

AEP East Companies  
Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2010 and Projected Net Plant at Year-End 2011

**INDIANA MICHIGAN POWER COMPANY**

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 138)			\$102,001,398
2	REVENUE CREDITS	(Note A) (Worksheet E)	1,952,792	DA 1.00000	\$ 1,952,792
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			<u>\$ 100,048,606</u>

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

4	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet J)		1,487,355	DA 1.00000	\$ 1,487,355
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 + In 49 + In 50 + In 51 + In 53) x 100) )			19.12%
7	Monthly Rate	(In 6 / 12)			1.59%
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 112) / ((In 48 + In 49 + In 50 + In 51 + In 53) x 100) )			16.67%
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 112 - In 133 - In 134) / ((In 48 + In 49 + In 50 + In 51 + In 53) x 100) )			6.18%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J)				-
13	<b>REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES</b>				
14	Total Load Dispatch & Scheduling (Account 561)	Line 85 Below			5,453,629
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				3,040,722
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				724,447
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			<u>1,688,460</u>

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	(1)	(2)	(3)	(4)	(5)
Line No.	<b>RATE BASE CALCULATION</b>	<b>Data Sources (See "General Notes")</b>	<b>TO Total NOTE C</b>	<b>Allocator</b>	<b>Total Transmission</b>
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.C)	3,747,654,776	NA 0.00000	-
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(177,332,039)	NA 0.00000	-
20	Transmission	(Worksheet A In 3.C & Ln 142)	1,188,467,115	DA	1,150,768,398
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C & Ln 143)	-	TP 0.96828	-
22	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.D)		31,664,202	DA 1.00000	31,664,202
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I, In 22.D)		-	DA 1.00000	-
24	Distribution	(Worksheet A In 5.C)	1,410,942,845	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)	100,340,285	W/S 0.05208	5,226,018
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(191,891)	W/S 0.05208	(9,994)
28	Intangible Plant	(Worksheet A In 9.C)	128,819,291	W/S 0.05208	6,709,288
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	6,430,364,584		1,194,357,912
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.C)	2,252,173,776	NA 0.00000	-
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(73,871,368)	NA 0.00000	-
33	Transmission	(Worksheet A In 14.C & 28.C)	519,354,689	TP1= 0.96457	500,954,642
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 0.96457	-
35	Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.I)		237,265	DA 1.00000	237,265
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I In 24.D)		-	DA 1.00000	-
37	Plus: Additional Transmission Depreciation for 2011 (In 111)		16,631,054	TP1 0.96457	16,041,838
38	Plus: Additional General & Intangible Depreciation for 2011 (In 113 + In 114)		25,955,017	W/S 0.05208	1,351,814
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I In 23.D)		-	DA 1.00000	-
40	Distribution	(Worksheet A In 16.C)	459,822,822	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)	25,674,522	W/S 0.05208	1,337,205
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(141,915)	W/S 0.05208	(7,391)
44	Intangible Plant	(Worksheet A In 20.C)	110,967,192	W/S 0.05208	5,779,498
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	3,336,803,054		525,694,871
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	1,392,020,329		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	669,112,426		649,813,755
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		31,426,937		31,426,937
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		-		-
51	Plus: Additional Transmission Depreciation for 2011 (-In 37)		(16,631,054)		(16,041,838)
52	Plus: Additional General & Intangible Depreciation for 2011 (-In 38)		(25,955,017)		(1,351,814)
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		-		-
54	Distribution	(In 24 + In 25 - In 40 - In 41)	951,120,023		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	74,615,787		3,886,210
56	Intangible Plant	(In 28 - In 44)	17,852,099		929,790
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	3,093,561,530		668,663,041
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(283,301)	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(717,325,019)	DA	(128,523,338)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(598,594,741)	DA	(10,465,198)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	682,816,176	DA	15,966,206
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	-
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(633,386,885)		(123,022,330)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	7,810,581	DA	198,316
66	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
67	WORKING CAPITAL	(Note E)			
68	Cash Working Capital	(1/8 * In 88)	2,940,809		2,847,526
69	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	1,085,092	TP 0.96828	1,050,672
70	A&G Materials & Supplies	(Worksheet C, In 3.(D))	135,873	W/S 0.05208	7,077
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h) 0.18171	-
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	101,531,096	W/S 0.05208	5,288,039
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	3,828,142	GP(h) 0.18171	695,603
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA 1.00000	-
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(97,000,477)	NA 0.00000	-
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	12,520,535		9,888,917
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	(2,634,178)	DA 1.00000	(2,634,178)
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		2,477,871,583		553,093,765

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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				
80	Production	321.80.b	1,405,406,377		
81	Distribution	322.156.b	71,312,157		
82	Customer Related Expense	322.164,171,178.b	27,632,040		
83	Regional Marketing Expenses	322.131.b	3,402,264		
84	Transmission	321.112.b	8,656,323		
85	TOTAL O&M EXPENSES	(sum Ins 79 to 83)	1,516,409,161		
86	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	5,453,629		
87	Less: Account 565	(Note H) 321.96.b	(19,521,836)		
88	Less: State Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	(801,946)		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	23,526,476	TP 0.96828	22,780,205
89	Administrative and General	323.197.b (Note J)	146,286,600		
90	Less: Acct. 924, Property Insurance	323.185.b	4,304,774		
91	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	17,289,145		
92	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	(4,476,103)		
93	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	789,115		
94	Acct. 928, Reg. Com. Exp.	323.189.b	12,820,884		
95	Acct. 930.1, Gen. Advert. Exp.	323.191.b	443,441		
96	Acct. 930.2, Misc. Gen. Exp.	323.192.b	5,891,674		
97	Balance of A & G	(In 89 - sum In 90 to In 96)	109,223,670	W/S 0.05208	5,688,691
98	Plus: Acct. 924, Property Insurance	(In 90)	4,304,774	GP(h) 0.18171	782,211
99	Acct. 928 - Transmission Specific	Worksheet F In 19.(E) (Note L)	-	TP 0.96828	-
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 34.(E) (Note L)	-	TP 0.96828	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 40.(E) (Note L)	251,764	DA 1.00000	251,764
102	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 3, (Note M)	13,015,230	W/S 0.05208	677,872
103	A & G Subtotal	(sum Ins 97 to 102)	126,795,438		7,400,537
104	O & M EXPENSE SUBTOTAL	(In 88 + In 103)	150,321,914		30,180,742
105	Plus: TEA Settlement in Account 565	Company Records (Note H)	(25,187,746)	DA 1.00000	(25,187,746)
106	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA 1.00000	-
107	TOTAL O & M EXPENSE	(In 104 + In 105 + In 106)	125,134,168		4,992,996
108	DEPRECIATION AND AMORTIZATION EXPENSE				
109	Production	336.2-6.f	58,432,920	NA 0.00000	-
110	Distribution	336.8.f	34,400,039	NA 0.00000	-
111	Transmission	336.7.f	16,631,054	TP1 0.96457	16,041,838
112	Plus: Transmission Plant-in-Service Additions (Worksheet I In 21.I)		237,265	DA 1.00000	237,265
113	General	336.10.f	3,258,395	W/S 0.05208	169,707
114	Intangible	336.1.f	22,696,622	W/S 0.05208	1,182,107
115	TOTAL DEPRECIATION AND AMORTIZATION	(Lns 109+110+111 +112+113+114)	135,656,295		17,630,917
116	TAXES OTHER THAN INCOME	(Note N)			
117	Labor Related				
118	Payroll	Worksheet H In 22.(D)	14,586,137	W/S 0.05208	759,689
119	Plant Related				
120	Property	Worksheet H In 22.(C) & In 47.(C)	42,371,485	DA	8,465,032
121	Gross Receipts/Sales & Use	Worksheet H In 22.(F)	15,266,369	NA 0.00000	-
122	Other	Worksheet H In 22.(E)	1,382,288	GP(h) 0.18171	251,172
123	TOTAL OTHER TAXES	(sum Ins 118 to 122)	73,606,279		9,475,894
124	INCOME TAXES	(Note O)			
125	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		38.22%		
126	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		41.45%		
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)		1.6186		
130	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(2,315,843)		
131	Income Tax Calculation	(In 126 * In 134)	92,675,464		20,686,391
132	ITC adjustment	(In 129 * In 130)	(3,748,380)	NP(h) 0.21085	(790,345)
133	TOTAL INCOME TAXES	(sum Ins 131 to 132)	88,927,084		19,896,046
134	RETURN ON RATE BASE (Rate Base * WACC)	(In 78 * In 165)	223,608,894		49,912,468
135	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		93,077	DA 1.00000	93,077
136	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-		-
137	Tax Impact on (Gains) / Losses on Sales of Plant Held for Future Use (In 136 * In126)		-		-
138	TOTAL REVENUE REQUIREMENT (sum Ins 107, 115, 123, 133, 134, 135, 136, 137)		647,025,796		102,001,398

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
139	Total transmission plant	(In 20)						1,188,467,115
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)							37,698,717
142	Transmission plant included in PJM Tariff	(In 139 - In 140 - In 141)						<u>1,150,768,398</u>
143	Percent of transmission plant in PJM Tariff	(In 142 / In 139)					<b>TP</b>	<b>0.96828</b>
144	WAGES & SALARY ALLOCATOR (W/S)	(Note R)						
145	Production	354.20.b	Direct Payroll	151,266,160	13,951,812	165,217,972	NA	0.00000
146	Transmission	354.21.b	AEP Service Corp.	7,035,854	4,938,608	11,974,462	TP	0.96828
147	Regional Market Expenses	354.22.b		0	0	-	NA	0.00000
148	Distribution	354.23.b		29,975,969	3,865,710	33,841,679	NA	0.00000
149	Other (Excludes A&G)	354.24,25,26.b		6,293,966	5,290,400	11,584,366	NA	0.00000
150	Total	(sum Ins 145 to 149)		<u>194,571,949</u>	<u>28,046,530</u>	<u>222,618,479</u>		<u>11,594,627</u>
151	Transmission related amount						<b>W/S=</b>	<b>0.05208</b>
152	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
153	Long Term Interest	(Worksheet L, In. 25, col. (D))						97,244,545
154	Preferred Dividends	(Worksheet L, In. 30, col. (D))						339,200
155	<u>Development of Common Stock:</u>							
156	Proprietary Capital	(FF1 p 112, Ln 16.c)						1,702,420,053
157	Less: Preferred Stock	(FF1 p 112, Ln 3.c)						8,072,400
158	Less: Account 216.1	(FF1 p 112, Ln 12.c)						(189,146)
159	Less: Account 219	(FF1 p 112, Ln 15.c)						<u>(20,888,248)</u>
160	Common Stock	(In 156 - In 157 - In 158 - In 159)						<u>1,715,425,047</u>
161								
162	Long Term Debt (Note T) Worksheet L, In 25, col. (B))							
163	Preferred Stock (In 157)							
164	Common Stock (In 160)							
165	Total (Sum Ins 162 to 164)							

	\$	%	Cost (Note S)	Weighted
	1,542,000,000	47.22%	0.0631	0.0298
	8,072,400	0.25%	0.0420	0.0001
	1,715,425,047	52.53%	11.49%	0.0604
	<u>3,265,497,447</u>		<b>WACC=</b>	<b>0.0902</b>

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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 projected as of December 31, 2011. Other ratebase amounts are as of December 31, 2010.
- 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 INDIANA MICHIGAN POWER COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from O&M expense.
- J General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
- K These deductions on lines 91 through 93 are to remove from the cost of service the expenses recorded by the company for Postemployment Benefits Other than Pensions (PBOP). See Note M below for the recoverable PBOP expense.
- L Expenses reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet F allocates these expense items. Acct 928 includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M See note K above. Per the settlement in Docket ER08-1329, recoverable PBOP expense is based on an annual total for the seven operating companies that is ratioed to them based on the total of actual annual PBOP costs, including charges from the AEP Service Corporation. The calculation of the recoverable amount for each company is shown on Worksheet O, and the process for updating the annual total is documented on Attachment F, Allowable PBOP Expense Formula.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and  $p =$  the percentage of federal income tax deductible for state income taxes. See Worksheet G for the development of the Company's composite SIT. A utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 130) multiplied by  $(1/1-T)$ . If the applicable tax rates are zero enter 0.
- |                  |       |   |
|------------------|-------|---|
| Inputs Required: | FIT = | 35.00%  |
|                  | SIT = | 4.95% (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 The Long Term Debt balance for I&M includes the accumulated balance of principle and related interest for Spent Nuclear Fuel Disposal Costs collected prior to April 7, 1983. This total balance of \$264,900,748 at 12/31/10 is not included in the balance in line 162 above.
- U This note only applies to the true-up template.

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Line No.			Total	Allocator	Transmission Amount
166	REVENUE REQUIREMENT (w/o incentives)	(In 303)			\$99,972,874
167	REVENUE CREDITS	(Note A) (Worksheet E)	1,952,792	DA 1.00000	\$ 1,952,792
168	REVENUE REQUIREMENT For All Company Facilities	(In 166 less In 167)			<u>\$ 98,020,082</u>

**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)			19.26%
172	Monthly Rate	(In 171 / 12)			1.61%
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)			16.79%
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)			6.33%
177	Not applicable on this template				
178	<b>REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES</b>				
179	Total Load Dispatch & Scheduling (Account 561)	Line 250 Below			5,453,629
180	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				3,040,722
181	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				724,447
182	Total 561 Internally Developed Costs	(Line 179 - Line 180 - Line 181)			<u>1,688,460</u>

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INDIANA MICHIGAN POWER COMPANY

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)	3,747,654,776	NA	0.00000
184	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(177,332,039)	NA	0.00000
185	Transmission	(Worksheet A In 3.C & Ln 307)	1,188,467,115	DA	1,150,768,398
186	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C & Ln 308)	-	TP	0.96828
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)	1,410,942,845	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)	100,340,285	W/S	0.05208
192	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(191,891)	W/S	0.05208
193	Intangible Plant	(Worksheet A In 9.C)	128,819,291	W/S	0.05208
194	TOTAL GROSS PLANT	(sum Ins 183 to 193)	6,398,700,382	GP(h)=	0.181708
				GTD=	0.44270
195	ACCUMULATED DEPRECIATION AND AMORTIZATION				
196	Production	(Worksheet A In 12.C)	2,252,173,776	NA	0.00000
197	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(73,871,368)	NA	0.00000
198	Transmission	(Worksheet A In 14.C & 28.C)	519,354,689	TP1=	0.96457
199	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	0.96457
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 2011 (In 276)		N/A	TP1	0.96457
203	Plus: Additional General & Intangible Depreciation for 2011 (In 275 + In 276)		N/A	W/S	0.05208
204	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
205	Distribution	(Worksheet A In 16.C)	459,822,822	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)	25,674,522	W/S	0.05208
208	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(141,915)	W/S	0.05208
209	Intangible Plant	(Worksheet A In 20.C)	110,967,192	W/S	0.05208
210	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 196 to 209)	3,293,979,718		508,063,954
211	NET PLANT IN SERVICE				
212	Production	(In 183 + In 184 - In 196 - In 197)	1,392,020,329		-
213	Transmission	(In 185 + In 186 - In 198 - In 199)	669,112,426		649,813,755
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 2011 (-In 202)		N/A		N/A
217	Plus: Additional General & Intangible Depreciation for 2011 (-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)	951,120,023		-
220	General Plant	(In 191 + In 192 - In 207 - In 208)	74,615,787		3,886,210
221	Intangible Plant	(In 193 - In 209)	17,852,099		929,790
222	TOTAL NET PLANT IN SERVICE	(sum Ins 212 to 221)	3,104,720,664	NP(h)=	0.210850
223	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
224	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(283,301)	NA	-
225	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(717,325,019)	DA	(128,523,338)
226	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(598,594,741)	DA	(10,465,198)
227	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	682,816,176	DA	15,966,206
228	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	-
229	TOTAL ADJUSTMENTS	(sum Ins 224 to 228)	(633,386,885)		(123,022,330)
230	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	7,810,581	DA	198,316
231	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
232	WORKING CAPITAL	(Note E)			
233	Cash Working Capital	(1/B * In 253)	2,940,809		2,847,526
234	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	1,085,092	TP	0.96828
235	A&G Materials & Supplies	(Worksheet C, In 3.(D))	135,873	W/S	0.05208
236	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.18171
237	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	101,531,096	W/S	0.05208
238	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	3,828,142	GP(h)	0.18171
239	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	1.00000
240	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(97,000,477)	NA	0.00000
241	TOTAL WORKING CAPITAL	(sum Ins 233 to 240)	12,520,535		9,888,917
242	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.B)	(2,634,178)	DA	1.00000
243	RATE BASE (sum Ins 222, 229, 230, 231, 241, 242)		2,489,030,717		539,060,480

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INDIANA MICHIGAN POWER COMPANY

	(1)	(2)	(3)	(4)	(5)
Line	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
244	OPERATION & MAINTENANCE EXPENSE				
244	Production	321.80.b	1,405,406,377		
245	Distribution	322.156.b	71,312,157		
246	Customer Related Expense	322 & 323.164,171,178.b	27,632,040		
247	Regional Marketing Expenses	322.131.b	3,402,264		
248	Transmission	321.112.b	8,656,323		
249	TOTAL O&M EXPENSES	(sum Ins 244 to 248)	1,516,409,161		
250	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	5,453,629		
251	Less: Account 565	(Note H) 321.96.b	(19,521,836)		
252	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	(801,946)		
253	Total O&M Allocable to Transmission	(Ins 248 - 250 - 251 - 252)	23,526,476	TP	0.96828
254	Administrative and General	323.197.b (Note J)	146,286,600		
255	Less: Acct. 924, Property Insurance	323.185.b	4,304,774		
256	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	17,289,145		
257	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	(4,476,103)		
258	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	789,115		
259	Acct. 928, Reg. Com. Exp.	323.189.b	12,820,884		
260	Acct. 930.1, Gen. Advert. Exp.	323.191.b	443,441		
261	Acct. 930.2, Misc. Gen. Exp.	323.192.b	5,891,674		
262	Balance of A & G	(In 254 - sum In 255 to In 261)	109,223,670	W/S	0.05208
263	Plus: Acct. 924, Property Insurance	(In 255)	4,304,774	GP(h)	0.18171
264	Acct. 928 - Transmission Specific	Worksheet F In 19.(E) (Note L)	-	TP	0.96828
265	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 34.(E) (Note L)	-	TP	0.96828
266	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 40.(E) (Note L)	251,764	DA	1.00000
267	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 3, (Note M)	13,015,230	W/S	0.05208
268	A & G Subtotal	(sum Ins 262 to 267)	126,795,438		7,400,537
269	O & M EXPENSE SUBTOTAL	(In 253 + In 268)	150,321,914		30,180,742
270	Plus: TEA Settlement in Account 565	Company Records (Note H)	(25,187,746)	DA	1.00000
271	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		-	DA	1.00000
272	TOTAL O & M EXPENSE	(In 269 + In 270 + In 271)	125,134,168		4,992,996
273	DEPRECIATION AND AMORTIZATION EXPENSE				
274	Production	336.2-6.f	58,432,920	NA	0.00000
275	Distribution	336.8.f	34,400,039	NA	0.00000
276	Transmission	336.7.f	16,631,054	TP1	0.96457
277	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
278	General	336.10.f	3,258,395	W/S	0.05208
279	Intangible	336.1.f	22,696,622	W/S	0.05208
280	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 274+275+276+277+278+279) (Note N)	135,419,030		17,393,652
281	TAXES OTHER THAN INCOME				
282	Labor Related				
283	Payroll	Worksheet H In 22.(D)	14,586,137	W/S	0.05208
284	Plant Related				
285	Property	Worksheet H In 22.(C) & In 47.(C)	42,371,485	DA	8,465,032
286	Gross Receipts/Sales & Use	Worksheet H In 22.(F)	15,266,369	NA	0.00000
287	Other	Worksheet H In 22.(E)	1,382,288	GP(h)	0.18171
288	TOTAL OTHER TAXES	(sum Ins 283 to 287)	73,606,279		9,475,894
289	INCOME TAXES	(Note O)			
290	$T=1 - ((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)$		38.22%		
291	$EIT=(T/(1-T)) * (1-(WCLTD/WACC))$		41.45%		
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)		1.6186		
295	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(2,315,843)		
296	Income Tax Calculation	(In 291 * In 299)	93,092,829		20,161,529
297	ITC adjustment	(In 294 * In 295)	(3,748,380)	NP(h)	0.21085
298	TOTAL INCOME TAXES	(sum Ins 296 to 297)	89,344,449		19,371,184
299	RETURN ON RATE BASE (Rate Base*WACC)	(In 243 * In 330)	224,615,920		48,646,071
300	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		93,077	DA	1.00000
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)	648,212,923		99,972,874

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INDIANA MICHIGAN POWER COMPANY

SUPPORTING CALCULATIONS

In									
No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF								
304	Total transmission plant	(In 185)						1,188,467,115	
305	Less transmission plant excluded from PJM Tariff (Note P)							37,698,717	
306	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note Q)							1,150,768,398	
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=	0.96828	
309	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total				
310	Production	354.20.b	151,266,160	13,951,812	165,217,972	NA	0.00000	-	
311	Transmission	354.21.b	7,035,854	4,938,608	11,974,462	TP	0.96828	11,594,627	
312	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000	-	
313	Distribution	354.23.b	29,975,969	3,865,710	33,841,679	NA	0.00000	-	
314	Other (Excludes A&G)	354.24,25,26.b	6,293,966	5,290,400	11,584,366	NA	0.00000	-	
315	Total	(sum Ins 310 to 314)	194,571,949	28,046,530	222,618,479			11,594,627	
316	Transmission related amount						W/S=	0.05208	
317	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$	
318	Long Term Interest	(Worksheet L, In. 25, col. (D))						97,244,545	
319	Preferred Dividends	(Worksheet L, In. 30, col. (D))						339,200	
320	Development of Common Stock:								
321	Proprietary Capital	(FF1 p 112, Ln 16.c)						1,702,420,053	
322	Less: Preferred Stock	(FF1 p 112, Ln 3.c)						8,072,400	
323	Less: Account 216.1	(FF1 p 112, Ln 12.c)						(189,146)	
324	Less: Account 219	(FF1 p 112, Ln 15.c)						(20,888,248)	
325	Common Stock	(In 321 - In 322 - In 323 - In 324)						1,715,425,047	
326			\$	%			Cost (Note S)	Weighted	
327	Long Term Debt (Note T) Worksheet L, In 25, col. (B))		1,542,000,000	47.22%			0.0631	0.0298	
328	Preferred Stock (In 322)		8,072,400	0.25%			0.0420	0.0001	
329	Common Stock (In 325)		1,715,425,047	52.53%			11.49%	0.0604	
330	Total (Sum Ins 327 to 329)		3,265,497,447				WACC=	0.0902	

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INDIANA MICHIGAN 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 historic as of December 31, 2010.
- 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 INDIANA MICHIGAN 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= 4.95% (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 The Long Term Debt balance for I&M includes the accumulated balance of principle and related interest for Spent Nuclear Fuel Disposal Costs collected prior to April 7, 1983. This total balance of \$264,900,748 at 12/31/10 is not included in the balance in line 327 above.
- U This note only applies to the true-up template.

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Utilizing Actual Cost Data for 2010 with Average Ratebase Balances

INDIANA MICHIGAN POWER COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 138)			\$98,146,723
2	REVENUE CREDITS	(Note A) (Worksheet E)	1,952,792	DA 1.00000	\$ 1,952,792
3	REVENUE REQUIREMENT For All Company Facilities	(In 1 less In 2)			\$ 96,193,931

**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)		1,520,047	DA 1.00000	\$ 1,520,047
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)			19.20%
7	Monthly Rate	(In 6 / 12)			1.60%
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)			16.70%
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)			6.41%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet K)				-
13	<b>REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES</b>				
14	Total Load Dispatch & Scheduling (Account 561)	Line 85 Below			5,453,629
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				3,040,722
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				724,447
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			1,688,460

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INDIANA MICHIGAN POWER COMPANY

Line No.	(1)	(2)	(3)	(4)	(5)
	<b>RATE BASE CALCULATION</b>	<b>Data Sources (See "General Notes")</b>	<b>TO Total NOTE C</b>	<b>Allocator</b>	<b>Total Transmission</b>
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.E)	3,679,023,460	NA	0.00000
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.E)	(166,265,948)	NA	0.00000
20	Transmission	(Worksheet A In 3.E & Ln 142)	1,171,145,496	DA	1,136,196,573
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.E & Ln 143)	-	TP	0.97016
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)	1,385,630,801	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)	99,012,916	W/S	0.05218
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.E)	(191,891)	W/S	0.05218
28	Intangible Plant	(Worksheet A In 9.E)	129,689,619	W/S	0.05218
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	6,298,044,452	GP(h)=	0.18230
				GTD=	0.00000
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.E)	2,231,315,479	NA	0.00000
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.E)	(71,751,779)	NA	0.00000
33	Transmission	(Worksheet A In 14.E & 28.E)	512,156,976	TP1=	0.96398
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.E)	-	TP1=	0.96398
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 2011 (In 111)		N/A	TP1	0.96398
38	Plus: Additional General & Intangible Depreciation for 2011 (In 110 + In 111)		N/A	W/S	0.05218
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
40	Distribution	(Worksheet A In 16.E)	451,864,359	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)	24,789,292	W/S	0.05218
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.E)	(138,517)	W/S	0.05218
44	Intangible Plant	(Worksheet A In 20.E)	105,602,603	W/S	0.05218
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	3,253,838,413		500,507,112
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	1,353,193,812		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	658,988,520		642,486,605
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 2011 (-In 37)		N/A		N/A
52	Plus: Additional General & Intangible Depreciation for 2011 (-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)	933,766,442		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	74,170,250		3,870,501
56	Intangible Plant	(In 28 - In 44)	24,087,016		1,256,957
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	3,044,206,038	NP(h)=	0.21274
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	(289,239)	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(683,104,613)	DA	(123,243,799)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(581,231,664)	DA	(10,620,190)
62	Account No. 190.1 (enter negative)	(Worksheet B, In 17 & In 20.E)	661,647,176	DA	16,581,238
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	-	DA	-
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(602,978,341)		(117,282,751)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.E & In 30.E)	7,853,407	DA	200,339
66	REGULATORY ASSETS	(Worksheet A In 36. (E))	-	DA	-
67	WORKING CAPITAL	(Note E)			
68	Cash Working Capital	(1/8 * In 88)	2,940,809		2,853,051
69	Transmission Materials & Supplies	(Worksheet C, In 2.F)	1,142,234	TP	0.97016
70	A&G Materials & Supplies	(Worksheet C, In 3.F)	369,352	W/S	0.05218
71	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.18230
72	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 8.G)	75,715,113	W/S	0.05218
73	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 8.F)	4,587,118	GP(h)	0.18230
74	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 8.E)	-	DA	1.00000
75	Prepayments (Account 165) - Unallocable	(Worksheet C, In 8.D)	(71,397,373)	NA	0.00000
76	TOTAL WORKING CAPITAL	(sum Ins 68 to 75)	13,357,252		8,767,813
77	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8 (B))	(4,231,064)	DA	1.00000
78	RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)		2,458,207,293		535,068,400

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Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Locator	(5) Total Transmission
79	OPERATION & MAINTENANCE EXPENSE				
79	Production	321.80.b	1,405,406,377		
80	Distribution	322.156.b	71,312,157		
81	Customer Related Expense	322.164,171,178.b	27,632,040		
82	Regional Marketing Expenses	322.131.b	3,402,264		
83	Transmission	321.112.b	8,656,323		
84	TOTAL O&M EXPENSES	(sum Ins 79 to 83)	1,516,409,161		
85	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)	5,453,629		
86	Less: Account 565	(Note H) 321.96.b	(19,521,836)		
87	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)	(801,946)		
88	Total O&M Allocable to Transmission	(Ins 83 - 85 - 86 - 87)	23,526,476	TP 0.97016	22,824,407
89	Administrative and General	323.197.b (Note J)	146,286,600		
90	Less: Acct. 924, Property Insurance	323.185.b	4,304,774		
91	Acct. 9260039 PBOP Expense	PBOP Worksheet O Line 9 & 10, (Note K)	17,289,145		
92	Acct. 9260057 PBOP Medicare Subsidy	PBOP Worksheet O Line 11, (Note K)	(4,476,103)		
93	PBOP Expense Billed From AEPSC	PBOP Worksheet O Line 13, (Note K)	789,115		
94	Acct. 928, Reg. Com. Exp.	323.189.b	12,820,884		
95	Acct. 930.1, Gen. Advert. Exp.	323.191.b	443,441		
96	Acct. 930.2, Misc. Gen. Exp.	323.192.b	5,891,674		
97	Balance of A & G	(In 89 - sum In 90 to In 96)	109,223,670	W/S	5,699,729
98	Plus: Acct. 924, Property Insurance	(In 90)	4,304,774	GP(h)	784,752
99	Acct. 928 - Transmission Specific	Worksheet F In 19.(E) (Note L)	-	TP	0.96828
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 34.(E) (Note L)	-	TP	0.96828
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 40.(E) (Note L)	251,764	DA	1.00000
102	Settlement Approved PBOP Recovery	PBOP Worksheet O, Col. C, Line 3, (Note M)	13,015,230	W/S	0.05218
103	A & G Subtotal	(sum Ins 97 to 102)	126,795,438		679,187
104	O & M EXPENSE SUBTOTAL	(In 88 + In 103)	150,321,914		7,415,431
105	Plus: TEA Settlement in Account 565	Company Records (Note H)	(25,187,746)	DA	1.00000
106	Plus: Transmission Lease Payments To Affiliates in	Acct 565 (Company Records) (Note H)	-	DA	1.00000
107	TOTAL O & M EXPENSE	(In 104 + In 105 + In 106)	125,134,168		5,052,092
108	DEPRECIATION AND AMORTIZATION EXPENSE				
109	Production	336.2-6.f	58,432,920	NA	0.00000
110	Distribution	336.8.f	34,400,039	NA	0.00000
111	Transmission	336.7.f	16,631,054	TP1	0.96398
112	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
113	General	336.10.f	3,258,395	W/S	0.05218
114	Intangible	336.1.f	22,696,622	W/S	0.05218
115	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 109+110+ 111+112+113+114)	135,419,030		17,386,469
116	TAXES OTHER THAN INCOME	(Note N)			
117	Labor Related				
118	Payroll	Worksheet H In 22.(D)	14,586,137	W/S	0.05218
119	Plant Related				
120	Property	Worksheet H In 22.(C) & In 47.(C)	42,371,485	DA	0.00000
121	Gross Receipts/Sales & Use	Worksheet H In 22.(F)	15,266,369	NA	0.00000
122	Other	Worksheet H In 22.(E)	1,382,288	GP(h)	0.18230
123	TOTAL OTHER TAXES	(sum Ins 118 to 122)	73,606,279		251,988
124	INCOME TAXES	(Note O)			
125	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =		38.22%		
126	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		39.78%		
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)		1.6186		
130	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(2,315,843)		
131	Income Tax Calculation	(In 126 * In 134)	87,512,872		19,048,586
132	ITC adjustment	(In 129 * In 130)	(3,748,380)	NP(h)	0.21274
133	TOTAL INCOME TAXES	(sum Ins 131 to 132)	83,764,492		(797,418)
134	RETURN ON RATE BASE (Rate Base*WACC)	(In 78 * In 165)	219,996,283		18,251,168
135	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		93,077	DA	1.00000
136	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))		-		-
137	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 136 * In126)		-		-
138	TOTAL REVENUE REQUIREMENT	(sum Ins 107, 115, 123, 133, 134, 135)	638,013,328		98,146,723

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INDIANA MICHIGAN POWER COMPANY

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
139	Total transmission plant	(In 20)						1,171,145,496
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)							34,948,922
142	Transmission plant included in PJM Tariff	(In 139 - In 140 - In 141)						1,136,196,573
143	Percent of transmission plant in PJM Tariff	(In 142 / In 139)					<b>TP</b>	<b>0.97016</b>
144	WAGES & SALARY ALLOCATOR (W/S)	(Note R)						
			Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
145	Production	354.20.b	151,266,160	13,951,812	165,217,972	NA	0.00000	-
146	Transmission	354.21.b	7,035,854	4,938,608	11,974,462	TP	0.97016	11,617,124
147	Regional Market Expenses	354.22.b	0	0	-	NA	0.00000	-
148	Distribution	354.23.b	29,975,969	3,865,710	33,841,679	NA	0.00000	-
149	Other (Excludes A&G)	354.24,25,26.b	6,293,966	5,290,400	11,584,366	NA	0.00000	-
150	Total	(sum Ins 145 to 149)	194,571,949	28,046,530	222,618,479			11,617,124
151	Transmission related amount						<b>W/S=</b>	<b>0.05218</b>
152	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
153	Long Term Interest	(Worksheet M, In. 21, col. (E))						104,607,936
154	Preferred Dividends	(Worksheet M, In. 55, col. (E))						339,291
155	Development of Common Stock:							Average
156	Proprietary Capital	(Worksheet M, In. 1, col. (E))						1,691,640,019
157	Less: Preferred Stock	(Worksheet M, In. 2, col. (E))						8,074,600
158	Less: Account 216.1	(Worksheet M, In. 3, col. (E))						(385,239)
159	Less: Account 219	(Worksheet M, In. 4, col. (E))						(21,294,376)
160	Common Stock	(In 156 - In 157 - In 158 - In 159)						1,705,245,033
161		Average \$						
162	Long Term Debt (Note T) W/S M, In 11, In 22, col. (E))		1,629,500,000	48.75%	49.76%		0.0642	0.0319
163	Preferred Stock (In 157)		8,074,600	0.24%	0.24%		0.0420	0.0001
164	Common Stock (In 160)		1,705,245,033	51.01%	50.00%		11.49%	0.0575
165	Total (Sum Ins 162 to 164)		3,342,819,633				<b>WACC=</b>	<b>0.0895</b>
166	Capital Structure Equity Limit (Note U)		50.0%					

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INDIANA MICHIGAN 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, 2009 and December 31, 2010.
- 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 INDIANA MICHIGAN 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 "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= 4.95% (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 The Long Term Debt balance for I&M includes the accumulated balance of principle and related interest for Spent Nuclear Fuel Disposal Costs collected prior to April 7, 1983. This total balance of \$264,900,748 at 12/31/10 is not included in the balance in line 162 above.
- U Per Settlement, equity for INDIANA MICHIGAN POWER COMPANY is limited to 50% of Capital Structure. If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure.  
During the period ended December 31, 2011 the equity cap is in effect. During this period, a change in the cap percentage must be approved via a 205 filing with the FERC.

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Cost of Service Formula Rate Using 2010 FF1 Balances  
Worksheet A Supporting Plant Balances  
INDIANA MICHIGAN POWER COMPANY

<u>Line</u>	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	<u>(D)</u>	<u>(E)</u>
<u>Number</u>	<u>Rate Base Item &amp; Supporting Balance</u>	<u>Source of Data</u>	<u>Balance @ December 31, 2010</u>	<u>Balance @ December 31, 2009</u>	<u>Average Balance for 2010</u>
<b>NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.</b>					
<b>Plant Investment Balances</b>					
1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 46	3,747,654,776	3,610,392,143	3,679,023,460
2	Production Asset Retirement Obligation (ARO)	FF1, page 205&204, Col.(g)&(b), lns 15,24,34,44	177,332,039	155,199,856	166,265,948
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58	1,188,467,115	1,153,823,876	1,171,145,496
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 57	-	-	-
5	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 75	1,410,942,845	1,360,318,756	1,385,630,801
6	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 74	-	-	-
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 99	100,340,285	97,685,547	99,012,916
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 98	191,891	191,891	191,891
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 5	128,819,291	130,559,946	129,689,619
10	Total Property Investment Balance	(Sum of Lines: 3, 1, 5, 7, 9)	6,576,224,312	6,352,780,268	6,464,502,290
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 2, 6, 8)	177,523,930	155,391,747	166,457,839
<b>Accumulated Depreciation &amp; Amortization Balances</b>					
12	Production Accumulated Depreciation	FF1, page 219, lns 20-24, Col. (b)	2,252,173,776	2,210,457,182	2,231,315,479
13	Production ARO Accumulated Depreciation	Company Records - Note 1	73,871,368	69,632,189	71,751,779
14	Transmission Accumulated Depreciation	FF1, page 219, ln 25, Col. (b)	519,354,689	504,959,262	512,156,976
15	Transmission ARO Accumulated Depreciation	Company Records - Note 1	-	-	-
16	Distribution Accumulated Depreciation	FF1, page 219, ln 26, Col. (b)	459,822,822	443,905,896	451,864,359
17	Distribution ARO Accumulated Depreciation	Company Records - Note 1	-	-	-
18	General Accumulated Depreciation	FF1, page 219, ln 28, Col. (b)	25,674,522	23,904,062	24,789,292
19	General ARO Accumulated Depreciation	Company Records - Note 1	141,915	135,119	138,517
20	Intangible Accumulated Amortization	FF1, page 200, ln 21, Col. (b)	110,967,192	100,238,014	105,602,603
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 12, 16, 18, 20)	3,367,993,001	3,283,464,416	3,325,728,709
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 13, 17, 19)	74,013,283	69,767,308	71,890,295
<b>Generation Step-Up Units</b>					
23	GSU Investment Amount	Company Records - Note 1	37,698,717	32,199,127	34,948,922
24	GSU Accumulated Depreciation	Company Records - Note 1	18,400,047	18,493,967	18,447,007
25	GSU Net Balance	(Line 23 - Line 24)	19,298,671	13,705,160	16,501,915
<b>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</b>					
26	Transmission Accumulated Depreciation	(Line 14 Above)	519,354,689	504,959,262	512,156,976
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	18,400,047	18,493,967	18,447,007
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	500,954,642	486,465,295	493,709,969
<b>Plant Held For Future Use</b>					
29	Plant Held For Future Use	FF1, page 214, ln 47, Col. (d)	7,810,581	7,896,232	7,853,407
30	Transmission Plant Held For Future	Company Records - Note 1	198,316	202,362	200,339
<b>Regulatory Assets and Liabilities Approved for Recovery In Ratebase</b>					
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 2010 FF1 Balances  
Worksheet B Supporting ADIT and ITC Balances  
INDIANA MICHIGAN POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) Source</u>	<u>(C) Balance @ December 31, 2010</u>	<u>(D) Balance @ December 31, 2009</u>	<u>(E) Average Balance for 2010</u>
1	<b><u>Account 281</u></b>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, In 8, Col. (k)	283,301	295,177	289,239
3	Less: ARO Related Deferrals	Company Records - Note 1	-	-	-
4	Less: Other Excluded Deferrals	Company Records - Note 1	283,301	295,177	289,239
5	Transmission Related Deferrals	Ln 2 - In 3 - In 4	-	-	-
6	<b><u>Account 282</u></b>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, In 5, Col. (k)	717,325,019	648,884,207	683,104,613
8	Less: ARO Related Deferrals	Company Records - Note 1	35,631,959	31,225,679	33,428,819
9	Less: Other Excluded Deferrals	Company Records - Note 1	553,169,722	499,694,268	526,431,995
10	Transmission Related Deferrals	Ln 7 - In 8 - In 9	128,523,338	117,964,260	123,243,799
11	<b><u>Account 283</u></b>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, In 9, Col. (k)	598,594,741	563,868,587	581,231,664
13	Less: ARO Related Deferrals	Company Records - Note 1	424,290,331	381,149,459	402,719,895
14	Less: Other Excluded Deferrals	Company Records - Note 1	163,839,212	171,943,946	167,891,579
15	Transmission Related Deferrals	Ln 12 - In 13 - In 14	10,465,198	10,775,182	10,620,190
16	<b><u>Account 190</u></b>				
17	Year End Utility Deferrals	FF1, p. 234, In 8, Col. (c)	682,816,176	640,478,175	661,647,176
18	Less: ARO Related Deferrals	Company Records - Note 1	460,851,022	411,407,834	436,129,428
19	Less: Other Excluded Deferrals	Company Records - Note 1	205,998,948	211,874,071	208,936,510
20	Transmission Related Deferrals	Ln 17 - In 18 - In 19	15,966,206	17,196,270	16,581,238
21	<b><u>Account 255</u></b>				
22	Year End ITC Balances	FF1, p. 266-267, In 8, Col. (h)	55,416,298	57,732,141	56,574,220
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	55,416,298	57,732,141	56,574,220
24	ITC Balances Includeable Ratebase	Ln 22 - In 23	-	-	-
25	Transmission Related Deferrals	Company Records - Note 1	0	0	-

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 2010 FF1 Balances  
Worksheet C Supporting Working Capital Rate Base Adjustments  
INDIANA MICHIGAN POWER COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
<b>Materials &amp; Supplies</b>								
Line Number		Source	Balance @ December 31, 2010	Balance @ December 31, 2009	Average Balance for 2010			
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c) & (b)	1,085,092	1,199,375	1,142,234			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c) & (b)	135,873	602,830	369,352			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c) & (b)	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, 2010	8,358,761	(97,000,477)	0	3,828,142	101,531,096
7	Totals as of December 31, 2009	9,450,953	(45,794,268)		5,346,093	49,899,129
8	<b>Average Balance</b>	<b>8,904,857</b>	<b>(71,397,373)</b>	<b>-</b>	<b>4,587,118</b>	<b>75,715,113</b>

**Prepayments Account 165 - Balance @ 12/31/2010**

9	Acc. No.	Description	2010 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	2,312,485	-	-	2,312,485	-	2,312,485	Plant Related Insurance Policies
11	165000210	Prepaid Taxes	408,721	-	-	408,721	-	408,721	Prepaid Taxes
12	1650003	Prepaid Rents	1,224	1,224	-	-	-	-	River Transport
13	1650005	Prepaid Employee Benefits	8,557	-	-	-	8,557	8,557	-
14	1650006	Other Prepayments	40,258	40,258	-	-	-	-	Relates to EPRI dues
15	1650009	Prepaid Carry Cost-Factored AR	77,785	77,785	-	-	-	-	AR Factoring - Retail Only
16	1650010	Prepaid Pension Benefits	101,522,539	-	-	-	101,522,539	101,522,539	Pre-funded Pension Expense
17	1650014	FAS 158 Qual Contra Asset	(101,522,539)	(101,522,539)	-	-	-	-	SFAS 158 Offset
18	165001110	Prepaid Sales Taxes	508,853	508,853	-	-	-	-	-
19	165001210	Prepaid Use Taxes	248,073	248,073	-	-	-	-	-
19	1650021	Prepaid Insurance - EIS	1,106,936	-	-	1,106,936	-	1,106,936	-
20	1650022	Prepaid SNF Container Costs	0	-	-	-	-	-	-
21	1650023	Prepaid Lease	243,709	243,709	-	-	-	-	-
22	1650022	Prepaid SNF Costs	2,662,560	2,662,560	-	-	-	-	-
23	1650026	Prepaid SNF Costs	739,600	739,600	-	-	-	-	-
		<b>Subtotal - Form 1, p 111.57.c</b>	<b>8,358,761</b>	<b>(97,000,477)</b>	<b>0</b>	<b>3,828,142</b>	<b>101,531,096</b>	<b>105,359,238</b>	

**Prepayments Account 165 - Balance @ 12/31/ 2009**

24	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
25	1650001	Prepaid Insurance	4,164,212	-	-	4,164,212	-	4,164,212	Plant Related Insurance Policies
26	165000208	Prepaid Taxes	295,297	-	-	295,297	-	295,297	Prepaid PSC Fees
27	1650003	Prepaid Rents	1,224	1,224	-	-	-	-	River Transport
28	1650005	Prepaid Employee Benefits	8,590	-	-	-	8,590	8,590	-
29	1650006	Other Prepayments	118,889	118,889	-	-	-	-	Relates to EPRI dues
30	1650009	Prepaid Carry Cost-Factored AR	77,268	77,268	-	-	-	-	AR Factoring - Retail Only
31	1650010	Prepaid Pension Benefits	49,890,539	-	-	-	49,890,539	49,890,539	Pre-funded Pension Expense
32	1650014	FAS 158 Qual Contra Asset	(49,890,539)	(49,890,539)	-	-	0	-	SFAS 158 Offset
33	165001209	Prepaid Sales/Use Taxes	763,535	763,535	-	-	-	-	-
34	1650021	Prepaid Insurance - EIS	886,584	-	-	886,584	-	886,584	-
35	1650022	Prepaid SNF Container Costs	2,218,800	2,218,800	-	-	-	-	-
36	1650023	Prepaid Lease	916,555	916,555	-	-	-	-	-
		<b>Subtotal - Form 1, p 111.57.d</b>	<b>9,450,953</b>	<b>(45,794,268)</b>	<b></b>	<b>5,346,093</b>	<b>49,899,129</b>	<b>55,245,222</b>	

AEP East Companies  
Cost of Service Formula Rate Using 2010 FF1 Balances  
Worksheet D Supporting IPP Credits  
INDIANA MICHIGAN POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2010</u>
1	Net Funds from IPP Customers 12/31/2009 (2010 FORM 1, P269, line 8.b)	(5,827,949)
2	Interest Accrual (Company Records - Note 1)	(93,077)
3	Revenue Credits to Generators (Company Records - Note 1)	-
4	<u>Other Adjustments</u>	
5	Accounting Adjustment (Company Records - Note 1)	3,286,848
6		-
7	Net Funds from IPP Customers 12/31/2010 (2010 FORM 1, P269, line 8.f)	(2,634,178)
8	Average Balance for Year as Indicated in Column ((ln 1 + ln 7)/2)	(4,231,064)

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

AEP East Companies  
 Cost of Service Formula Rate Using 2010 FF1 Balances  
 Worksheet E Supporting Revenue Credits  
 INDIANA MICHIGAN POWER COMPANY

<u>Line Number</u>	<u>Description</u>	<u>Total Company</u>	<u>Non- Transmission</u>	<u>Transmission</u>
1	Account 450, Forfeited Discounts (FF1 p.300.16.(b); Company Records - Note 1)	4,695,949	4,695,949	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	2,058,431	2,001,644	56,787
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	7,895,108	7,441,192	453,916
4	Account 4560015, Associated Business Development - (Company Records - Note 1)	2,461,743	1,952,502	509,241
5	Account 456 - Other Electric Revenues - (Company Records - Note 1)	8,024,407	8,024,407	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	25,135,638	24,115,694	1,019,944
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	962,578	29,730	932,848
8	Total Other Operating Revenues To Reduce Revenue Requirement	26,098,216	24,145,424	1,952,792

Note 1 The total company data on this worksheet comes from the indicated FF1 source, or INDIANA MICHIGAN 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 2010 FF1 Balances  
Worksheet F Supporting Allocation of Specific O&M or A&G Expenses  
INDIANA MICHIGAN POWER COMPANY

<u>Line</u> <u>Number</u>	<u>(A)</u> <u>Item No.</u>	<u>(B)</u> <u>Description</u>	<u>(C)</u> <u>2010</u> <u>Expense</u>	<u>(D)</u> <u>100%</u> <u>Non-Transmission</u>	<u>(E)</u> <u>100%</u> <u>Transmission</u> <u>Specific</u>	<u>(F)</u> <u>Explanation</u>
<b>Regulatory O&amp;M Deferrals &amp; Amortizations</b>						
1	5660000	Misc Transmission Expense	(815,538)			
2	5660000	Misc Transmission Expense (Amortization)	13,592			
3						
4		<b>Total</b>	<b>(801,946)</b>			
<b>Detail of Account 561 Per FERC Form 1</b>						
5	FF1 p 321.84.b	561 - Load Dispatching	0			
6	FF1 p 321.85.b	561.1 - Load Dispatch - Reliability	43,059			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	1,376,721			
8	FF1 p 321.87.b	561.3 - Load Dispatch - Trans Service & Scheduling	49			
9	FF1 p 321.88.b	561.4 - Scheduling, System Control & Dispatch	3,040,722			
10	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	268,631			
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 Servi	724,447			
14		<b>Total of Account 561</b>	<b>5,453,629</b>			
<b>Account 928</b>						
15	9280000	Regulatory Commission Exp	11,507	11,507		- Indiana Rate Case Filing Support
16	9280001	Regulatory Commission Exp-Adm	12,371,047	12,371,047		- Nuclear Regulatory Commission/FERC Hydro
17	9280002	Regulatory Commission Exp-Case	279,441	279,441		- Indiana Rate Case Filing Support
18	9280003	Rate Case Amortization	158,889	158,889		
19		<b>Total</b>	<b>12,820,884</b>	<b>12,820,884</b>	<b>-</b>	
<b>Account 930.1</b>						
20	9301000	General Advertising Expenses	97,493	97,493		-
21	9301001	Newspaper Advertising Space	30,767	30,767		-
22	9301002	Radio Station Advertising Time	96,912	96,912		-
23	9301003	TV Station Advertising Time	2,800	2,800		-
24	9301006	Spec Corporate Comm Info Proj	9,001	9,001		-
25	9301007	Special Adv Space & Prod Exp	6,114	6,114		-
26	9301008	Direct Mail and Handouts	-	-		-
27	9301009	Fairs, Shows, and Exhibits	244	244		-
28	9301010	Publicity	3,166	3,166		-
29	9301011	Dedications, Tours, & Openings	992	992		-
30	9301012	Public Opinion Surveys	120,686	120,686		-
31	9301013	Movies Slide Films & Speeches	-	-		-
32	9301014	Video Communications	128	128		-
33	9301015	Other Corporate Comm Exp	75,139	75,139		-
34		<b>Total</b>	<b>443,442</b>	<b>443,442</b>	<b>-</b>	
<b>Account 930.2</b>						
35	9302000	Misc General Expenses	3,628,075	3,628,075		
36	9302003	Corporate & Fiscal Expenses	183,695	183,695		
37	9302004	Research, Develop&Demonstr Exp	34,260	34,260		
38	9302005	Nucl Fac Ins - Replce Engy Cst	684,345	684,345		
39	9302007	Assoc Business Development Exp	1,361,299	1,109,535	251,764	
40		<b>Total</b>	<b>5,891,674</b>	<b>5,639,910</b>	<b>251,764</b>	

AEP East Companies  
Cost of Service Formula Rate Using 2010 FF1 Balances  
Worksheet G Supporting - Development of Composite State Income Tax Rate  
INDIANA MICHIGAN POWER COMPANY

Indiana Corporate Income Tax Rate	8.50%	
Apportionment Factor - Note 2	38.54%	
Effective State Tax Rate		3.28%
Michigan Single Business Tax Rate	6.04%	
Apportionment Factor - Note 2	20.52%	
Effective State Tax Rate		1.24%
West Virginia Corporation Income Tax Rate	8.50%	
Apportionment Factor - Note 2	3.51%	
Effective State Tax Rate		0.30%
Ohio Franchise Tax Rate	0.00%	
Phase-out Factor Note 1	0.00%	
Apportionment Factor - Note 2	0.00%	
Effective State Tax Rate		0.00%
Kentucky Corporation Income Tax Rate	6.00%	
Apportionment Factor - Note 2	1.71%	
Effective State Tax Rate		0.10%
Missouri Corporation Income Tax Rate	6.25%	
Apportionment Factor - Note 2	0.00%	
Effective State Tax Rate		0.00%
Illinois Corporation Income Tax Rate	7.30%	
Apportionment Factor - Note 2	0.37%	
Effective State Tax Rate		0.03%
 Total Effective State Income Tax Rate		 <u><u>4.95%</u></u>

Note 1 The Ohio State Income Tax is being phased-out prorata over a 5 year period from 2005 through 2009. The taxable portion of income is 0% in 2009. The phase-out factors can be found in the Ohio Revised Code at 5733.01(G)2(a)(v). This tax has been replaced with a Commercial Activites 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 2010 FF1 Balances  
Worksheet H Supporting Taxes Other than Income  
INDIANA MICHIGAN POWER COMPANY

Line No.	(A) Account	(B) Total Company	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
		NOTE 1				
1	<b>Revenue Taxes</b>					
2	Gross Receipts Tax	15,499,251				15,499,251
3	<b>Real Estate and Personal Property Taxes</b>					
4	Real and Personal Property - Michigan	25,095,380	25,095,380			
5	Real and Personal Property - Indiana	17,302,647	17,302,647			
6	Real and Personal Property - Other Jurisdictions	(26,542)	(26,542)			
7	<b>Payroll Taxes</b>					
8	Federal Insurance Contribution (FICA)	14,137,175		14,137,175		
9	Federal Unemployment Tax	155,706		155,706		
10	State Unemployment Insurance	293,256		293,256		
11	<b>Production Taxes</b>					
12	State Severance Taxes	-				-
13	<b>Miscellaneous Taxes</b>					
14	State Business & Occupation Tax	-				-
15	State Public Service Commission Fees	1,516,013			1,516,013	
16	State Franchise Taxes	(134,046)			(134,046)	
17	State Lic/Registration Fee	321			321	
18	Misc. State and Local Tax	-			-	
19	Sales & Use	(243,374)			-	(243,374)
20	Federal Excise Tax	10,492				10,492
21	Michigan Single Business Tax	-				-
22	Total Taxes by Allocable Basis	73,606,279	42,371,485	14,586,137	1,382,288	15,266,369

(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
23 Functionalized Net Plant (Hist. TCOS, Lns 212 thru 222)	1,392,020,329	669,112,426	951,120,023	74,615,787	3,086,868,565
<b>MICHIGAN JURISDICTION</b>					
24 Percentage of Plant in MICHIGAN JURISDICTION	62.33%	14.35%	19.48%	15.02%	
25 Net Plant in MICHIGAN JURISDICTION (Ln 23 * Ln 24)	867,646,271	96,017,633	185,278,180	11,207,291	1,160,149,376
26 Less: Net Value of Exempted Generation Plant	261,901,225				
27 Taxable Property Basis (Ln 25 - Ln 26)	605,745,046	96,017,633	185,278,180	11,207,291	898,248,151
28 Relative Valuation Factor	100%	100%	100%	100%	
29 Weighted Net Plant (Ln 27 * Ln 28)	605,745,046	96,017,633	185,278,180	11,207,291	
30 General Plant Allocator (Ln 29 / (Total - General Plant))	68.29%	10.82%	20.89%	-100.00%	
31 Functionalized General Plant (Ln 30 * General Plant)	7,653,268	1,213,132	2,340,892	(11,207,291)	-
32 Weighted MICHIGAN JURISDICTION Plant (Ln 29 + 31)	613,398,314	97,230,765	187,619,072	0	898,248,151
33 Functional Percentage (Ln 32/Total Ln 32)	68.29%	10.82%	20.89%		
34 Functionalized Expense in MICHIGAN JURISDICTION	17,137,206	2,716,446	5,241,727		25,095,380
<b>INDIANA JURISDICTION</b>					
35 Percentage of Plant in INDIANA JURISDICTION	37.67%	85.65%	80.52%	84.98%	
36 Net Plant in INDIANA JURISDICTION (Ln 23 * Ln 35)	524,374,058	573,094,793	765,841,843	63,408,495	1,926,719,189
37 Less: Net Value of Exempted Generation Plant	140,032,499				
38 Taxable Property Basis (Ln 36 - Ln 37)	384,341,559	573,094,793	765,841,843	63,408,495	1,786,686,690
39 Relative Valuation Factor	100%	100%	100%	100%	
40 Weighted Net Plant (Ln 38 * Ln 39)	384,341,559	573,094,793	765,841,843	63,408,495	
41 General Plant Allocator (Ln 40 / (Total - General Plant))	22.30%	33.26%	44.44%	-100.00%	
42 Functionalized General Plant (Ln 41 * General Plant)	14,141,953	21,087,181	28,179,361	(63,408,495)	-
43 Weighted INDIANA JURISDICTION Plant (Ln 40 + 42)	398,483,512	594,181,974	794,021,204	0	1,786,686,690
44 Functional Percentage (Ln 43/Total Ln 43)	22.30%	33.26%	44.44%		
45 Functionalized Expense in INDIANA JURISDICTION	3,858,998	5,754,182	7,689,467		17,302,647
46 Total Other Jurisdictions: (Line 6 * Net Plant Allocator)		(5,596)			(26,542)
47 Total Func. Property Taxes (Sum Lns 34, 45 46)	20,996,204	8,465,032	12,931,195		42,371,485

AEP East Companies  
Cost of Service Formula Rate Using 2010 FF1 Balances  
Worksheet H-1 Form 1 Source Reference of Company Amounts on WS H  
INDIANA MICHIGAN POWER COMPANY

Line No.	(A) Annual Tax Expenses by Type (Note 1)	(B) Total Company	(C) FERC FORM 1 Tie-Back	(D) FERC FORM 1 Reference
1	<b>Revenue Taxes</b>			
2	Gross Receipts Tax	15,499,251	221,789 14,692,000 (146,444) 731,906	P.263 In 13 (i) P.263 In 14 (i) P.263.2 In 15 (i) P.263.2 In 16 (i)
3	<b>Real Estate and Personal Property Taxes</b>			
4	Real and Personal Property - Michigan	25,095,380	(358,296) 25,259,700 (47,424) 241,400 -	P.263.1 In 17 (i) P.263.1 In 18 (i) P.263.1 In 21 (i) P.263.1 In 22 (i) P.263.1 In 20 (i)
5	Real and Personal Property - Indiana	17,302,647	(15,506) (16,817) (34,504) 791,691 15,979,550 200,393 397,840	P.263 In 21 (i) P.263 In 22 (i) P.263 In 23 (i) P.263 In 24 (i) P.263 In 25 (i) P.263 In 26 (i) P.263 In 27 (i)
6	Real and Personal Property - Other Jurisdictions	(26,542)	8,899 3,561 3,419 429 (42,850) -	P.263 In 39 (i) P.263.2 In 2 (i) P.263.2 In 3 (i) P.263.2 In 26 (i) P.263.2 In 38 (i) P.263.2 In 27 (i)
7	<b>Payroll Taxes</b>			
8	Federal Insurance Contribution (FICA)	14,137,175	14,137,175	P.263 In 3 (i)
9	Federal Unemployment Tax	155,706	155,706	P.263 In 4 (i)
10	State Unemployment Insurance	293,256	75,141 228,580 (10,465)	P.263 In 12 (i) P.263.1 In 9 (i) P.263.2 In 9 (i)
11	<b>Production Taxes</b>			
12	State Severance Taxes	-	-	
13	<b>Miscellaneous Taxes</b>			
14	State Business & Occupation Tax	-	-	
15	State Public Service Commission Fees	1,516,013	524,078 565,256 227,581 199,098	P.263 In 19 (i) P.263 In 20 (i) P.263.1 In 10 (i) P.263.1 In 11 (i)
16	State Franchise Taxes	(134,046)	(307,266) (77,170) 250,400 (10) -	P.263.1 In 39 (i) P.263.1 In 40 (i) P.263.2 In 1 (i) P.263.2 In 24 (i) P.263.3 In 7 (i)
17	State Lic/Registration Fee	321	25 250 26 20	P.263.1 In 7 (i) P.263.1 In 25 (i) P.263.1 In 36 (i) P.263.3 In 9 (i)
18	Misc. State and Local Tax	-	-	
19	Sales & Use	(243,374)	89 517 7,206 83,614 (334,800)	P.263 In 16 (i) P.263 In 17 (i) P.263.1 In 12 (i) P.263.1 In 13 (i) P.263.1 In 14 (i)
20	Federal Excise Tax	10,492	10,492	P.263 In 6 (i)
21	Michigan Single Business Tax	-	-	
22	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	73,606,279	73,606,279	

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 state 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 2010 FF1 Balances**  
**Worksheet I Supporting Transmission Plant in Service Additions**  
**INDIANA MICHIGAN POWER COMPANY**

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

**I. Calculation of Composite Depreciation Rate**

1	Transmission Plant @ Beginning of Historic Period (2010) (P.206, In 58,(b)):	1,153,823,876
2	Transmission Plant @ End of Historic Period (2010) (P.207, In 58,(g)):	1,188,467,115
3		2,342,290,991
4	Average Balance of Transmission Investment	1,171,145,496
5	Annual Depreciation Expense, Historic TCOS, In 276	16,631,054
6	Composite Depreciation Rate	1.42%
7	Round to 1.42% to Reflect a Composite Life of 70 Years	1.42%

**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	\$ 4,626,930	1.42%	\$ 65,702	\$ 5,475	11	\$ 60,225
10	February	\$ 2,573,406	1.42%	\$ 36,542	\$ 3,045	10	\$ 30,450
11	March	\$ 2,674,979	1.42%	\$ 37,985	\$ 3,165	9	\$ 28,485
12	April	\$ 2,626,638	1.42%	\$ 37,298	\$ 3,108	8	\$ 24,864
13	May	\$ 4,757,772	1.42%	\$ 67,560	\$ 5,630	7	\$ 39,410
14	June	\$ 3,172,161	1.42%	\$ 45,045	\$ 3,754	6	\$ 22,524
15	July	\$ 2,646,445	1.42%	\$ 37,580	\$ 3,132	5	\$ 15,660
16	August	\$ 1,015,932	1.42%	\$ 14,426	\$ 1,202	4	\$ 4,808
17	September	\$ 1,718,914	1.42%	\$ 24,409	\$ 2,034	3	\$ 6,102
18	October	\$ 1,539,820	1.42%	\$ 21,865	\$ 1,822	2	\$ 3,644
19	November	\$ 923,671	1.42%	\$ 13,116	\$ 1,093	1	\$ 1,093
20	December	\$ 3,387,533	1.42%	\$ 48,103	\$ 4,009	0	-
21	Investment	<u>\$ 31,664,202</u>				Depreciation Expense	<u>\$ 237,265</u>

**III. Plant Transferred**

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

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

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

AEP East Companies  
Cost of Service Formula Rate Using 2010 FF1 Balances  
Worksheet J Supporting Calculation of PROJECTED PJM RTEP Project Revenue Requirement Billed to Benefiting Zones  
INDIANA MICHIGAN 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	47.22%	6.31%	2.978%
Preferred Stock	0.25%	4.20%	0.010%
Common Stock	52.53%	11.49%	6.036%
		R =	9.024%

SUMMARY OF PROJECTED ANNUAL RTEP REVENUE REQUIREMENTS				
	Rev Require	W Incentives	Incentive Amounts	
PROJECTED YEAR	2011	1,487,355	1,487,355	\$ -

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

Rate Base (Projected TCOS, In 78)	553,093,765
R (from A. above)	9.024%
Return (Rate Base x R)	49,912,468

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

Return (from B. above)	49,912,468
Effective Tax Rate (Projected TCOS, In 126)	41.45%
Income Tax Calculation (Return x CIT)	20,686,391
ITC Adjustment	(790,345)
Income Taxes	19,896,046

**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)	102,001,398
T.E.A. & Lease Payments (Projected TCOS, Lns 105 & 106)	(25,187,746)
Return (Projected TCOS, In 134)	49,912,468
Income Taxes (Projected TCOS, In 133)	19,896,046
Annual Revenue Requirement, Less TEA Charges, Return and Taxes	57,380,630

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	57,380,630
Return (from I.B. above)	49,912,468
Income Taxes (from I.C. above)	19,896,046
Annual Revenue Requirement, with Basis Point ROE increase	127,189,144
Depreciation (Projected TCOS, In 111)	16,041,838
Annual Rev. Req, w/ Basis Point ROE increase, less Depreciation	111,147,306

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

Net Transmission Plant (Projected TCOS, In 48)	649,813,755
Annual Revenue Requirement, with Basis Point ROE increase	127,189,144
FCR with Basis Point increase in ROE	19.57%
Annual Rev. Req, w / Basis Point ROE increase, less Dep.	111,147,306
FCR with Basis Point ROE increase, less Depreciation	17.10%
FCR less Depreciation (Projected TCOS, In 9)	16.67%
Incremental FCR with Basis Point ROE increase, less Depreciation	0.43%

**III. Calculation of Composite Depreciation Rate**

Transmission Plant @ Beginning of Historic Period (2010) (P.206, In 58,(b)):	1,153,823,876
Transmission Plant @ End of Historic Period (2010) (P.207, In 58,(g)):	1,188,467,115
Subtotal	2,342,290,991
Average Transmission Plant Balance for 2010	1,171,145,496
Annual Depreciation Rate (Projected TCOS, In 111)	16,631,054
Composite Depreciation Rate	1.42%
Depreciable Life for Composite Depreciation Rate	70.42
Round to nearest whole year	70

I & M Worksheet J - ATRR PROJECTED Calculation for PJM Projects Charged to Benefiting Zones

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

A. Base Plan Facilities

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

Project Description: Twin Branch [REDACTED]

Current Projected Year ARR	1,487,355
Current Projected Year ARR w/ Incentive	1,487,355
Current Projected Year Incentive ARR	-

Details			
Investment	8,496,106	Current Year	2011
Service Year (yyyy)	2009	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	6	FCR w/o incentives, less depreciation	16.67%
Useful life	70	FCR w/incentives approved for these facilities, less dep.	16.67%
CIAC (Yes or No)	No	Annual Depreciation Expense	121,373

**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	8,496,106	60,886	8,435,220	1,467,142	1,467,142	\$ -		
2010	8,435,420	121,373	8,314,047	1,507,592	1,507,592	\$ -		
2011	8,314,047	121,373	8,192,674	1,487,355	1,487,355	\$ -	\$ 1,408,114	\$ 1,408,114
2012	8,192,674	121,373	8,071,301	1,467,118	1,467,118	\$ -		
2013	8,071,301	121,373	7,949,928	1,446,882	1,446,882	\$ -		
2014	7,949,928	121,373	7,828,555	1,426,645	1,426,645	\$ -		
2015	7,828,555	121,373	7,707,182	1,406,408	1,406,408	\$ -		
2016	7,707,182	121,373	7,585,809	1,386,171	1,386,171	\$ -		
2017	7,585,809	121,373	7,464,436	1,365,934	1,365,934	\$ -		
2018	7,464,436	121,373	7,343,063	1,345,698	1,345,698	\$ -		
2019	7,343,063	121,373	7,221,690	1,325,461	1,325,461	\$ -		
2020	7,221,690	121,373	7,100,317	1,305,224	1,305,224	\$ -		
2021	7,100,317	121,373	6,978,944	1,284,987	1,284,987	\$ -		
2022	6,978,944	121,373	6,857,571	1,264,751	1,264,751	\$ -		
2023	6,857,571	121,373	6,736,198	1,244,514	1,244,514	\$ -		
2024	6,736,198	121,373	6,614,825	1,224,277	1,224,277	\$ -		
2025	6,614,825	121,373	6,493,452	1,204,040	1,204,040	\$ -		
2026	6,493,452	121,373	6,372,080	1,183,804	1,183,804	\$ -		
2027	6,372,080	121,373	6,250,707	1,163,567	1,163,567	\$ -		
2028	6,250,707	121,373	6,129,334	1,143,330	1,143,330	\$ -		
2029	6,129,334	121,373	6,007,961	1,123,093	1,123,093	\$ -		
2030	6,007,961	121,373	5,886,588	1,102,856	1,102,856	\$ -		
2031	5,886,588	121,373	5,765,215	1,082,620	1,082,620	\$ -		
2032	5,765,215	121,373	5,643,842	1,062,383	1,062,383	\$ -		
2033	5,643,842	121,373	5,522,469	1,042,146	1,042,146	\$ -		
2034	5,522,469	121,373	5,401,096	1,021,909	1,021,909	\$ -		
2035	5,401,096	121,373	5,279,723	1,001,673	1,001,673	\$ -		
2036	5,279,723	121,373	5,158,350	981,436	981,436	\$ -		
2037	5,158,350	121,373	5,036,977	961,199	961,199	\$ -		
2038	5,036,977	121,373	4,915,604	940,962	940,962	\$ -		
2039	4,915,604	121,373	4,794,231	920,725	920,725	\$ -		
2040	4,794,231	121,373	4,672,858	900,489	900,489	\$ -		
2041	4,672,858	121,373	4,551,485	880,252	880,252	\$ -		
2042	4,551,485	121,373	4,430,112	860,015	860,015	\$ -		
2043	4,430,112	121,373	4,308,739	839,778	839,778	\$ -		
2044	4,308,739	121,373	4,187,367	819,542	819,542	\$ -		
2045	4,187,367	121,373	4,065,994	799,305	799,305	\$ -		
2046	4,065,994	121,373	3,944,621	779,068	779,068	\$ -		
2047	3,944,621	121,373	3,823,248	758,831	758,831	\$ -		
2048	3,823,248	121,373	3,701,875	738,595	738,595	\$ -		
2049	3,701,875	121,373	3,580,502	718,358	718,358	\$ -		
2050	3,580,502	121,373	3,459,129	698,121	698,121	\$ -		
2051	3,459,129	121,373	3,337,756	677,884	677,884	\$ -		
2052	3,337,756	121,373	3,216,383	657,647	657,647	\$ -		
2053	3,216,383	121,373	3,095,010	637,411	637,411	\$ -		
2054	3,095,010	121,373	2,973,637	617,174	617,174	\$ -		
2055	2,973,637	121,373	2,852,264	596,937	596,937	\$ -		
2056	2,852,264	121,373	2,730,891	576,700	576,700	\$ -		
2057	2,730,891	121,373	2,609,518	556,464	556,464	\$ -		
2058	2,609,518	121,373	2,488,145	536,227	536,227	\$ -		
2059	2,488,145	121,373	2,366,772	515,990	515,990	\$ -		
2060	2,366,772	121,373	2,245,399	495,753	495,753	\$ -		
2061	2,245,399	121,373	2,124,027	475,516	475,516	\$ -		
2062	2,124,027	121,373	2,002,654	455,280	455,280	\$ -		
2063	2,002,654	121,373	1,881,281	435,043	435,043	\$ -		
2064	1,881,281	121,373	1,759,908	414,806	414,806	\$ -		
2065	1,759,908	121,373	1,638,535	394,569	394,569	\$ -		
2066	1,638,535	121,373	1,517,162	374,333	374,333	\$ -		
2067	1,517,162	121,373	1,395,789	354,096	354,096	\$ -		
2068	1,395,789	121,373	1,274,416	333,859	333,859	\$ -		
Project Totals		7,221,690		55,789,945	55,789,945	-		

\*\* 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 2010 FF1 Balances  
Worksheet K Supporting Calculation of TRUE-UP PJM RTEP Project Revenue Requirement Billed to Benefiting Zones  
INDIANA MICHIGAN 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	49.76%	6.42%	3.194%
Preferred Stock	0.24%	4.20%	0.010%
Common Stock	50.00%	11.49%	5.745%
		R =	8.949%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPPROJECTS				
TRUE-UP YEAR	2010	Rev Require	W Incentives	Incentive Amounts
As Projected in Prior Year WS J				\$ -
Actual after True-up		\$ 1,520,047	\$ 1,520,047	\$ -
True-up of ARR For 2010		1,520,047	1,520,047	-

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

Rate Base (True-Up TCOS, In 78)	535,068,400
R (from A. above)	8.949%
Return (Rate Base x R)	47,885,733

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

Return (from B. above)	47,885,733
Effective Tax Rate (True-Up TCOS, In 126)	39.78%
Income Tax Calculation (Return x CIT)	19,048,586
ITC Adjustment (797,418)	
Income Taxes	18,251,168

**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)	98,146,723
T.E.A. & Lease Payments (True-Up TCOS, Lns 105 & 106)	(25,187,746)
Return (True-Up TCOS, In 134)	47,885,733
Income Taxes (True-Up TCOS, In 133)	18,251,168
Annual Revenue Requirement, Less TEA	57,197,568

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes	57,197,568
Return (from I.B. above)	47,885,733
Income Taxes (from I.C. above)	18,251,168
Annual Revenue Requirement, with 0 Basis Point ROE increase	123,334,469
Depreciation (True-Up TCOS, In 111)	16,032,032
Annual Rev. Req, w/ 0 Basis Point ROE increase, less Depreciation	107,302,437

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

Net Transmission Plant (True-Up TCOS, In 48)	642,486,605
Annual Revenue Requirement, with 0 Basis Point ROE increase	123,334,469
FCR with 0 Basis Point increase in ROE	19.20%

Annual Rev. Req, w/ 0 Basis Point ROE increase, less Dep.	107,302,437
FCR with 0 Basis Point ROE increase, less Depreciation	16.70%
FCR less Depreciation (True-Up TCOS, In 9)	16.70%
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)):	1,153,823,876
Transmission Plant @ End of Historic Period () (P.207, In 58,(g)):	1,188,467,115
Subtotal	2,342,290,991
Average Transmission Plant Balance for	1,171,145,496
Annual Depreciation Rate (True-Up TCOS, In 111)	16,631,054
Composite Depreciation Rate	1.42%
Depreciable Life for Composite Depreciation Rate	70.42
Round to nearest whole year	70

I & M 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:

2010	Rev Require	W Incentives	Incentive Amounts
Prior Yr Projected	-	-	-
Prior Yr True-Up	1,520,047	1,520,047	-
True-Up Adjustment	1,520,047	1,520,047	-

Details		Current Year	2010
Investment	8,496,106		
Service Year (yyyy)	2009	ROE increase accepted by FERC (Basis Points)	-
Service Month (1-12)	6	FCR w/o incentives, less depreciation	16.70%
Useful life	70	FCR w/incentives approved for these facilities, less dep.	16.70%
CIAC (Yes or No)	No	Annual Depreciation Expense	121.373

**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	8,496,106	60,686	8,435,420	8,465,763	1,474,563	1,474,563	\$ -	\$ 1,408,114	\$ 66,449	\$ 1,408,114	\$ 66,449	\$ -
2010	8,435,420	121,373	8,314,047	8,374,733	1,520,047	1,520,047	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011	8,314,047	121,373	8,192,674	8,253,360	1,499,776	1,499,776	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	8,192,674	121,373	8,071,301	8,131,987	1,479,506	1,479,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2013	8,071,301	121,373	7,949,928	8,010,614	1,459,235	1,459,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	7,949,928	121,373	7,828,555	7,889,241	1,438,964	1,438,964	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	7,828,555	121,373	7,707,182	7,767,868	1,418,694	1,418,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	7,707,182	121,373	7,585,809	7,646,495	1,398,423	1,398,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	7,585,809	121,373	7,464,436	7,525,122	1,378,152	1,378,152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	7,464,436	121,373	7,343,063	7,403,750	1,357,882	1,357,882	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	7,343,063	121,373	7,221,690	7,282,377	1,337,611	1,337,611	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	7,221,690	121,373	7,100,317	7,161,004	1,317,341	1,317,341	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	7,100,317	121,373	6,978,944	7,039,631	1,297,070	1,297,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	6,978,944	121,373	6,857,571	6,918,258	1,276,799	1,276,799	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	6,857,571	121,373	6,736,198	6,796,885	1,256,529	1,256,529	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2024	6,736,198	121,373	6,614,825	6,675,512	1,236,258	1,236,258	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2025	6,614,825	121,373	6,493,452	6,554,139	1,215,987	1,215,987	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2026	6,493,452	121,373	6,372,080	6,432,766	1,195,717	1,195,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2027	6,372,080	121,373	6,250,707	6,311,393	1,175,446	1,175,446	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2028	6,250,707	121,373	6,129,334	6,190,020	1,155,175	1,155,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2029	6,129,334	121,373	6,007,961	6,068,647	1,134,905	1,134,905	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2030	6,007,961	121,373	5,886,588	5,947,274	1,114,634	1,114,634	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2031	5,886,588	121,373	5,765,215	5,825,901	1,094,364	1,094,364	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2032	5,765,215	121,373	5,643,842	5,704,528	1,074,093	1,074,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2033	5,643,842	121,373	5,522,469	5,583,155	1,053,822	1,053,822	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2034	5,522,469	121,373	5,401,096	5,461,782	1,033,552	1,033,552	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2035	5,401,096	121,373	5,279,723	5,340,409	1,013,281	1,013,281	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2036	5,279,723	121,373	5,158,350	5,219,037	993,010	993,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2037	5,158,350	121,373	5,036,977	5,097,664	972,740	972,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2038	5,036,977	121,373	4,915,604	4,976,291	952,469	952,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2039	4,915,604	121,373	4,794,231	4,854,918	932,198	932,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2040	4,794,231	121,373	4,672,858	4,733,545	911,928	911,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2041	4,672,858	121,373	4,551,485	4,612,172	891,657	891,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2042	4,551,485	121,373	4,430,112	4,490,799	871,387	871,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2043	4,430,112	121,373	4,308,739	4,369,426	851,116	851,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2044	4,308,739	121,373	4,187,367	4,248,053	830,845	830,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2045	4,187,367	121,373	4,065,994	4,126,680	810,575	810,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2046	4,065,994	121,373	3,944,621	4,005,307	790,304	790,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2047	3,944,621	121,373	3,823,248	3,883,934	770,033	770,033	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2048	3,823,248	121,373	3,701,875	3,762,561	749,763	749,763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2049	3,701,875	121,373	3,580,502	3,641,188	729,492	729,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2050	3,580,502	121,373	3,459,129	3,519,815	709,221	709,221	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2051	3,459,129	121,373	3,337,756	3,398,442	688,951	688,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2052	3,337,756	121,373	3,216,383	3,277,069	668,680	668,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2053	3,216,383	121,373	3,095,010	3,155,697	648,409	648,409	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2054	3,095,010	121,373	2,973,637	3,034,324	628,139	628,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2055	2,973,637	121,373	2,852,264	2,912,951	607,868	607,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2056	2,852,264	121,373	2,730,891	2,791,578	587,598	587,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2057	2,730,891	121,373	2,609,518	2,670,205	567,327	567,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2058	2,609,518	121,373	2,488,145	2,548,832	547,056	547,056	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2059	2,488,145	121,373	2,366,772	2,427,459	526,786	526,786	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2060	2,366,772	121,373	2,245,399	2,306,086	506,515	506,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2061	2,245,399	121,373	2,124,027	2,184,713	486,244	486,244	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2062	2,124,027	121,373	2,002,654	2,063,340	465,974	465,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2063	2,002,654	121,373	1,881,281	1,941,967	445,703	445,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2064	1,881,281	121,373	1,759,908	1,820,594	425,432	425,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2065	1,759,908	121,373	1,638,535	1,699,221	405,162	405,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2066	1,638,535	121,373	1,517,162	1,577,848	384,891	384,891	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2067	1,517,162	121,373	1,395,789	1,456,475	364,621	364,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2068	1,395,789	121,373	1,274,416	1,335,102	344,350	344,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Totals		7,221,690			56,474,270	56,474,270	-					

\*\* 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 2010 FF1 Balances  
Worksheet L Supporting Projected Cost of Debt  
INDIANA MICHIGAN POWER COMPANY

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

<u>Line Number</u>	<u>(A) Issuance</u>	<u>(B) Principle Outstanding</u>	<u>(C) Interest Rate</u>	<u>(D) Annual Expense (See Note S on Projected Template)</u>	<u>(E) Notes</u>
1	<b>Long Term Debt (FF1.p. 256-257.h)</b>				
2	Advances From Associated Co.	-	5.375%	-	
3					
4	<b>Installment Purchase Contracts (FF1.p. 256-257.h, a)</b>				
5	PCRB Lawrenceburg In. - Series I	25,000,000	0.330%	82,500	
6	PCRB Lawrenceburg In. - Series H	52,000,000	0.340%	176,800	
7	PCRB - Rockport In. - Series D	40,000,000	5.250%	2,100,000	
8	PCRB - Rockport In. - 2002 Series A	50,000,000	4.625%	2,312,500	
9	PCRB - Rockport In. - 2009 Series A	50,000,000	6.250%	3,125,000	
10	PCRB - Rockport In. - 2009 Series B	50,000,000	6.250%	3,125,000	
11	Senior Unsecured Notes - Series E	100,000,000	6.375%	6,375,000	
12	Senior Unsecured Notes - Series F	175,000,000	5.050%	8,837,500	
13	Senior Unsecured Notes - Series G	125,000,000	5.650%	7,062,500	
14	Senior Unsecured Notes - Series H	400,000,000	6.050%	24,200,000	
15	Senior Unsecured Notes - Series I	475,000,000	7.000%	33,250,000	
16					
17	<b>Issuance Discount, Premium, &amp; Expenses:</b>				
18	Auction Fees	FF1.p. 256 & 257.Lines Described as Fees		547,636	
19	Allowable Hedge Amortization (See Ln 35 Below)			1,549,104	
20	Amort of Debt Discount and Expenses	FF1.p. 117.63.c		3,103,138	
21	Amort of Debt Premiums (Enter Negative)	FF1.p. 117.65.c		-	
22	<b>Reacquired Debt:</b>				
23	Amortization of Loss	FF1.p. 117.64.c		1,399,579	
24	Amortization of Gain	FF1.p. 117.66.c		(1,712)	
25	<b>Total Interest on Long Term Debt</b>	1,542,000,000	6.31%	97,244,545	
26	<b>Preferred Stock (FF1.p. 250-251) Preferred Shares Outstanding</b>				
27	4.125% Series - \$100 - 55,257 Shares O/S	5,525,700	4.13%	227,935	
28	4.56% Series - \$100 - 14,412 Shares O/S	1,441,200	4.56%	65,719	
29	4.12% Series - \$100 - 11,055 Shares O/S	1,105,500	4.12%	45,547	
30	<b>Dividends on Preferred Stock</b>	8,072,400	4.20%	339,200	
31	Net Total Hedge Gains and Losses (WS M, Ln 34, (E))			1,549,104	
32	Total Projected Capital Structure Balance for 2011 (Projected TCOS, Ln 165)			3,265,497,447	
33	Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005	
34	Limit of Recoverable Amount			1,632,749	
35	<b>Recoverable Hedge Amortization (Lesser of Ln 31 or Ln 34)</b>			<b>1,549,104</b>	

**Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital  
Based on Average of Balances At 12/31/2009 & 12/31/2010**

(A)	(B)	(C) Balances @ 12/31/2010	(D) Balances @ 12/31/2009	(E) Average
<b>Development of Average Balance of Common Equity</b>				
1	Proprietary Capital (112.16.c&d)	1,702,420,053	1,680,859,984	1,691,640,019
2	Less Preferred Stock (Ln 54 Below)	8,072,400	8,076,800	8,074,600
3	Less Account 216.1 (112.12.c&d)	(189,146)	(581,331)	(385,239)
4	Less Account 219.1 (112.15.c&d)	(20,888,248)	(21,700,504)	(21,294,376)
5	<b>Average Balance of Common Equity</b>	<b>1,715,425,047</b>	<b>1,695,065,019</b>	<b>1,705,245,033</b>

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

6	Bonds (112.18.c&d)	-	-	-
7	Less: Reacquired Bonds (112.19.c&d)	-	-	-
8	LT Advances from Assoc. Companies (112.20.c&d)	-	25,000,000	12,500,000
9	Senior Unsecured Notes (112.21.c&d)	1,542,000,000	1,692,000,000	1,617,000,000
10	Less: Fair Value Hedges (See Note on Ln 12 below)	-	-	-
11	<b>Total Average Debt</b>	<b>1,542,000,000</b>	<b>1,717,000,000</b>	<b>1,629,500,000</b>

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 2010**

14	Interest on Long Term Debt (256-257.33.i)			100,106,931
15	Less: Total Hedge Gain/Expense Accumulated from p 256-257, col. (i) of FERC Form 1 included in Ln 14 and shown in Ln 33 below.			1,549,104
16	Plus: Allowed Hedge Recovery From Ln 38 below.			1,549,104
17	Amort of Debt Discount & Expense (117.63.c)			3,103,138
18	Amort of Loss on Reacquired Debt (117.64.c)			1,399,579
19	Less: Amort of Premium on Debt (117.65.c)			-
20	Less: Amort of Gain on Reacquired Debt (117.66.c)			1,712
21	<b>Total Interest Expense (Ln 14 + Ln 17 + Ln 18 - Ln 19 - Ln 20)</b>			<b>104,607,936</b>

**22 Average Cost of Debt for 2010 (Ln 21/Ln 11)**

**6.42%**

**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 2010	Less Excludable Amounts (See NOTE on Line 23)	Net Includable Hedge Amount	Amortization Period		
				Remaining Unamortized Balance	Beginning	Ending
24 Senior Unsecured Notes - Series G	877,839		877,839	3,401,628	November-04	November-14
25 Senior Unsecured Notes - Series H	(383,570)		(383,570)	(1,885,886)	December-05	November-15
26 Senior Unsecured Notes - Series I	1,054,835		1,054,835	11,571,924	November-06	February-37
27			-			
28			-			
29			-			
30			-			
31			-			
32			-			
				13,087,667		
33 Total Hedge Amortization	1,549,104	-				
34 Hedge Gain or Loss Prior to Application of Recovery Limit (Sum of Lines 24 to 32)			1,549,104			
35 Total Average Capital Structure Balance for 2010 (True-UP TCOS, Ln 165)			3,342,819,633			
36 Financial Hedge Recovery Limit - Five Basis Points of Total Capital			0.0005			
37 Limit of Recoverable Amount			1,671,410			
38 Recoverable Hedge Amortization (Lesser of Ln 34 or Ln 37)			<b>1,549,104</b>			

**Development of Cost of Preferred Stock**

Preferred Stock			Average
39 4.125% Series - 100 - Dividend Rate (p. 250-251. 9.a)	4.125%	4.125%	
40 4.125% Series - 100 - Par Value (p. 250-251. 9.c)	\$ 100.00	\$ 100.00	
41 4.125% Series - 100 - Shares O/S (p.250-251. 9.e)	55,257	55,301	
42 4.125% Series - 100 - Monetary Value (Ln 40 * Ln 41)	5,525,700	5,530,100	5,527,900
43 4.125% Series - 100 - Dividend Amount (Ln 39 * Ln 42)	227,935	228,117	228,026
44 4.12% Series - 100 - Dividend Rate (p. 250-251 11.a)	4.12%	4.12%	
45 4.12% Series - 100 - Par Value (p. 250-251 11.c)	\$ 100.00	\$ 100.00	
46 4.12% Series - 100 - Shares O/S (p.250-251 11.e)	11,055	11,055	
47 4.12% Series - 100 - Monetary Value (Ln 45 * Ln 46)	1,105,500	1,105,500	1,105,500
48 4.12% Series - 100 - Dividend Amount (Ln 44 * Ln 47)	45,547	45,547	45,547
49 4.56% Series - 100 - Dividend Rate (p. 250-251. 10.a)	4.56%	4.56%	
50 4.56% Series - 100 - Par Value (p. 250-251. 10.c)	\$ 100.00	\$ 100.00	
51 4.56% Series - 100 - Shares O/S (p.250-251 10.e)	14,412	14,412	
52 4.56% Series - 100 - Monetary Value (Ln 50 * Ln 51)	1,441,200	1,441,200	1,441,200
53 4.56% Series - 100 - Dividend Amount (Ln 49 * Ln 52)	65,719	65,719	65,719
54 Balance of Preferred Stock (Lns 42, 47, 52)	8,072,400	8,076,800	8,074,600
55 Dividends on Preferred Stock (Lns 43, 48, 53)	339,200	339,382	339,291
56 Average Cost of Preferred Stock (Ln 55/54)	4.20%	4.20%	4.20%

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

**AEP East Companies**  
**Cost of Service Formula Rate Using 2010 FF1 Balances**  
**Worksheet N - Gains (Losses) on Sales of Plant Held For Future Use**  
**INDIANA MICHIGAN POWER COMPANY**

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

Line	(A) Date	(B) Property Description	(C) Function (T) or (G) T = Transmission G = General	(D) Basis	(E) Proceeds	(F) (Gain) / Loss	(G) Functional Allocator	(H) Functionalized Proceeds (Gain) / Loss	(I) FERC Account
1						-	0.000%	-	
2						-	0.000%	-	
3						-	0.000%	-	
4					Net (Gain) or Loss for 2010	- <u>          </u>		- <u>          </u>	

AEP East Companies  
Cost of Service Formula Rate Using 2010 FF1 Balances  
Worksheet O - Calculation of Postemployment Benefits Other than Pensions Expenses Allocable to Transmission Service  
INDIANA MICHIGAN POWER COMPANY

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

**Allocation of PBOP Settlement Amount for 2010**

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 2010	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	13,207,032	26.27%	12,637,155	7.489%	989,110	946,430	42,680
2	CSP	7,759,634	15.44%	7,424,809	5.961%	462,523	442,566	19,958
3	I&M	13,602,157	27.06%	13,015,230	5.208%	708,440	677,872	30,569
4	KPCo	2,592,156	5.16%	2,480,306	9.956%	258,065	246,930	11,135
5	KNGP	386,298	0.77%	369,629	8.357%	32,284	30,891	1,393
6	OPCo	12,241,700	24.35%	11,713,476	9.182%	1,123,972	1,075,473	48,499
7	WPCo	480,113	0.96%	459,397	5.436%	26,101	24,975	1,126
8	<b>Sum of Lines 1 to 7</b>	50,269,090		48,100,000		3,600,497	3,445,137	155,360

**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	20,529,721	9,778,864	16,755,046	3,346,838	482,787	16,248,955	616,268	67,758,479
10 Additional PBOP Ledger Entries (from Company Records)	(2,695,814)	-	534,099	(1)	1	(443,953)	1	
11 Medicare Subsidy	(5,735,375)	(2,596,761)	(4,476,103)	(954,918)	(128,004)	(4,530,395)	(163,291)	(18,584,847)
12 Net Company Expense (Ln 9 + Ln 10 + Ln 11)	12,098,532	7,182,103	12,813,042	2,391,919	354,784	11,274,607	452,978	46,567,965
13 PBOP Expenses From AEP Service Corporation (from Company Records)	1,108,500	577,531	789,115	200,237	31,514	967,093	27,135	3,701,125
14 Company PBOP Expense (Ln 12 + Ln 13)	13,207,032	7,759,634	13,602,157	2,592,156	386,298	12,241,700	480,113	50,269,090

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

	INDIANA			MICHIGAN			FERC WHOLESALE			COMPANY	
	(1) PLANT ACCT.	IURC RATES	ALLOCATION FACTOR (4)	WTD AVG. DEPREC. RATE	(2) MPSC APPROVED RATES	ALLOCATION FACTOR (4)	WTD AVG. DEPREC. RATE	(3) FERC RATES	ALLOCATION FACTOR (4)	WTD AVG. DEPREC. RATE	WTD AVG. DEPREC. RATE
<b>TRANSMISSION PLANT</b>											
Land Improvements	350.1	1.1600%	0.654549	0.7593%	1.0700%	0.152798	0.1635%	1.0700%	0.192653	0.2061%	1.13%
Structures & Improvements	352.0	1.1500%	0.654549	0.7527%	1.1100%	0.152798	0.1696%	1.1100%	0.192653	0.2138%	1.14%
Station Equipment	353.0	1.4600%	0.654549	0.9556%	1.4200%	0.152798	0.2170%	1.4200%	0.192653	0.2736%	1.45%
Towers & Fixtures	354.0	1.4600%	0.654549	0.9556%	1.3100%	0.152798	0.2002%	1.3100%	0.192653	0.2524%	1.41%
Poles & Fixtures	355.0	2.1900%	0.654549	1.4335%	2.1400%	0.152798	0.3270%	2.1400%	0.192653	0.4123%	2.17%
Overhead Conductors	356.0	1.2300%	0.654549	0.8051%	1.1400%	0.152798	0.1742%	1.1400%	0.192653	0.2196%	1.20%
Underground Conduit	357.0	1.4500%	0.654549	0.9491%	1.3100%	0.152798	0.2002%	1.3100%	0.192653	0.2524%	1.40%
Underground Conductors	358.0	1.3500%	0.654549	0.8836%	1.2500%	0.152798	0.1910%	1.2500%	0.192653	0.2408%	1.32%
Trails & Roads	359.0	1.5000%	0.654549	0.9818%	1.4900%	0.152798	0.2277%	1.4900%	0.192653	0.2871%	1.50%

(1) As approved in Indiana Case No. 43231.

(2) As approved in MICHIGAN Case No. U15162.

(3) FERC wholesale formula rate agreements specify that the depreciation rates in the formula rates change upon approval of MPSC rates in the Michigan jurisdiction.

(4) The rates approved for each jurisdiction are updated when approved by that commission. These demand-based allocation factors for all jurisdictions are updated when new rates are approved in one of the jurisdictions. These allocation factors reflect I&M's 12 monthly Coincident Peaks during test year of the most recent rate case.

**GENERAL NOTES:**

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

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

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