Capital	(1/8 * In 253)	2,773,316		2,676,366
234	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	1,536,995	TP	0.96504
235	A&G Materials & Supplies	(Worksheet C, In 3.(D))	473,871	W/S	0.07326
236	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.11841
237	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	149,500,306	W/S	0.07326
238	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	2,762,919	GP(h)	0.11841
239	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	1.00000
240	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(148,765,119)	NA	0.00000
241	TOTAL WORKING CAPITAL	(sum Ins 233 to 240)	8,282,288		15,473,990
242	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	(2,464,504)	DA	1.00000
243	RATE BASE (sum Ins 222, 229, 230, 231, 241, 242)		4,974,246,824		570,033,434

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Line	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
244	OPERATION & MAINTENANCE EXPENSE				
244	Production	321.80.b	1,632,871,790		
245	Distribution	322.156.b	81,524,827		
246	Customer Related Expense	322 & 323.164,171,178.b	49,335,396		
247	Regional Marketing Expenses	322.131.b	3,628,655		
248	Transmission	321.112.b	45,830,240		
249	TOTAL O&M EXPENSES	(sum Ins 244 to 248)	1,813,190,908		
250	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	8,806,009		
251	Less: Account 565	(Note H) 321.96.b	12,475,994		
252	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	2,361,709		
253	Total O&M Allocable to Transmission	(Ins 248 - 250 - 251 - 252)	22,186,528	TP 0.96504	21,410,929
254	Administrative and General	323.197.b (Note J)	106,033,190		
255	Less: Acct. 924, Property Insurance	323.185.b	3,622,786		
256	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	19,898,267		
257	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	(4,175,705)		
258	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	1,380,161		
259	Acct. 928, Reg. Com. Exp.	323.189.b	243,481		
260	Acct. 930.1, Gen. Advert. Exp.	323.191.b	1,538,158		
261	Acct. 930.2, Misc. Gen. Exp.	323.192.b	1,287,756		
262	Balance of A & G	(In 254 - sum In 255 to In 261)	82,238,286	W/S 0.07326	6,024,822
263	Plus: Acct. 924, Property Insurance	(In 255)	3,622,786	GP(h) 0.11841	428,990
264	Acct. 928 - Transmission Specific	Worksheet F In 18.(E) (Note L)	-	TP 0.96504	-
265	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 30.(E) (Note L)	-	TP 0.96504	-
266	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 35.(E) (Note L)	118,136	DA 1.00000	118,136
267	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 6, (Note M)	13,051,591	W/S 0.07326	956,167
268	A & G Subtotal	(sum Ins 262 to 267)	99,030,799		7,528,114
269	O & M EXPENSE SUBTOTAL	(In 253 + In 268)	121,217,327		28,939,043
270	Plus: TEA Settlement in Account 565	Company Records (Note H)	8,461,258	DA 1.00000	8,461,258
271	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)	Acct 565 (Company Records) (Note H)	1,359,166	DA 1.00000	1,359,166
272	TOTAL O & M EXPENSE	(In 269 + In 270 + In 271)	131,037,751		38,759,467
273	DEPRECIATION AND AMORTIZATION EXPENSE				
274	Production	336.2-6.f	223,591,198	NA 0.00000	-
275	Distribution	336.8.f	59,661,524	NA 0.00000	-
276	Transmission	336.7.f	25,505,773	TP1 0.96708	24,666,083
277	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
278	General	336.10.f	4,952,963	W/S 0.07326	362,857
279	Intangible	336.1.f	17,662,788	W/S 0.07326	1,293,986
280	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 274+275+ 276+277+278+279)	331,374,246		26,322,926
281	TAXES OTHER THAN INCOME	(Note N)			
282	Labor Related				
283	Payroll	Worksheet H In 21.(D)	7,986,075	W/S 0.07326	585,064
284	Plant Related				
285	Property	Worksheet H In 21.(C) & In 45.(C)	88,052,879	DA	22,529,243
286	Gross Receipts/Sales & Use	Worksheet H In 21.(F)	97,429,021	NA 0.00000	-
287	Other	Worksheet H In 21.(E)	(31,029)	GP(h) 0.11841	(3,674)
288	TOTAL OTHER TAXES	(sum Ins 283 to 287)	193,436,946		23,110,633
289	INCOME TAXES	(Note O)			
290	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =		36.08%		
291	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		39.98%		
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)		1.5644		
295	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(437,912)		
296	Income Tax Calculation	(In 291 * In 299)	163,751,684		18,765,441
297	ITC adjustment	(In 294 * In 295)	(685,083)	NP(h) 0.10422	(71,397)
298	TOTAL INCOME TAXES	(sum Ins 296 to 297)	163,066,600		18,694,044
299	RETURN ON RATE BASE (Rate Base*WACC)	(In 243 * In 330)	409,628,624		46,942,184
300	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		1	DA 1.00000	1
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 * In291)		-		-
303	TOTAL REVENUE REQUIREMENT	(sum Ins 272, 280, 288, 298, 299, 300, 301, 302)	1,228,544,168		153,829,255

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
304	Total transmission plant	(In 185)						1,164,351,684
305	Less transmission plant excluded from PJM Tariff	(Note P)						40,703,527
306	Less transmission plant included in OATT Ancillary Services	(Worksheet A, In 23, Col. (C)) (Note Q)						1,123,648,157
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=	0.96504
309	WAGES & SALARY ALLOCATOR (W/S)	(Note R)						
			Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
310	Production	354.20.b	79,749,423	19,725,650	99,475,073	NA	0.00000	-
311	Transmission	354.21.b	6,006,145	5,375,208	11,381,353	TP	0.96504	10,983,482
312	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000	-
313	Distribution	354.23.b	21,156,035	2,898,888	24,054,923	NA	0.00000	-
314	Other (Excludes A&G)	354.24,25,26.b	7,484,470	7,527,748	15,012,218	NA	0.00000	-
315	Total	(sum Ins 310 to 314)	114,396,073	35,527,494	149,923,567			10,983,482
316	Transmission related amount						W/S=	0.07326
317	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
318	Long Term Interest	(Worksheet L, In. 44, col. (D))						159,011,732
319	Preferred Dividends	(Worksheet L, In. 50, col. (D))						732,063
320	Development of Common Stock:							
321	Proprietary Capital	(FF1 p 112, Ln 16.c)						3,251,321,953
322	Less: Preferred Stock	(FF1 p 112, Ln 3.c)						16,626,400
323	Less: Account 216.1	(FF1 p 112, Ln 12 .c)						-
324	Less: Account 219	(FF1 p 112, Ln 15.c)						(118,458,118)
325	Common Stock	(In 321 - In 322 - In 323 - In 324)						3,353,153,671
326			\$	%		Cost (Note S)	Weighted	
327	Long Term Debt (Note T) Worksheet L, In 44, col. (B))		3,248,580,000	49.08%		0.0489	0.0240	
328	Preferred Stock (In 322)		16,626,400	0.25%		0.0440	0.0001	
329	Common Stock (In 325)		3,353,153,671	50.66%		11.49%	0.0582	
330	Total (Sum Ins 327 to 329)		6,618,360,071				WACC=	0.0823

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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 252
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 OHIO 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 = 1.66% (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)			\$151,254,631
2	REVENUE CREDITS	(Note A) (Worksheet E)	4,836,598	DA 1.00000	\$ 4,836,598
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			\$ 146,418,033

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)		1,109,451	DA 1.00000	\$ 1,109,451
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)			22.62%
7	Monthly Rate	(In 6 / 12)			1.89%
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)			18.68%
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)			8.59%
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			8,806,009
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				3,399,831
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				638,327
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			4,767,851

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Line No.	(1) <u>RATE BASE CALCULATION</u>	(2) <u>Data Sources</u> <u>(See "General Notes")</u>	(3) <u>TO Total</u> <u>NOTE C</u>	(4) <u>Allocator</u>	(5) <u>Total Transmission</u>
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.E)	6,012,028,686	NA	0.00000
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.E)	(33,229,371)	NA	0.00000
20	Transmission	(Worksheet A In 3.E & Ln 142)	1,136,891,536	DA	1,096,653,556
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E & Ln 143)	(3,120)	TP	0.96461
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)	1,519,805,917	NA	0.00000
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.E)	-	NA	0.00000
26	General Plant	(Worksheet A In 7.E)	148,304,102	W/S	0.07323
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	(159,720)	W/S	0.07323
28	Intangible Plant	(Worksheet A In 9.E)	87,420,722	W/S	0.07323
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	8,871,058,751	GP(h)=	0.12557
				GTD=	0.00000
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.E)	2,066,766,514	NA	0.00000
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.E)	(15,193,758)	NA	0.00000
33	Transmission	(Worksheet A In 14.E & 28.E)	487,382,027	TP1=	0.96729
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	(2,351)	TP1=	0.96729
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=	0.96729
38	Plus: Additional General & Intangible Depreciation for 2010 (In 110 + In 111)		N/A	W/S	0.07323
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
40	Distribution	(Worksheet A In 16.E)	490,323,754	NA	0.00000
41	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.E)	-	NA	0.00000
42	General Plant	(Worksheet A In 18.E)	52,891,031	W/S	0.07323
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	(82,174)	W/S	0.07323
44	Intangible Plant	(Worksheet A In 20.E)	74,774,398	W/S	0.07323
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	3,156,859,440		
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	3,927,226,560		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	649,508,739		625,214,589
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)	1,029,482,163		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	95,335,526		6,981,185
56	Intangible Plant	(In 28 - In 44)	12,646,324		926,059
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	5,714,199,311	NP(h)=	0.11080
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	(213,563,340)	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(788,466,384)	DA	(89,595,001)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(253,556,824)	DA	(14,696,874)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	194,443,027	DA	15,724,475
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	(1,828,142)	DA	(1,087,155)
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(1,062,971,663)		(89,654,554)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	2,810,677	DA	2,205,322
66	REGULATORY ASSETS	(Worksheet A In 36. (E))	-	DA	-
67	WORKING CAPITAL	(Note E)			
68	Cash Working Capital	(1/8 * In 88)	2,773,316		2,675,160
69	Transmission Materials & Supplies	(Worksheet C, In 2.F)	1,227,346	TP	0.96461
70	A&G Materials & Supplies	(Worksheet C, In 3.F)	581,544	W/S	0.07323
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.12557
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 8.G)	153,597,870	W/S	0.07323
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 8.F)	2,921,641	GP(h)	0.12557
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 8.E)	-	DA	1.00000
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 8.D)	(149,748,960)	NA	0.00000
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	11,352,756		15,516,103
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8 (B))	(2,464,505)	DA	1.00000
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		4,662,926,577		558,724,200

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

OHIO POWER COMPANY

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
79	OPERATION & MAINTENANCE EXPENSE				
80	Production	321.80.b	1,632,871,790		
81	Distribution	322.156.b	81,524,827		
82	Customer Related Expense	322.164,171,178.b	49,335,396		
83	Regional Marketing Expenses	322.131.b	3,628,655		
84	Transmission	321.112.b	45,830,240		
85	TOTAL O&M EXPENSES	(sum Ins 79 to 83)	1,813,190,908		
86	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	8,806,009		
87	Less: Account 565	(Note H) 321.96.b	12,475,994		
88	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	2,361,709		
	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	22,186,528	TP 0.96461	21,401,281
89	Administrative and General	323.197.b (Note J)	106,033,190		
90	Less: Acct. 924, Property Insurance	323.185.b	3,622,786		
91	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	19,898,267		
92	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	(4,175,705)		
93	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	1,380,161		
94	Acct. 928, Reg. Com. Exp.	323.189.b	243,481		
95	Acct. 930.1, Gen. Advert. Exp.	323.191.b	1,538,158		
96	Acct. 930.2, Misc. Gen. Exp.	323.192.b	1,287,756		
97	Balance of A & G	(In 89 - sum in 90 to in 96)	82,238,286	W/S 0.07323	6,022,107
98	Plus: Acct. 924, Property Insurance	(In 90)	3,622,786	GP(h) 0.12557	454,898
99	Acct. 928 - Transmission Specific	Worksheet F In 18.(E) (Note L)	-	TP 0.96504	-
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 30.(E) (Note L)	-	TP 0.96504	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 35.(E) (Note L)	118,136	DA 1.00000	118,136
102	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 6, (Note M)	13,051,591	W/S 0.07323	955,736
103	A & G Subtotal	(sum Ins 97 to 102)	99,030,799		7,550,876
104	O & M EXPENSE SUBTOTAL	(In 88 + In 103)	121,217,327		28,952,157
105	Plus: TEA Settlement in Account 565	Company Records (Note H)	8,461,258	DA 1.00000	8,461,258
106	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		1,359,166	DA 1.00000	1,359,166
107	TOTAL O & M EXPENSE	(In 104 + In 105 + In 106)	131,037,751		38,772,581
108	DEPRECIATION AND AMORTIZATION EXPENSE				
109	Production	336.2-6.f	223,591,198	NA 0.00000	-
110	Distribution	336.8.f	59,661,524	NA 0.00000	-
111	Transmission	336.7.f	25,505,773	TP1 0.96729	24,671,399
112	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
113	General	336.10.f	4,952,963	W/S 0.07323	362,693
114	Intangible	336.1.f	17,662,788	W/S 0.07323	1,293,402
115	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 109+110+111+112+113+114)	331,374,246		26,327,495
116	TAXES OTHER THAN INCOME	(Note N)			
117	Labor Related				
118	Payroll	Worksheet H In 21.(D)	7,986,075	W/S 0.07323	584,801
119	Plant Related				
120	Property	Worksheet H In 21.(C) & In 45.(C)	88,052,879	DA	22,529,243
121	Gross Receipts/Sales & Use	Worksheet H In 21.(F)	97,429,021	NA	-
122	Other	Worksheet H In 21.(E)	(31,029)	GP(h) 0.12557	(3,896)
123	TOTAL OTHER TAXES	(sum Ins 118 to 122)	193,436,946		23,110,147
124	INCOME TAXES	(Note O)			
125	$T=1 - ((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p) =$		36.08%		
126	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		39.99%		
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)		1.5644		
130	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(437,912)		
131	Income Tax Calculation	(In 126 * In 134)	150,480,485		18,030,970
132	ITC adjustment	(In 129 * In 130)	(685,083)	NP(h) 0.11080	(75,906)
133	TOTAL INCOME TAXES	(sum Ins 131 to 132)	149,795,402		17,955,064
134	RETURN ON RATE BASE (Rate Base*WACC)	(In 78 * In 165)	376,300,676		45,089,343
135	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		1	DA 1.00000	1
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		1,181,945,021		151,254,631
	(sum Ins 107, 115, 123, 133, 134, 135)				

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

OHIO POWER COMPANY

SUPPORTING CALCULATIONS

In									
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN PJM TARIFF								
139	Total transmission plant	(In 20)						1,136,891,536	
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)							40,237,979	
142	Transmission plant included in PJM Tariff	(In 139 - In 140 - In 141)						1,096,653,556	
143	Percent of transmission plant in PJM Tariff	(In 142 / In 139)					TP	0.96461	
144	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total				
145	Production	354.20.b	79,749,423	19,725,650	99,475,073	NA	0.00000	-	
146	Transmission	354.21.b	6,006,145	5,375,208	11,381,353	TP	0.96461	10,978,533	
147	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000	-	
148	Distribution	354.23.b	21,156,035	2,898,888	24,054,923	NA	0.00000	-	
149	Other (Excludes A&G)	354.24,25,26.b	7,484,470	7,527,748	15,012,218	NA	0.00000	-	
150	Total	(sum Ins 145 to 149)	114,396,073	35,527,494	149,923,567			10,978,533	
151	Transmission related amount						W/S=	0.07323	
152	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$	
153	Long Term Interest	(Worksheet M, In. 21, col. (E))						139,976,246	
154	Preferred Dividends	(Worksheet M, In. 56, col. (E))						732,085	
155	<u>Development of Common Stock:</u>							Average	
156	Proprietary Capital	(Worksheet M, In. 1, col. (E))						2,844,946,957	
157	Less: Preferred Stock	(Worksheet M, In. 2, col. (E))						16,626,900	
158	Less: Account 216.1	(Worksheet M, In. 3, col. (E))						-	
159	Less: Account 219	(Worksheet M, In. 4, col. (E))						(126,158,347)	
160	Common Stock	(In 156 - In 157 - In 158 - In 159)						2,954,478,404	
161			Average \$	Capital Structure Weighting		Cost		Weighted	
162	Long Term Debt (Note T) W/S M, In 11, In 22, col. (E))		2,979,015,000	Actual	Cap Limit	(Note S)			
163	Preferred Stock (In 157)		16,626,900	50.07%	0.00%	0.0470		0.0235	
164	Common Stock (In 160)		2,954,478,404	0.28%	0.00%	0.0440		0.0001	
165	Total (Sum Ins 162 to 164)		5,950,120,304	49.65%	0.00%	11.49%		0.0571	
						WACC=		0.0807	
166	Capital Structure Equity Limit (Note U)		55.0%						

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

OHIO 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 OHIO POWER COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from O&M expense. applicable only for state regulatory purposes.
- 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. Act 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 = 1.66% (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.
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 OHIO POWER COMPANY is limited to 55% 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
OHIO 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
Plant Investment Balances					
1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 46	6,708,450,960	5,315,606,412	6,012,028,686
2	Production Asset Retirement Obligation (ARO)	FF1, page 205&204, Col.(g)&(b), Ins 15,24,34,44	33,696,935	32,761,806	33,229,371
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	1,164,351,684	1,109,431,387	1,136,891,536
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	3,120	3,120	3,120
5	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 75	1,567,145,843	1,472,465,990	1,519,805,917
6	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 74	-	-	-
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	141,102,161	155,506,043	148,304,102
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	154,277	165,163	159,720
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	76,310,966	98,530,477	87,420,722
10	Total Property Investment Balance	(Sum of Lines: 3, 1, 5, 7, 9)	9,657,361,614	8,151,540,309	8,904,450,962
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 2, 6, 8)	33,854,332	32,930,089	33,392,211
Accumulated Depreciation & Amortization Balances					
12	Production Accumulated Depreciation	FF1, page 219, Ins 20-24, Col. (b)	2,282,292,501	1,851,240,526	2,066,766,514
13	Production ARO Accumulated Depreciation	Company Records - Note 1	16,950,996	13,436,520	15,193,758
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	497,042,871	477,721,183	487,382,027
15	Transmission ARO Accumulated Depreciation	Company Records - Note 1	2,414	2,287	2,351
16	Distribution Accumulated Depreciation	FF1, page 219, In 26, Col. (b)	503,030,507	477,617,000	490,323,754
17	Distribution ARO Accumulated Depreciation	Company Records - Note 1	-	-	-
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	53,691,303	52,090,758	52,891,031
19	General ARO Accumulated Depreciation	Company Records - Note 1	82,122	82,226	82,174
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	67,051,494	82,497,302	74,774,398
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 12, 16, 18, 20)	3,403,108,676	2,941,166,769	3,172,137,723
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 13, 17, 19)	17,035,532	13,521,033	15,278,283
Generation Step-Up Units					
23	GSU Investment Amount	Company Records - Note 1	40,703,527	39,772,431	40,237,979
24	GSU Accumulated Depreciation	Company Records - Note 1	16,363,422	15,524,169	15,943,795
25	GSU Net Balance	(Line 23 - Line 24)	24,340,105	24,248,262	24,294,184
Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation					
26	Transmission Accumulated Depreciation	(Line 14 Above)	497,042,871	477,721,183	487,382,027
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	16,363,422	15,524,169	15,943,795
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	480,679,449	462,197,014	471,438,232
Plant Held For Future Use					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	2,953,379	2,667,975	2,810,677
30	Transmission Plant Held For Future	Company Records - Note 1	2,205,322	2,205,322	2,205,322
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
OHIO 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, ln 8, Col. (k)	234,470,859	192,655,821	213,563,340
3	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
4	Less: Other Excluded Deferrals	Company Records - Note 1	234,470,859	192,655,821	213,563,340
5	Transmission Related Deferrals	Ln 2 - ln 3 - ln 4	-	-	-
6	<u>Account 282</u>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, ln 5, Col. (k)	889,743,183	687,189,585	788,466,384
8	Less: ARO Related Deferrals	Company Records - Note 1	92,630,204	93,525,218	93,077,711
9	Less: Other Excluded Deferrals	Company Records - Note 1	701,334,254	510,253,091	605,793,673
10	Transmission Related Deferrals	Ln 7 - ln 8 - ln 9	95,778,725	83,411,276	89,595,001
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, ln 9, Col. (k)	316,859,259	190,254,388	253,556,824
13	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
14	Less: Other Excluded Deferrals	Company Records - Note 1	303,511,885	174,208,015	238,859,950
15	Transmission Related Deferrals	Ln 12 - ln 13 - ln 14	13,347,375	16,046,373	14,696,874
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, ln 8, Col. (c)	170,687,196	218,198,858	194,443,027
18	Less: ARO Related Deferrals	Company Records - Note 1	32,971,496	31,254,802	32,113,149
19	Less: Other Excluded Deferrals	Company Records - Note 1	122,878,579	170,332,227	146,605,403
20	Transmission Related Deferrals	Ln 17 - ln 18 - ln 19	14,837,121	16,611,829	15,724,475
21	<u>Account 255</u>				
22	Year End ITC Balances	FF1, p. 266-267, ln 8, Col. (h)	1,967,498	2,916,950	2,442,224
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	395,126	833,038	614,082
24	ITC Balances Includeable Ratebase	Ln 22 - ln 23	1,572,372	2,083,912	1,828,142
25	Transmission Related Deferrals	Company Records - Note 1	937,262	1,237,047	1,087,155

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
OHIO 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	FF1, p. 227, ln 8, Col. (c) & (d)	1,536,995	917,697	1,227,346			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c) & (d)	473,871	689,216	581,544			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c) & (d)	0	0	-			

Prepayment Balance Summary

	Average of YE Balance	Excludable Balances	100% Transmission Related	Transmission Plant Related	Transmission Labor Related	Total Included in Ratebase (E)+(F)+(G)	
5							
6	Totals as of December 31, 2009	3,498,106	(148,765,119)	0	2,762,919	149,500,306	152,263,225
7	Totals as of December 31, 2008	10,042,995	(150,732,801)		3,080,363	157,695,433	160,775,796
8	Average Balance	6,770,551	(149,748,980)	-	2,921,841	153,597,870	156,519,511

Prepayments Account 165 - Balance @ 12/31/2009

9	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
10	1650001	Prepaid Insurance	1,880,591	-		1,880,591		1,880,591	Plant Related Insurance Policies
11	1650003	Prepaid Rents	46,896	46,896				-	Prepaid Rents Generation
12	1650004	Prepaid Interest	0	-				-	Prepaid Interest-Generation
13	1650005	Prepaid Employee Benefits	2,332	-			2,332	2,332	Prepaid Employee Benefits
14	1650006	Other Prepayments	0	-				-	
15	1650009	Prepaid Carry Cost-Factored AR	114,818	114,818				-	AR Factoring - Retail Only
16	1650010	Prepaid Pension Benefits	149,497,974				149,497,974	149,497,974	Prepaid Pension Expense
17	165001209	Prepaid Sales/Use Taxes	78,626	78,626				-	Sales Use Tax
18	1650013	Gavin JMG ST Prepaid Exp - Aff	0	-				-	Generation
19	1650014	FAS 158 Qual Contra Asset	(149,497,974)	(149,497,974)				-	FAS 158 Liability
20	1650016	FAS 112 ASSETS	0	-				-	FAS 112 Asset
21	1650017	Prepayments - Coal	492,515	492,515				-	
22	1650021	Prepaid Insurance - EIS	882,328	-		882,328		882,328	
Subtotal - Form 1, p 111.57.c			3,498,106	(148,765,119)	0	2,762,919	149,500,306	152,263,225	

Prepayments Account 165 - Balance @ 12/31/2008

23	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
24	1650001	Prepaid Insurance	3,080,363	-		3,080,363		3,080,363	Plant Related Insurance Policies
25	1650003	Prepaid Rents	46,896	46,896				-	
26	1650004	Prepaid Interest	17,596	17,596				-	
27	1650005	Prepaid Employee Benefits	2,349	-			2,349	2,349	
28	1650006	Other Prepayments	0	-				-	
29	1650009	Prepaid Carry Cost-Factored AR	202,657	202,657				-	AR Factoring - Retail Only
30	1650010	Prepaid Pension Benefits	157,693,084				157,693,084	157,693,084	Prepaid Pension Expense
31	165001206	Prepaid Sales/Use Taxes	0	-				-	
32	165001208	Prepaid Sales/Use Taxes	113,254	113,254				-	
33	1650013	Gavin JMG ST Prepaid Exp - Aff	5,336,553	5,336,553				-	Generation
34	1650014	FAS 158 Qual Contra Asset	(157,693,084)	(157,693,084)				-	AR Factoring - Retail Only
35	1650016	FAS 112 ASSETS	1,243,327	1,243,327				-	Prefunded Pension Expense
Subtotal - Form 1, p 111.57.d			10,042,995	(150,732,801)		3,080,363	157,695,433	160,775,796	

AEP East Companies
 Cost of Service Formula Rate Using 2009 FF1 Balances
 Worksheet D Supporting IPP Credits
 OHIO 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 12.b)	(2,464,505.00)
2	Interest Accrual (Company Records - Note 1)	1.00
3	Revenue Credits to Generators (Company Records - Note 1)	-
4	<u>Other Adjustments</u>	
5	Accounting Adjustment (Company Records - Note 1)	-
6		-
7	Net Funds from IPP Customers 12/31/2009 (2009 FORM 1, P269, line 12.f)	(2,464,504.00)
8	Average Balance for Year as Indicated in Column ((In 1 + In 7)/2)	(2,464,504.50)

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

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet E Supporting Revenue Credits
OHIO 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)	1,124,119	1,124,119	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	2,918,918	2,913,791	5,127
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	12,308,223	9,971,824	2,336,399
4	Account 4560015, Associated Business Development - (Company Records - Note 1)	938,560	855,920	82,640
5	Account 456 - Other Electric Revenues - (Company Records - Note 1)	14,199,582	14,199,582	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	31,489,402	29,065,236	2,424,166
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	2,655,411	242,979	2,412,432
8	Total Other Operating Revenues To Reduce Revenue Requirement	34,144,813	29,308,215	4,836,598

Note 1 The total company data on this worksheet comes from the indicated FF1 source, or OHIO 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
OHIO POWER COMPANY

<u>Line Number</u>	<u>(A) Item No.</u>	<u>(B) Description</u>	<u>(C) 2009 Expense</u>	<u>(D) 100% Non-Transmission</u>	<u>(E) 100% Transmission Specific</u>	<u>(F) Explanation</u>
<u>Regulatory O&M Deferrals & Amortizations</u>						
1	5660005	Ohio E-TCR Rider UnderRecovery	2,361,709			
2			-			
3						
4		Total	2,361,709			
<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	49,621			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	4,454,434			
8	FF1 p 321.87.b	561.3 - Load Dispatch - Trans Service & Scheduling	7,945			
9	FF1 p 321.88.b	561.4 - Scheduling, System Control & Dispatch	3,399,831			
10	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	255,851			
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 Serv	638,327			
14		Total of Account 561	8,806,009			
<u>Account 928</u>						
15	9280000	Regulatory Commission Exp	18	18		- Misc Expenditures
16	9280001	Regulatory Commission Exp-Adm	246,865	246,865		- Cost of Hearings
17	9280002	Regulatory Commission Exp-Case	(3,402)	(3,402)		- Misc Expenditures
18		Total	243,481	243,481		-
<u>Account 930.1</u>						
19	9301000	General Advertising Expenses	81,282	81,282		-
20	9301001	Newspaper Advertising Space	19,793	19,793		-
21	9301007	Special Adv Space & Prod Exp	803,832	803,832		-
22	9301008	Direct Mail and Handouts	3,222	3,222		-
23	9301009	Fairs, Shows, and Exhibits	322	322		-
24	9301010	Publicity	45,145	45,145		-
25	9301011	Dedications, Tours, & Openings	127	127		-
26	9301012	Public Opinion Surveys	159,519	159,519		-
27	9301013	Movies Slide Films & Speeches	85,973	85,973		-
28	9301014	Video Communications	434	434		-
29	9301015	Other Corporate Comm Exp	338,509	338,509		-
30		Total	1,538,158	1,538,158		-
<u>Account 930.2</u>						
31	9302000	Misc General Expenses	772,532	772,532		
32	9302003	Corporate & Fiscal Expenses	210,194	210,194		
33	9302004	Research, Develop&Demonstr Exp	16,790	16,790		
34	9302007	Assoc Business Development Exp	288,239	170,103	118,136	
35		Total	1,287,755	1,169,619	118,136	

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

West Virginia Corporate Income Tax	8.50%	
Apportionment Factor - Note 2	14.81%	
Effective State Tax Rate		1.26%
Illinois Corporation Income Tax	7.30%	
Apportionment Factor - Note 2	0.90%	
Effective State Tax Rate		0.07%
Michigan Business Income Tax	6.04%	
Apportionment Factor - Note 2	0.00%	
Effective State Tax Rate		0.00%
Ohio Municipal Net Income Tax	0.46%	
Apportionment Factor - Note 2	71.48%	
Effective State Tax Rate		0.33%
Ohio Franchise Tax Rate	0.00%	
Phase-out Factor Note 1	0.00%	
Apportionment Factor - Note 2	62.99%	
Effective State Tax Rate		0.00%
Total Effective State Income Tax Rate		1.66%

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
OHIO 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	78,291,204				78,291,204
3	Real Estate and Personal Property Taxes					
4	Real and Personal Property - Ohio	77,269,053	77,269,053			
5	Real and Personal Property - West VA.	10,778,204	10,778,204			
6	Real and Personal Property - Other	5,622	5,622			
7	Payroll Taxes					
8	Federal Insurance Contribution (FICA)	7,789,730		7,789,730		
9	Federal Unemployment Tax	44,899		44,899		
10	State Unemployment Insurance	151,446		151,446		
11	Production Taxes					
12	State Severance Taxes	-				-
13	Miscellaneous Taxes					
14	State Public Service Commission Fees	2,719,778			2,719,778	
15	State Franchise Taxes	(2,788,134)			(2,788,134)	
16	State Lic/Registration Fee	37,327			37,327	
17	Misc. State and Local Tax	-			-	
18	Sales & Use	12,931				12,931
19	Federal Excise Tax	29,835				29,835
20	State B & O Taxes	19,095,051				19,095,051
21	Total Taxes by Allocable Basis	193,436,946	88,052,879	7,986,075	(31,029)	97,429,021

(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	
22	Functionalized Net Plant (Hist. TCOS, Lns 212 thru 222)	4,409,412,520	667,308,107	1,064,115,336	87,338,703	6,228,174,666
	OHIO JURISDICTION					
23	Percentage of Plant in OHIO JURISDICTION	49.42%	90.46%	99.96%	93.55%	
24	Net Plant in OHIO JURISDICTION (Ln 22 * Ln 23)	2,179,131,667	603,646,914	1,063,689,690	81,705,357	3,928,173,627
25	Less: Net Value Exempted Generation Plant	559,494,300				
26	Taxable Property Basis (Ln 24 - Ln 25)	1,619,637,367	603,646,914	1,063,689,690	81,705,357	3,368,679,327
27	Relative Valuation Factor	24%	85%	85%	24%	2.18
28	Weighted Net Plant (Ln 26 * Ln 27)	388,712,968	513,099,877	904,136,236	19,609,286	
29	General Plant Allocator (Ln 28 / (Total - General Plant))	21.52%	28.41%	50.06%	-100.00%	
30	Functionalized General Plant (Ln 29 * General Plant)	4,220,708	5,571,321	9,817,257	(19,609,286)	-
31	Weighted OHIO JURISDICTION Plant (Ln 28 + 30)	392,933,676	518,671,198	913,953,493	(0)	1,825,558,367
32	Functional Percentage (Ln 31/Total Ln 31)	21.52%	28.41%	50.06%		
33	Functionalized Payment in OHIO JURISDICTION	16,631,412	21,953,411	38,684,231		77,269,053
	WEST VA JURISDICTION					
34	Net Plant in WEST VA JURISDICTION (Ln - Ln 23)	2,230,280,853	63,661,193	425,646	5,633,346	2,300,001,039
35	Less: Net Value Exempted Generation Plant	1,101,569,129				
36	Taxable Property Basis	1,128,711,724	63,661,193	425,646	5,633,346	1,198,431,910
37	Relative Valuation Factor	100%	100%	100%	100%	
38	Weighted Net Plant (Ln 36 * Ln 37)	1,128,711,724	63,661,193	425,646	5,633,346	
39	General Plant Allocator (Ln 38 / (Total - General Plant))	94.63%	5.34%	0.04%	-100.00%	
40	Functionalized General Plant (Ln 40 * General Plant)	5,330,677	300,659	2,010	(5,633,346)	
41	Weighted WEST VA JURISDICTION Plant (Ln 38 + 40)	1,134,042,401	63,961,852	427,656	0	1,198,431,910
42	Functional Percentage (Ln 41/Total Ln 41)	94.63%	5.34%	0.04%		
43	Functionalized Payment in WEST VA JURISDICTION	10,199,111	575,247	3,846		10,778,204
44	Total Other Jurisdictions: (Line 7 * Net Plant Allocator)		586			5,622
45	Total Functionalized Property Taxes (Sum Lns 32, 43, 44)	26,830,523	22,529,243	38,688,077		88,052,879

AEP East Companies
Cost of Service Formula Rate Using 2008 FF1 Balances
Worksheet H-1 Form 1 Source Reference of Company Amounts on WS H
OHIO POWER COMPANY

(A)	(B)	(C)	(D)
Line No.	Annual Tax Expenses by Type (Note 1)	Total Company	FERC FORM 1 Tie-Back FERC FORM 1 Reference
1	Revenue Taxes		
2	Gross Receipts Tax	78,291,204	
			46,993 P.263 In 14 (i)
			4,921,500 P.263 In 15 (i)
			73,322,711 P.263 In 18 (i)
3	Real Estate and Personal Property Taxes		
4	Real and Personal Property - Ohio	77,269,053	
			40,898 P.263.1 In 7 (i)
			76,699,154 P.263.1 In 8 (i)
			2,053 P.263.1 In 9 (i)
			(8,196) P.263.1 In 11 (i)
			(8,344) P.263.1 In 12 (i)
			169,158 P.263.1 In 13 (i)
			(77,455) P.263.1 In 16 (i)
			54,012 P.263.1 In 17 (i)
			(42,227) P.263.1 In 18 (i)
			440,000 P.263.1 In 19 (i)
5	Real and Personal Property - West VA.	10,778,204	
			4,725,436 P.263.1 In 22 (i)
			5,981,233 P.263.1 In 23 (i)
			2,809 P.263.1 In 26 (i)
			10,226 P.263.1 In 27 (i)
			58,500 P.263.1 In 28 (i)
6	Real and Personal Property - Other	5,622	
			1,640 P.263.1 In 40 (i)
			3,982 P.263.1 In 36 (i)
7	Payroll Taxes		
8	Federal Insurance Contribution (FICA)	7,789,730	
			7,789,730 P.263 In 3 (i)
9	Federal Unemployment Tax	44,899	
			44,899 P.263 In 4 (i)
10	State Unemployment Insurance	151,446	
			82,964 P.263 In 22 (i)
			68,482 P.263 In 40 (i)
11	Production Taxes		
12	State Severance Taxes	-	
			-
13	Miscellaneous Taxes		
14	State Public Service Commission Fees	2,719,778	
			2,719,778 P.263 In 16 (i)
15	State Franchise Taxes	(2,788,134)	
			30,293 P.263 In 13 (i)
			(83,655) P.263 In 38 (i)
			18,350 P.263 In 39 (i)
			(2,753,672) P.263.2 In 8 (i)
			550 P.263.2 In 16 (i)
16	State Lic/Registration Fee	37,327	
			37,327 P.263 In 7 (i)
17	Misc. State and Local Tax	-	
			-
18	Sales & Use	12,931	
			880 P.263 In 19 (i)
			3,628 P.263 In 20 (i)
			8,423 P.263.1 In 2 (i)
19	Federal Excise Tax	29,835	
			29,835 P.263 In 6 (i)
20	State B & O Taxes	19,095,051	
			245,678 P.263.1 In 3 (i)
			16,091,873 P.263.1 In 4 (i)
			2,757,500 P.263.1 In 5 (i)
21	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	193,436,947	193,436,946

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
OHIO 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, ln 58,(b)):	1,109,431,387
2	Transmission Plant @ End of Historic Period (2009) (P.207, ln 58,(g)):	1,164,351,684
3		<u>2,273,783,071</u>
4	Average Balance of Transmission Investment	1,136,891,536
5	Annual Depreciation Expense, Historic TCOS, ln 276	25,505,773
6	Composite Depreciation Rate	2.24%
7	Round to 2.24% to Reflect a Composite Life of 45 Years	2.24%

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	\$ 7,999,359	2.24%	\$ 179,186	\$ 14,932	11	\$ 164,252
10	February	\$ 3,160,918	2.24%	\$ 70,805	\$ 5,900	10	\$ 59,000
11	March	\$ 3,313,254	2.24%	\$ 74,217	\$ 6,185	9	\$ 55,665
12	April	\$ 3,220,765	2.24%	\$ 72,145	\$ 6,012	8	\$ 48,096
13	May	\$ 3,144,154	2.24%	\$ 70,429	\$ 5,869	7	\$ 41,083
14	June	\$ 5,045,038	2.24%	\$ 113,009	\$ 9,417	6	\$ 56,502
15	July	\$ 3,186,674	2.24%	\$ 71,381	\$ 5,948	5	\$ 29,740
16	August	\$ 3,240,092	2.24%	\$ 72,578	\$ 6,048	4	\$ 24,192
17	September	\$ 3,207,024	2.24%	\$ 71,837	\$ 5,986	3	\$ 17,958
18	October	\$ 11,506,868	2.24%	\$ 257,754	\$ 21,479	2	\$ 42,958
19	November	\$ 4,008,811	2.24%	\$ 89,797	\$ 7,483	1	\$ 7,483
20	December	\$ 6,466,204	2.24%	\$ 144,843	\$ 12,070	0	\$ -
21	Investment	<u>\$ 57,499,161</u>				Depreciation Expense	<u>\$ 546,929</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 Service</u>
25 Major Zonal Projects		
26 000011993 TS/OPCO/RELAY REHAB/REPL	\$3,828	Jan-10
27 000009982 TS OP Wooster Trans Station Im	\$8,569	Multiple Months
28		
29		
30		
31	Subtotal	<u>\$12,398</u>
32 PJM Socialized/Beneficiary Allocated Regional Projects		
33	Subtotal	\$0
34	Subtotal	\$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
OHIO POWER COMPANY

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)			
	%	Cost	Weighted cost
Long Term Debt	49.08%	4.89%	2.403%
Preferred Stock	0.25%	4.40%	0.011%
Common Stock	50.66%	11.49%	5.821%
		R =	8.235%

SUMMARY OF PROJECTED ANNUAL RTEP REVENUE REQUIREMENTS				
	Rev Require	W Incentives	Incentive Amounts	
PROJECTED YEAR	2010	1,094,271	1,094,271	\$ -

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

Rate Base (Projected TCOS, In 78)	600,662,740
R (from A. above)	8.235%
Return (Rate Base x R)	49,464,504

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

Return (from B. above)	49,464,504
Effective Tax Rate (Projected TCOS, In 126)	39.98%
Income Tax Calculation (Return x CIT)	19,773,754
ITC Adjustment	(71,397)
Income Taxes	19,702,357

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)	157,906,817
T.E.A. & Lease Payments (Projected TCOS, Lns 105 & 106)	9,820,424
Return (Projected TCOS, In 134)	49,464,504
Income Taxes (Projected TCOS, In 133)	19,702,357
Annual Revenue Requirement, Less TEA Charges, Return and Taxes	78,919,532

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	78,919,532
Return (from I.B. above)	49,464,504
Income Taxes (from I.C. above)	19,702,357
Annual Revenue Requirement, with Basis Point ROE increase	148,086,393
Depreciation (Projected TCOS, In 111)	24,666,083
Annual Rev. Req, w/ Basis Point ROE increase, less Depreciation	123,420,310

C. Determine FCR with hypothetical basis point ROE increase.

Net Transmission Plant (Projected TCOS, In 48)	642,968,031
Annual Revenue Requirement, with Basis Point ROE increase	148,086,393
FCR with Basis Point increase in ROE	23.03%
Annual Rev. Req, w/ Basis Point ROE increase, less Dep.	123,420,310
FCR with Basis Point ROE increase, less Depreciation	19.20%
FCR less Depreciation (Projected TCOS, In 9)	18.20%
Incremental FCR with Basis Point ROE increase, less Depreciation	1.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Historic Period (2009) (P.206, In 58,(b)):	1,109,431,387
Transmission Plant @ End of Historic Period (2009) (P.207, In 58,(g)):	1,164,351,684
Subtotal	2,273,783,071
Average Transmission Plant Balance for 2009	1,136,891,536
Annual Depreciation Rate (Projected TCOS, In 111)	25,505,773
Composite Depreciation Rate	2.24%
Depreciable Life for Composite Depreciation Rate	44.57
Round to nearest whole year	45

OPCo 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. (e.g. ER05-925-000)

Project Description: 765 kV circuit breaker installations at Hanging Rock

Current Projected Year ARR	1,094,271
Current Projected Year ARR w/ Incentive	1,094,271
Current Projected Year Incentive ARR	-

Details		2010
Investment	5,542,049	Current Year
Service Year (yyyy)	2009	ROE increase accepted by FERC (Basis Points)
Service Month (1-12)	4	FCR w/o incentives, less depreciation
Useful life	45	FCR w/incentives approved for these facilities, less dep.
CIAC (Yes or No)	No	Annual Depreciation Expense

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

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	RTEP Rev. Req't w/o Incentives	RTEP Rev. Req't with Incentives **	Incentive Rev. Requirement #	RTEP Projected Rev. Req't From Prior Year Template w/o Incentives	RTEP Projected Rev. Req't From Prior Year Template with Incentives **
2009	5,542,049	82,104	5,459,945	1,075,629	1,075,629	\$ -	\$ 894,796	\$ 894,796
2010	5,459,945	123,157	5,336,788	1,094,271	1,094,271	\$ -		
2011	5,336,788	123,157	5,213,631	1,071,861	1,071,861	\$ -		
2012	5,213,631	123,157	5,090,475	1,049,451	1,049,451	\$ -		
2013	5,090,475	123,157	4,967,318	1,027,040	1,027,040	\$ -		
2014	4,967,318	123,157	4,844,161	1,004,630	1,004,630	\$ -		
2015	4,844,161	123,157	4,721,005	982,220	982,220	\$ -		
2016	4,721,005	123,157	4,597,848	959,809	959,809	\$ -		
2017	4,597,848	123,157	4,474,691	937,399	937,399	\$ -		
2018	4,474,691	123,157	4,351,535	914,989	914,989	\$ -		
2019	4,351,535	123,157	4,228,378	892,578	892,578	\$ -		
2020	4,228,378	123,157	4,105,221	870,168	870,168	\$ -		
2021	4,105,221	123,157	3,982,065	847,758	847,758	\$ -		
2022	3,982,065	123,157	3,858,908	825,347	825,347	\$ -		
2023	3,858,908	123,157	3,735,752	802,937	802,937	\$ -		
2024	3,735,752	123,157	3,612,595	780,527	780,527	\$ -		
2025	3,612,595	123,157	3,489,438	758,116	758,116	\$ -		
2026	3,489,438	123,157	3,366,282	735,706	735,706	\$ -		
2027	3,366,282	123,157	3,243,125	713,296	713,296	\$ -		
2028	3,243,125	123,157	3,119,968	690,885	690,885	\$ -		
2029	3,119,968	123,157	2,996,812	668,475	668,475	\$ -		
2030	2,996,812	123,157	2,873,655	646,064	646,064	\$ -		
2031	2,873,655	123,157	2,750,498	623,654	623,654	\$ -		
2032	2,750,498	123,157	2,627,342	601,244	601,244	\$ -		
2033	2,627,342	123,157	2,504,185	578,833	578,833	\$ -		
2034	2,504,185	123,157	2,381,028	556,423	556,423	\$ -		
2035	2,381,028	123,157	2,257,872	534,013	534,013	\$ -		
2036	2,257,872	123,157	2,134,715	511,602	511,602	\$ -		
2037	2,134,715	123,157	2,011,559	489,192	489,192	\$ -		
2038	2,011,559	123,157	1,888,402	466,782	466,782	\$ -		
2039	1,888,402	123,157	1,765,245	444,371	444,371	\$ -		
2040	1,765,245	123,157	1,642,089	421,961	421,961	\$ -		
2041	1,642,089	123,157	1,518,932	399,551	399,551	\$ -		
2042	1,518,932	123,157	1,395,775	377,140	377,140	\$ -		
2043	1,395,775	123,157	1,272,619	354,730	354,730	\$ -		
2044	1,272,619	123,157	1,149,462	332,320	332,320	\$ -		
2045	1,149,462	123,157	1,026,305	309,909	309,909	\$ -		
2046	1,026,305	123,157	903,149	287,499	287,499	\$ -		
2047	903,149	123,157	779,992	265,089	265,089	\$ -		
2048	779,992	123,157	656,835	242,678	242,678	\$ -		
2049	656,835	123,157	533,679	220,268	220,268	\$ -		
2050	533,679	123,157	410,522	197,858	197,858	\$ -		
2051	410,522	123,157	287,366	175,447	175,447	\$ -		
2052	287,366	123,157	164,209	153,037	153,037	\$ -		
2053	164,209	123,157	41,052	130,627	130,627	\$ -		
2054	41,052	41,052	-	41,052	41,052	\$ -		
2055	-	-	-	-	-	\$ -		
2056	-	-	-	-	-	\$ -		
2057	-	-	-	-	-	\$ -		
2058	-	-	-	-	-	\$ -		
2059	-	-	-	-	-	\$ -		
2060	-	-	-	-	-	\$ -		
2061	-	-	-	-	-	\$ -		
2062	-	-	-	-	-	\$ -		
2063	-	-	-	-	-	\$ -		
2064	-	-	-	-	-	\$ -		
2065	-	-	-	-	-	\$ -		
2066	-	-	-	-	-	\$ -		
2067	-	-	-	-	-	\$ -		
2068	-	-	-	-	-	\$ -		
Project Totals				28,064,437	28,064,437	-		

** 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. Th 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.

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet K Supporting Calculation of TRUE-UP PJM RTEP Project Revenue Requirement Billed to Benefiting Zones
OHIO POWER COMPANY

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

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

ROE w/o incentives (True-Up TCOS, In 164)		11.49%	
Project ROE Incentive Adder		0	<==ROE Adder Cannot Exceed 100 Basis Points
ROE with additional 0 basis point incentive		11.49%	<== ROE Including Incentives Cannot Exceed 12.5% Until July 1, 2012
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the True-Up TCOS, Ins 162 through 164)			
	%	Cost	Weighted cost
Long Term Debt	50.07%	4.70%	2.352%
Preferred Stock	0.28%	4.40%	0.012%
Common Stock	49.65%	11.49%	5.705%
		R =	8.070%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPPROJECTS				
TRUE-UP YEAR	2009	Rev Require	W Incentives	Incentive Amounts
	As Projected in Prior Year WS J	\$	894,796	\$
Actual after True-up	\$	1,109,451	\$	1,109,451
True-up of ARR For 2009		214,655		214,655

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

Rate Base (True-Up TCOS, In 78)	558,724,200
R (from A. above)	8.070%
Return (Rate Base x R)	45,089,343

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

Return (from B. above)	45,089,343
Effective Tax Rate (True-Up TCOS, In 126)	39.99%
Income Tax Calculation (Return x CIT)	18,030,970
ITC Adjustment	(75,906)
Income Taxes	17,955,064

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)	151,254,631
T.E.A. & Lease Payments (True-Up TCOS, Lns 105 & 106)	9,820,424
Return (True-Up TCOS, In 134)	45,089,343
Income Taxes (True-Up TCOS, In 133)	17,955,064
Annual Revenue Requirement, Less TEA Charges, Return and Taxes	78,389,800

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	78,389,800
Return (from I.B. above)	45,089,343
Income Taxes (from I.C. above)	17,955,064
Annual Revenue Requirement, with 0 Basis Point ROE increase	141,434,207
Depreciation (True-Up TCOS, In 111)	24,671,399
Annual Rev. Req, w/ 0 Basis Point ROE increase, less Depreciation	116,762,808

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

Net Transmission Plant (True-Up TCOS, In 48)	625,214,589
Annual Revenue Requirement, with 0 Basis Point ROE increase	141,434,207
FCR with 0 Basis Point increase in ROE	22.62%
Annual Rev. Req, w / 0 Basis Point ROE increase, less Dep.	116,762,808
FCR with 0 Basis Point ROE increase, less Depreciation	18.68%
FCR less Depreciation (True-Up TCOS, In 9)	18.68%
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)):	1,109,431,387
Transmission Plant @ End of Historic Period (P.207, In 58,(g)):	1,164,351,684
Subtotal	2,273,783,071
Average Transmission Plant Balance for	1,136,891,536
Annual Depreciation Rate (True-Up TCOS, In 111)	25,505,773
Composite Depreciation Rate	2.24%
Depreciable Life for Composite Depreciation Rate	44.57
Round to nearest whole year	45

OPCo Worksheet K - ATRR TRUE-UP Calculation for PJM Projects Charged to Benefiting Zones

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

A. Base Plan Facilities

Facilities receiving incentives accepted by FERC in Docket No. [REDACTED]

(e.g. ER05-925-000)

Project Description: 765 kV circuit breaker installations at Hanging Rock

2009	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	894,796	894,796	-
Prior Yr True-Up	1,109,451	1,109,451	-
True-Up Adjustment	214,655	214,655	-

Details		Current Year	2009
Investment	5,542,049		
Service Year (yyyy)	2009	ROE increase accepted by FERC (Basis Points)	
Service Month (1-12)	4	FCR w/o incentives, less depreciation	18.68%
Useful life	45	FCR w/incentives approved for these facilities, less dep.	18.68%
CIAC (Yes or No)	No	Annual Depreciation Expense	123,157

TRUE UP OF PROJECT REVENUE REQUIREMENT FOR PRIOR YEAR:

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

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	Average Balance	RTEP Rev. Req't. w/o Incentives	RTEP Rev. Req't. with Incentives **	Incentive Rev. Requirement ##	RTEP Projected Rev. Req't. From Prior Year WS J w/o Incentives	RTEP Rev Req't True-up w/o Incentives	RTEP Projected Rev. Req't. From Prior Year WS J with Incentives **	RTEP Rev Req't True-up with Incentives **	True-up of Incentive with Incentives **
2009	5,542,049	82,104	5,459,945	5,500,997	1,109,451	1,109,451	\$ -	\$ 894,796	\$ 214,655	\$ 894,796	\$ 214,655	\$ -
2010	5,459,945	123,157	5,336,788	5,398,366	1,131,336	1,131,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011	5,336,788	123,157	5,213,631	5,275,210	1,108,336	1,108,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	5,213,631	123,157	5,090,475	5,152,053	1,085,335	1,085,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2013	5,090,475	123,157	4,967,318	5,028,896	1,062,335	1,062,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	4,967,318	123,157	4,844,161	4,905,740	1,039,335	1,039,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	4,844,161	123,157	4,721,005	4,782,583	1,016,334	1,016,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	4,721,005	123,157	4,597,848	4,659,426	993,334	993,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	4,597,848	123,157	4,474,691	4,536,270	970,334	970,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	4,474,691	123,157	4,351,535	4,413,113	947,334	947,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	4,351,535	123,157	4,228,378	4,289,956	924,333	924,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	4,228,378	123,157	4,105,221	4,166,800	901,333	901,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	4,105,221	123,157	3,982,065	4,043,643	878,333	878,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	3,982,065	123,157	3,858,908	3,920,487	855,332	855,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	3,858,908	123,157	3,735,752	3,797,330	832,332	832,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2024	3,735,752	123,157	3,612,595	3,674,173	809,332	809,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2025	3,612,595	123,157	3,489,438	3,551,017	786,332	786,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2026	3,489,438	123,157	3,366,282	3,427,860	763,331	763,331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2027	3,366,282	123,157	3,243,125	3,304,703	740,331	740,331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2028	3,243,125	123,157	3,119,968	3,181,547	717,331	717,331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2029	3,119,968	123,157	2,996,812	3,058,390	694,330	694,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2030	2,996,812	123,157	2,873,655	2,935,233	671,330	671,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2031	2,873,655	123,157	2,750,498	2,812,077	648,330	648,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2032	2,750,498	123,157	2,627,342	2,688,920	625,330	625,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2033	2,627,342	123,157	2,504,185	2,565,763	602,329	602,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2034	2,504,185	123,157	2,381,028	2,442,607	579,329	579,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2035	2,381,028	123,157	2,257,872	2,319,450	556,329	556,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2036	2,257,872	123,157	2,134,715	2,196,293	533,328	533,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2037	2,134,715	123,157	2,011,559	2,073,137	510,328	510,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2038	2,011,559	123,157	1,888,402	1,949,980	487,328	487,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2039	1,888,402	123,157	1,765,245	1,826,824	464,328	464,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2040	1,765,245	123,157	1,642,089	1,703,667	441,327	441,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2041	1,642,089	123,157	1,518,932	1,580,510	418,327	418,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2042	1,518,932	123,157	1,395,775	1,457,354	395,327	395,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2043	1,395,775	123,157	1,272,619	1,334,197	372,326	372,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2044	1,272,619	123,157	1,149,462	1,211,040	349,326	349,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2045	1,149,462	123,157	1,026,305	1,087,884	326,326	326,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2046	1,026,305	123,157	903,149	964,727	303,326	303,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2047	903,149	123,157	779,992	841,570	280,325	280,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2048	779,992	123,157	656,835	718,414	257,325	257,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2049	656,835	123,157	533,679	595,257	234,325	234,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2050	533,679	123,157	410,522	472,100	211,324	211,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2051	410,522	123,157	287,366	348,944	188,324	188,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2052	287,366	123,157	164,209	225,787	165,324	165,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2053	164,209	123,157	41,052	102,634	142,324	142,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2054	41,052	41,052	-	20,526	44,886	44,886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2055	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2056	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2057	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2058	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2059	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2060	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2061	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2062	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2063	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2064	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2065	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2066	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2067	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2068	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Totals					29,174,845	29,174,845	-					

** 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.

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

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

Line Number	(A) Issuance	(B) Principle Outstanding	(C) Interest Rate	(D) Annual Expense (See Note S on Projected Template)	(E) Notes
1	Long Term Debt (FF1.p. 256-257.h)				
2	Fixed Rate Prom. Notes Payable to Parent	200,000,000	5.250%	10,500,000	
3					
4	Installment Purchase Contracts (FF1.p. 256-257.h. a)				
5	Reacquired Bonds: IPC 04/2022	(35,000,000)	0.697%	(243,821)	
6	Reacquired Bonds: IPC 06/2022	(50,000,000)	0.966%	(482,752)	
7	Reacquired Bonds: IPC 04/2022	35,000,000	0.697%	243,821	
8	Reacquired Bonds: IPC 06/2022	50,000,000	0.966%	482,752	
9	Reacquired Bonds: Air Quality IPC 01/2029	(54,500,000)	0.024%	(12,841)	
10	Reacquired Bonds: Air Quality IPC 07/2029	(54,500,000)	0.024%	(12,841)	
11	Reacquired Bonds: Air Quality IPC 04/2028	(54,500,000)	0.024%	(12,841)	
12	Reacquired Bonds: Air Quality IPC 10/2028	(54,500,000)	0.024%	(12,841)	
13	Air Quality Bonds 05/2026	50,000,000	5.150%	2,575,000	
14	Air Quality Bonds 10/2022	19,565,000	5.625%	1,100,531	
15	Air Quality Bonds 01/2023	19,565,000	5.625%	1,100,531	
16	Air Quality Bonds 01/2029	54,500,000	0.024%	12,841	
17	Air Quality Bonds 07/2028	54,500,000	0.024%	12,841	
18	Air Quality Bonds 04/2028	54,500,000	0.024%	12,841	
19	Air Quality Bonds 10/2028	54,500,000	0.024%	12,841	
20	Air Quality Bonds - Cardinal Series 2008A	79,450,000	7.125%	5,660,813	
21	WVEDA - Mitchell - 2008 Series A	65,000,000	0.300%	195,000	
22	WVEDA - Kammer - 2008 Series B	50,000,000	0.220%	110,000	
23	WVEDA - Sporn - 2008 Series C	50,000,000	0.220%	110,000	
24					
25	Mitchell Series 2007A	65,000,000	4.900%	3,185,000	
26					
27	Unsecured Medium Term Notes due 02/2013	250,000,000	5.500%	13,750,000	
28	Unsecured Medium Term Notes due 09/2013	250,000,000	5.750%	14,375,000	
29	Unsecured Medium Term Notes due 02/2033	250,000,000	6.600%	16,500,000	
30	Unsecured Medium Term Notes due 01/2014	225,000,000	4.850%	10,912,500	
31	Unsecured Medium Term Notes due 04/2010	400,000,000	0.464%	1,856,000	
32	Unsecured Medium Term Notes due 07/2033	225,000,000	6.375%	14,343,750	
33	Senior Unsecured Note - Series M	500,000,000	5.375%	26,875,000	
34	Senior Unsecured Note due 11/2010	200,000,000	5.300%	10,600,000	
35	Senior Unsecured Note due 06/2016	350,000,000	6.000%	21,000,000	
36	Issuance Discount, Premium, & Expenses:				
37	Auction Fees	FF1.p. 256 & 257.Lines Described as Fees		1,050,546	
38	Allowable Hedge Amortization (See Ln 55 Below)			(769,578)	
39	Amort of Debt Discount and Expenses	FF1.p. 117.63.c		3,354,846	
40	Amort of Debt Premiums (Enter Negative)	FF1.p. 117.65.c		-	
41	Reacquired Debt:				
42	Amortization of Loss	FF1.p. 117.64.c		626,793	
43	Amortization of Gain	FF1.p. 117.66.c		-	
44	Total Interest on Long Term Debt	3,248,580,000	4.89%	159,011,732	
45	Preferred Stock (FF1.p. 250-251) Preferred Shares Outstanding				
46	4.08% Series - \$100 - 14,595 Shares O/S	1,459,500	4.08%	59,548	
47	4.20% Series - \$100 - 22,824 Shares O/S	2,282,400	4.20%	95,861	
48	4.40% Series - \$100 - 31,482 Shares O/S	3,148,200	4.40%	138,521	
49	4.50% Series - \$100 - 97,363 Shares O/S	9,736,300	4.50%	438,134	
50	Dividends on Preferred Stock	16,626,400	4.40%	732,063	
51	Net Total Hedge Gains and Losses (WS M, Ln 30, (E))			(769,578)	
52	Total Projected Capital Structure Balance for 2010 (Projected TCOS, Ln 165)			6,618,360,071	
53	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0,0005	
54	Limit of Recoverable Amount			3,309,180	
55	Recoverable Hedge Amortization (Lesser of Ln 51 or Ln 54)			(769,578)	

AEP East Companies
Transmission Cost of Service Formula Rate
OHIO 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)	3,251,321,953	2,438,571,961	2,844,946,957
2	Less Preferred Stock (Ln 55 Below)	16,626,400	16,627,400	16,626,900
3	Less Account 216.1 (112.12.c&d)	0	0	-
4	Less Account 219.1 (112.15.c&d)	(118,458,118)	(133,858,575)	(126,158,347)
5	Average Balance of Common Equity	3,353,153,671	2,555,803,136	2,954,478,404

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)	303,000,000	85,000,000	194,000,000
8	LT Advances from Assoc. Companies (112.20.c&d)	200,000,000	200,000,000	200,000,000
9	Senior Unsecured Notes (112.21.c&d)	3,351,580,000	2,594,450,000	2,973,015,000
10	Less: Fair Value Hedges (See Note on Ln 12 below)	-	-	-
11	Total Average Debt	3,248,580,000	2,709,450,000	2,979,015,000

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

13	Annual Interest Expense for 2009			
14	Interest on Long Term Debt (256-257.33.i)			129,578,994
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 29 below.			(7,185,191)
16	Plus: Allowed Hedge Recovery From Ln 34 below.			(769,578)
17	Amort of Debt Discount & Expense (117.63.c)			3,354,846
18	Amort of Loss on Reacquired Debt (117.64.c)			626,793
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)			139,976,246
22	Average Cost of Debt for 2009 (Ln 21/Ln 11)			4.70%

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 SUN Cash Flow Hedge - 5.300%	138,641	-	138,641		Nov-05	Nov-10
25 SUN Cash Flow Hedge - 6.000%	(418,450)	-	(418,450)	(2,685,056)	Jun-06	Jun-16
26 SUN Cash Flow Hedge - 5.375%	(6,905,382)	(6,415,613)	(489,769)		Sep-09	Oct-21
27						
28						
29	(7,185,191)	(6,415,613)				
30			(769,578)			
31			5,950,120,304			
32			0.0005			
33			2,975,060			
34			(769,578)			

Development of Cost of Preferred Stock

Preferred Stock			Average	
35 4.08% Series - 100 - Dividend Rate (p. 250-251. 7 & 10.a)	4.08%	4.08%		
36 4.08% Series - 100 - Par Value (p. 250-251. 8.c)	\$ 100.00	\$ 100.00		
37 4.08% Series - 100 - Shares O/S (p.250-251. 8 & 11.e)	14,595	14,595		
38 4.08% Series - 100 - Monetary Value (Ln 36 * Ln 37)	1,459,500	1,459,500	1,459,500	
39 4.08% Series - 100 - Dividend Amount (Ln 35 * Ln 38)	59,548	59,548	59,548	
40 4.2% Series - 100 - Dividend Rate (p. 250-251.a)	4.20%	4.20%		
41 4.2% Series - 100 - Par Value (p. 250-251.c)	\$ 100.00	\$ 100.00		
42 4.2% Series - 100 - Shares O/S (p.250-251. e)	22,824	22,824		
43 4.2% Series - 100 - Monetary Value (Ln 41 * Ln 42)	2,282,400	2,282,400	2,282,400	
44 4.2% Series - 100 - Dividend Amount (Ln 40 * Ln 43)	95,861	95,861	95,861	
45 4.4% Series - 100 - Dividend Rate (p. 250-251.a)	4.40%	4.40%		
46 4.4% Series - 100 - Par Value (p. 250-251.c)	\$ 100.00	\$ 100.00		
47 4.4% Series - 100 - Shares O/S (p.250-251. e)	31,482	31,482		
48 4.4% Series - 100 - Monetary Value (Ln 46 * Ln 47)	3,148,200	3,148,200	3,148,200	
49 4.4% Series - 100 - Dividend Amount (Ln 45 * Ln 48)	138,521	138,521	138,521	
50 4.4% Series - 100 - Dividend Rate (p. 250-251.a)	4.50%	4.50%		
51 4.4% Series - 100 - Par Value (p. 250-251.c)	\$ 100.00	\$ 100.00		
52 4.4% Series - 100 - Shares O/S (p.250-251.e)	97,363	97,373		
53 4.4% Series - 100 - Monetary Value (Ln 51 * Ln 52)	9,736,300	9,737,300	9,736,800	
54 4.4% Series - 100 - Dividend Amount (Ln 50 * Ln 53)	438,134	438,179	438,156	
55 Balance of Preferred Stock (Lns 38, 43, 48, 54)	16,626,400	16,627,400	16,626,900	Year End Total Agrees to FF1 p.112, Ln 3, col (c) & (d)
56 Dividends on Preferred Stock (Lns 39, 44, 49)	732,063	732,108	732,085	
57 Average Cost of Preferred Stock (Ln 56/55)	4.40%	4.40%	4.40%	

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet N - Gains (Losses) on Sales of Plant Held For Future Use
OHIO POWER COMPANY

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

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

AEP East Companies
Cost of Service Formula Rate Using 2009 FF1 Balances
Worksheet O - Calculation of Postemployment Benefits Other than Pensions Expenses Allocable to Transmission Service
OHIO POWER COMPANY

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

Allocation of PBOP Settlement Amount for 2009

Line#	Company	Total Company Amount						
		Actual Expense (Including AEPSC Billed OPEB)	Ratio of Company Actual to Total	Allocation of PBOP Recovery Allowance	Labor Allocator for 2008	Actual Expense	Allowable Expense	One Year Functional Expense (Over)/Under
		(A) (Line 14)	(B)=(A)/Total (A)	(C)=(B) * 48100000	(D)	(E)=(A) * (D)	(F)=(C) * (D)	(G)=(E) - (F)
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)	-	
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

AEP EAST COMPANIES
 PJM FORMULA RATE
 WORKSHEET P - TRANSMISSION DEPRECIATION RATES
 EFFECTIVE AS OF 1/1/2009
 FOR SINGLE JURISDICTION COMPANIES
 OHIO POWER COMPANY

	PLANT ACCT.	RATES Note 1
TRANSMISSION PLANT		
Structures & Improvements	352.0	1.91%
Station Equipment	353.0	2.33%
Twrs and Fixtures Above 69 KV	354.0	1.67%
Twrs and Fixtures Below 69 KV	354.0	1.43%
Poles and Fixtures Above 69 KV	355.0	4.81%
Poles and Fixtures Below 69 KV	355.0	4.06%
Overhead Conductor & Devices Above 69KV	356.0	1.84%
Overhead Conductor & Devices MSP	356.0	1.84%
Overhead Conductor & Devices 138KV/Above	356.0	1.84%
Overhead Conductor & Devices 69KV/Below	356.0	1.81%
Overhead Conductor & Devices CLR 69KV/Below	356.0	1.81%
Underground Conduit	357.0	2.00%
Underground Conductors	358.0	2.00%

Reference:

Note 1: Rates Approved in Ohio Public Utilities Commission Case No. 94-996-EL-AIR.

General Note:

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.