

AEPTCo subsidiaries in PJM  
 Transmission Cost of Service Formula Rate  
 Utilizing Historic Cost Data for 2010 and Projected Net Plant at Year-End 2011

**AEP INDIANA MICHIGAN TRANSMISSION COMPANY**

| Line No. |  |                        | Total | Allocator  | Transmission Amount |
|----------|--|------------------------|-------|------------|---------------------|
| 1        | REVENUE REQUIREMENT (w/o incentives)           | (ln 136)               |       |            | \$1,222,638         |
| 2        | REVENUE CREDITS                                | (Note A) (Worksheet E) | -     | DA 1.00000 | \$ -                |
| 3        | REVENUE REQUIREMENT For All Company Facilities | (ln 1 less ln 2)       |       |            | \$ 1,222,638        |

**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)        |  | - | DA 1.00000 | \$ -   |
| 5  | NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)    |  |   |            |        |
| 6  | Annual Rate  | (ln 1 - ln 102 - ln 103) / ((ln 48 + ln 49 + ln 50 + ln 51 + ln 53) x 100)                                     |   |            | 16.11% |
| 7  | Monthly Rate   | (ln 6 / 12)  |   |            | 1.34%  |
| 8  | NET PLANT CARRYING CHARGE ON LINE 6, w/o depreciation or ROE incentives (Note B)         |  |   |            |        |
| 9  | Annual Rate  | (ln 1 - ln 102 - ln 103 - ln 108 - ln 109) / ((ln 48 + ln 49 + ln 50 + ln 51 + ln 53) x 100)                   |   |            | 15.57% |
| 10 | NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B) |  |   |            |        |
| 11 | Annual Rate  | (ln 1 - ln 102 - ln 103 - ln 108 - ln 109 - ln 131 - ln 132) / ((ln 48 + ln 49 + ln 50 + ln 51 + ln 53) x 100) |   |            | 3.20%  |
| 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  |   |            | -      |
| 15 | Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)        |  |   |            | -      |
| 16 | Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)  |  |   |            | -      |
| 17 | Total 561 Internally Developed Costs   | (Line 14 - Line 15 - Line 16)  |   |            | -      |

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| Line No. | (1)<br><u>RATE BASE CALCULATION</u>   | (2)<br><u>Data Sources</u><br><u>(See "General Notes")</u> | (3)<br><u>TO Total</u><br><u>NOTE C</u> | (4)<br><u>Allocator</u> | (5)<br><u>Total</u><br><u>Transmission</u> |
|----------|---|--|---|-------------------------|--|
| 18       | GROSS PLANT IN SERVICE  |  |   |                         |  |
| 18       | <i>Line Deliberately Left Blank</i>   |  |   |                         |  |
| 19       | <i>Line Deliberately Left Blank</i>   |  |   |                         |  |
| 20       | Transmission  | (Worksheet A In 3.C & Ln 140)                              | 4,504,519                               | DA                      | 4,504,519                                  |
| 21       | Less: Transmission ARO (Enter Negative)                                       | (Worksheet A In 4.C & Ln 141)                              | -                                       | TP                      | -  |
| 22       | Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.D)          |  | 3,128,014                               | DA                      | 3,128,014                                  |
| 23       | Plus: Additional Trans Plant on Transferred Assets (Worksheet I, In 22.D)     |  | -                                       | DA                      | -  |
| 24       | <i>Line Deliberately Left Blank</i>   |  |   |                         |  |
| 25       | <i>Line Deliberately Left Blank</i>   |  |   |                         |  |
| 26       | General Plant   | (Worksheet A In 7.C)                                       | -                                       | W/S                     | -  |
| 27       | Less: General Plant ARO (Enter Negative)                                      | (Worksheet A In 8.C)                                       | -                                       | W/S                     | -  |
| 28       | Intangible Plant  | (Worksheet A In 9.C)                                       | -                                       | W/S                     | -  |
| 29       | TOTAL GROSS PLANT   | (Sum of Lines: 20 to 23 & 26 to 28)                        | 7,632,533                               |                         | 7,632,533                                  |
| 30       | ACCUMULATED DEPRECIATION AND AMORTIZATION                                     |  |   |                         |  |
| 31       | <i>Line Deliberately Left Blank</i>   |  |   |                         |  |
| 32       | Less: Production ARO (Enter Negative)   | (Worksheet A In 13.C)                                      | -                                       | NA                      | -  |
| 33       | Transmission  | (Worksheet A In 14.C & 28.C)                               | (1)                                     | TP1=                    | (1)  |
| 34       | Less: Transmission ARO (Enter Negative)                                       | (Worksheet A In 15.C)                                      | -                                       | TP1=                    | -  |
| 35       | Plus: Transmission Plant-in-Service Additions (Worksheet I, In 21.I)          |  | 40,887                                  | DA                      | 40,887                                     |
| 36       | Plus: Additional Projected Deprec on Transferred Assets (Worksheet I In 24.D) |  | -                                       | DA                      | -  |
| 37       | Plus: Additional Transmission Depreciation for 2011 (In 108)                  |  | -                                       | TP1                     | -  |
| 38       | Plus: Additional General & Intangible Depreciation for 2011 (In 111 + In 112) |  | -                                       | W/S                     | -  |
| 39       | Plus: Additional Accum Deprec on Transferred Assets (Worksheet I In 23.D)     |  | -                                       | DA                      | -  |
| 40       | <i>Line Deliberately Left Blank</i>   |  |   |                         |  |
| 41       | <i>Line Deliberately Left Blank</i>   |  |   |                         |  |
| 42       | General Plant   | (Worksheet A In 18.C)                                      | -                                       | W/S                     | -  |
| 43       | Less: General Plant ARO (Enter Negative)                                      | (Worksheet A In 19.C)                                      | -                                       | W/S                     | -  |
| 44       | Intangible Plant  | (Worksheet A In 20.C)                                      | -                                       | W/S                     | -  |
| 45       | TOTAL ACCUMULATED DEPRECIATION  | (Sum of Lines: 33 to 39 & 42 to 44)                        | 40,886                                  |                         | 40,886                                     |
| 46       | NET PLANT IN SERVICE  |  |   |                         |  |
| 47       | <i>Line Deliberately Left Blank</i>   |  |   |                         |  |
| 48       | Transmission  | (In 20 + In 21 - In 33 - In 34)                            | 4,504,520                               |                         | 4,504,520                                  |
| 49       | Plus: Transmission Plant-in-Service Additions (In 22 - In 35)                 |  | 3,087,127                               |                         | 3,087,127                                  |
| 50       | Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)            |  | -                                       |                         | -  |
| 51       | Plus: Additional Transmission Depreciation for 2011 (-In 37)                  |  | -                                       |                         | -  |
| 52       | Plus: Additional General & Intangible Depreciation for 2011 (-In 38)          |  | -                                       |                         | -  |
| 53       | Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)    |  | -                                       |                         | -  |
| 54       | <i>Line Deliberately Left Blank</i>   |  |   |                         |  |
| 55       | General Plant   | (In 26 + In 27 - In 42 - In 43)                            | -                                       |                         | -  |
| 56       | Intangible Plant  | (In 28 - In 44)  | -                                       |                         | -  |
| 57       | TOTAL NET PLANT IN SERVICE  | (Sum of Lines: 48 to 53 & 55, 56)                          | 7,591,647                               |                         | 7,591,647                                  |
| 58       | DEFERRED TAX ADJUSTMENTS TO RATE BASE   | (Note D)   |   |                         |  |
| 59       | Account No. 281.1 (enter negative)  | (Worksheet B, In 2 & In 5.C)                               | -                                       | NA                      | -  |
| 60       | Account No. 282.1 (enter negative)  | (Worksheet B, In 7 & In 10.C)                              | -                                       | DA                      | -  |
| 61       | Account No. 283.1 (enter negative)  | (Worksheet B, In 12 & In 15.C)                             | (33,049)                                | DA                      | (33,049)                                   |
| 62       | Account No. 190.1   | (Worksheet B, In 17 & In 20.C)                             | 10,488                                  | DA                      | 10,488                                     |
| 63       | Account No. 255 (enter negative)  | (Worksheet B, In 24 & In 25.C)                             | -                                       | DA                      | -  |
| 64       | TOTAL ADJUSTMENTS   | (sum Ins 59 to 63)   | (22,561)                                |                         | (22,561)                                   |
| 65       | PLANT HELD FOR FUTURE USE   | (Worksheet A In 29.C & In 30.C)                            | -                                       | DA                      | -  |
| 66       | REGULATORY ASSETS   | (Worksheet A In 41. (C))                                   | -                                       | DA                      | -  |
| 67       | WORKING CAPITAL   | (Note E)   |   |                         |  |
| 68       | Cash Working Capital  | (1/8 * In 88)  | 1,857                                   |                         | 1,857                                      |
| 69       | Transmission Materials & Supplies   | (Worksheet C, In 2.(D))                                    | -                                       | TP                      | -  |
| 70       | A&G Materials & Supplies  | (Worksheet C, In 3.(D))                                    | -                                       | W/S                     | -  |
| 71       | Stores Expense  | (Worksheet C, In 4.(D))                                    | -                                       | GP(h)                   | -  |
| 72       | Prepayments (Account 165) - Labor Allocated                                   | (Worksheet C, In 6.G)                                      | -                                       | W/S                     | -  |
| 73       | Prepayments (Account 165) - Gross Plant                                       | (Worksheet C, In 6.F)                                      | -                                       | GP(h)                   | -  |
| 74       | Prepayments (Account 165) - Transmission Only                                 | (Worksheet C, In 6.E)                                      | -                                       | DA                      | -  |
| 75       | Prepayments (Account 165) - Unallocable                                       | (Worksheet C, In 6.D)                                      | -                                       | NA                      | -  |
| 76       | TOTAL WORKING CAPITAL   | (sum Ins 68 to 75)   | 1,857                                   |                         | 1,857                                      |
| 77       | IPP CONTRIBUTIONS FOR CONSTRUCTION  | (Note F) (Worksheet D, In 7.B)                             | -                                       | DA                      | -  |
| 78       | RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)                                    |  | 7,570,943                               |                         | 7,570,943                                  |

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Formula Rate  
Projected TCOS  
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| Line No. | (1)<br>EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION                             | (2)<br>Data Sources<br>(See "General Notes")     | (3)<br>TO Total | (4)<br>Allocator | (5)<br>Total Transmission |
|----------|--|--|-----------------|------------------|---------------------------|
|          | <b>OPERATION &amp; MAINTENANCE EXPENSE</b>   |  |                 |                  |                           |
| 79       | <i>Line Deliberately Left Blank</i>  |  |                 |                  |                           |
| 80       | <i>Line Deliberately Left Blank</i>  |  |                 |                  |                           |
| 81       | Customer Related Expense   | 322,164,171,178.b                                | -               |                  |                           |
| 82       | Regional Marketing Expenses  | 322,131.b  | -               |                  |                           |
| 83       | Transmission   | 321,112.b  | 14,856          |                  |                           |
| 84       | TOTAL O&M EXPENSES   | (sum lns 81 to 83)                               | 14,856          |                  |                           |
| 85       | Less: Total Account 561  | (Note G) (Worksheet F, ln 14.C)                  | -               |                  |                           |
| 86       | Less: Account 565  | (Note H) 321,96.b                                | -               |                  |                           |
| 87       | Less: State Regulatory Deferrals & Amortizations   | (Note I) (Worksheet F, ln 4.C)                   | -               |                  |                           |
| 88       | Total O&M Allocable to Transmission  | (lns 83 - 85 - 86 - 87)                          | 14,856          | TP 1.00000       | 14,856                    |
| 89       | Administrative and General   | 323,197.b (Note J)                               | 195,073         |                  |                           |
| 90       | Less: Acct. 924, Property Insurance  | 323,185.b  | -               |                  |                           |
| 91       | Acct. 928, Reg. Com. Exp.  | 323,189.b  | -               |                  |                           |
| 92       | Acct. 930.1, Gen. Advert. Exp.   | 323,191.b  | -               |                  |                           |
| 93       | Acct. 930.2, Misc. Gen. Exp.   | 323,192.b  | -               |                  |                           |
| 94       | Balance of A & G   | (ln 89 - sum ln 90 to ln 93)                     | 195,073         | W/S 1.00000      | 195,073                   |
| 95       | Plus: Acct. 924, Property Insurance  | (ln 90)  | -               | GP(h) 1.00000    | -                         |
| 96       | Acct. 928 - Transmission Specific  | Worksheet F ln 20.(E) (Note L)                   | -               | TP 1.00000       | -                         |
| 97       | Acct 930.1 - Only safety related ads -Direct   | Worksheet F ln 37.(E) (Note L)                   | -               | TP 1.00000       | -                         |
| 98       | Acct 930.2 - Misc Gen. Exp. - Trans  | Worksheet F ln 42.(E) (Note L)                   | -               | DA 1.00000       | -                         |
| 99       | PBOP Adjustment  | Worksheet O Ln 16 (B), (Note K & M)              | 6,107           | W/S 1.00000      | 6,107                     |
| 100      | A & G Subtotal   | (sum lns 94 to 99)                               | 201,180         |                  | 201,180                   |
| 101      | O & M EXPENSE SUBTOTAL   | (ln 88 + ln 100)                                 | 216,036         |                  | 216,036                   |
| 102      | Plus: TEA Settlement in Account 565  | Company Records (Note H)                         | -               | DA 1.00000       | -                         |
| 103      | Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)       |  | -               | DA 1.00000       | -                         |
| 104      | TOTAL O & M EXPENSE  | (ln 101 + ln 102 + ln 103)                       | 216,036         |                  | 216,036                   |
| 105      | <b>DEPRECIATION AND AMORTIZATION EXPENSE</b>   |  |                 |                  |                           |
| 106      | <i>Line Deliberately Left Blank</i>  |  |                 |                  |                           |
| 107      | <i>Line Deliberately Left Blank</i>  |  |                 |                  |                           |
| 108      | Transmission   | 336.7.f  | -               | TP1 1.00000      | -                         |
| 109      | Plus: Transmission Plant-in-Service Additions (Worksheet I ln 21.I)                          |  | 40,887          | DA 1.00000       | 40,887                    |
| 110      | Plus: Formation Costs Amortization   | (Worksheet A ln 37.C)                            | 26,979          | TP1 1.00000      | 26,979                    |
| 111      | General  | 336.10.f   | -               | W/S 1.00000      | -                         |
| 112      | Intangible   | 336.1.f  | -               | W/S 1.00000      | -                         |
| 113      | TOTAL DEPRECIATION AND AMORTIZATION  | (Lns 108+109+111+112)                            | 67,866          |                  | 67,866                    |
| 114      | <b>TAXES OTHER THAN INCOME</b>   |  |                 |                  |                           |
| 115      | Labor Related  |  |                 |                  |                           |
| 116      | Payroll  | Worksheet H ln 23.(D)                            | -               | W/S 1.00000      | -                         |
| 117      | Plant Related  |  | -               |                  | -                         |
| 118      | Property   | Worksheet H ln 23.(C) & ln 58.(C)                | -               | DA               | -                         |
| 119      | Gross Receipts/Sales & Use   | Worksheet H ln 23.(F)                            | -               | NA               | -                         |
| 120      | Other  | Worksheet H ln 23.(E)                            | -               | GP(h) 1.00000    | -                         |
| 121      | TOTAL OTHER TAXES  | (sum lns 116 to 120)                             | -               |                  | -                         |
| 122      | <b>INCOME TAXES</b>  |  |                 |                  |                           |
| 123      | T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) =                                      |  | 39.73%          |                  |                           |
| 124      | EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =   |  | 43.36%          |                  |                           |
| 125      | where WCLTD=(ln 174) and WACC = (ln 177)   |  |                 |                  |                           |
| 126      | and FIT, SIT & p are as given in Note O.   |  |                 |                  |                           |
| 127      | GRCF=1 / (1 - T) = (from ln 123)   |  | 1.6591          |                  |                           |
| 128      | Amortized Investment Tax Credit (enter negative)   | (FF1 p.114, ln 19.c)                             | -               |                  |                           |
| 129      | Income Tax Calculation   | (ln 124 * ln 132)                                | 283,921         |                  | 283,921                   |
| 130      | ITC adjustment   | (ln 127 * ln 128)                                | -               | NP(h) 1.00000    | -                         |
| 131      | TOTAL INCOME TAXES   | (sum lns 129 to 130)                             | 283,921         |                  | 283,921                   |
| 132      | RETURN ON RATE BASE (Rate Base * WACC)   | (ln 78 * ln 177)                                 | 654,815         |                  | 654,815                   |
| 133      | INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, ln 2.(B))                     |  | -               | DA 1.00000       | -                         |
| 134      | (Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, ln 4, Cols. ((F) & (H)) |  | -               |                  | -                         |
| 135      | Tax Impact on (Gains) / Losses on Sales of Plant Held for Future Use (ln 134 * ln124)        |  | -               |                  | -                         |
| 136      | TOTAL REVENUE REQUIREMENT  | (sum lns 104, 113, 121, 131, 132, 133, 134, 135) | 1,222,638       |                  | 1,222,638                 |

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SUPPORTING CALCULATIONS

|        |   |   |                |  |                |              |              |                |
|--------|---|---|----------------|--|----------------|--------------|--------------|----------------|
| In No. | TRANSMISSION PLANT INCLUDED IN PJM TARIFF                   |   |                |  |                |              |              |                |
| 137    | Total transmission plant                                    | (In 20)                                 |                |  |                |              |              | 4,504,519      |
| 138    | Less transmission plant excluded from PJM Tariff            | (Note P)                                |                |  |                |              |              | -              |
| 139    | Less transmission plant included in OATT Ancillary Services | (Worksheet A, In 23, Col. (C)) (Note Q) |                |  |                |              |              | -              |
| 140    | Transmission plant included in PJM Tariff                   | (In 137 - In 138 - In 139)              |                |  |                |              |              | 4,504,519      |
| 141    | Percent of transmission plant in PJM Tariff                 | (In 140 / In 137)                       |                |  |                |              | <b>TP</b>    | <b>1.00000</b> |
| 142    | WAGES & SALARY ALLOCATOR (W/S)                              | (Note R)                                | Direct Payroll | Payroll Billed from<br>AEP Service Corp. | Total          |              |              |                |
| 143    | <i>Line Deliberately Left Blank</i>                         |   |                |  |                |              |              |                |
| 144    | Transmission  | 354.21.b                                | 0              | 9,454                                    | 9,454          | TP           | 1.00000      | 9,454          |
| 145    | Regional Market Expenses                                    | 354.22.b                                | 0              | 0  | -              | NA           | 0.00000      | -              |
| 146    | <i>Line Deliberately Left Blank</i>                         |   |                |  |                |              |              |                |
| 147    | Other (Excludes A&G)  | 354.24,25,26.b                          | 0              | 0  | -              | NA           | 0.00000      | -              |
| 148    | Total   | (sum Ins 144, 145, & 147)               | 0              | 9,454                                    | 9,454          |              |              | 9,454          |
| 149    | Transmission related amount                                 |   |                |  |                |              | <b>W/S=</b>  | <b>1.00000</b> |
| 150    | <b>Actual Capped Capital Cost Structure (Note S)</b>        |   |                |  |                |              |              | \$             |
| 151    | WEIGHTED AVERAGE COST OF CAPITAL (WACC)                     |   |                |  |                |              |              |                |
| 151    | Long Term Interest  | (Worksheet L, In. 34, col. (D))         |                |  |                | See W/S L    |              | -              |
| 152    | Preferred Dividends   | (Worksheet L, In. 44, col. (D))         |                |  |                |              |              | -              |
| 153    | <u>Development of Common Stock:</u>                         |   |                |  |                |              |              |                |
| 154    | Proprietary Capital   | (FF1 p 112, Ln 16.c)                    |                |  |                |              |              | 79             |
| 155    | Less: Preferred Stock                                       | (FF1 p 112, Ln 3.c)                     |                |  |                |              |              | -              |
| 156    | Less: Account 216.1   | (FF1 p 112, Ln 12.c)                    |                |  |                |              |              | -              |
| 157    | Less: Account 219   | (FF1 p 112, Ln 15.c)                    |                |  |                |              |              | -              |
| 158    | Common Stock  | (In 154 - In 155 - In 156 - In 157)     |                |  |                |              |              | 79             |
|        |   | \$                                      |                |  |                |              |              |                |
|        |   |   |                |  |                |              |              |                |
| 159    | Long Term Debt  | Worksheet L, In 34, col. (B))           | -              | -  | 50.00%         | -            | -            | 0.0000         |
| 160    | Preferred Stock (In 155)                                    |   | -              | -  | 0.00%          | -            | -            | 0.0000         |
| 161    | Common Stock (In 158)                                       |   | 79             | 1  | 50.00%         | 11.49%       |              | 0.0575         |
| 162    | Total (Sum Ins 159 to 161)                                  |   | 79             | 1  | 1              | <b>WACC=</b> |              | <b>0.0575</b>  |
| 163    | Capital Structure Equity Limit (Note T)                     |   |                |  |                |              |              | 50.0%          |
| 164    | <b>AEP OPERATING COMPANIES' COMPOSITE (Note S)</b>          |   |                |  |                |              |              | \$             |
| 164    | WEIGHTED AVERAGE COST OF CAPITAL (WACC)                     |   |                |  |                |              |              |                |
| 165    | Long Term Interest  | (Worksheet Q, In. 14)                   |                |  |                |              |              | 586,715,404    |
| 166    | Preferred Dividends   | (Worksheet Q, In. 36)                   |                |  |                |              |              | 1,869,421      |
| 167    | <u>Development of Common Stock:</u>                         |   |                |  |                |              |              |                |
| 168    | Proprietary Capital   | (Worksheet Q, In. 37)                   |                |  |                |              |              | 9,696,588,831  |
| 169    | Less: Preferred Stock                                       | (Worksheet Q, In. 38)                   |                |  |                |              |              | 42,434,700     |
| 170    | Less: Account 216.1   | (Worksheet Q, In. 39)                   |                |  |                |              |              | 3,524,364      |
| 171    | Less: Account 219   | (Worksheet Q, In. 40)                   |                |  |                |              |              | (251,294,035)  |
| 172    | Common Stock  | (In 168 - In 169 - In 170 - In 171)     |                |  |                |              |              | 9,901,923,802  |
| 173    |   |   |                |  |                |              |              |                |
|        |   |   |                |  |                |              |              |                |
| 174    | Long Term Debt  | (Worksheet Q, In 50)                    |                | 50.35%                                   | 9,982,635,524  |              | 0.0588       | 0.0296         |
| 175    | Preferred Stock (Worksheet Q, In 51)                        |   |                | 0.21%                                    | 42,434,700     |              | 0.0441       | 0.0001         |
| 176    | Common Stock (Worksheet Q, In 52)                           |   |                | 49.44%                                   | 9,802,693,462  |              | 11.49%       | 0.0568         |
| 177    | Total (Worksheet Q, In 45)                                  |   |                |  | 19,827,763,686 |              | <b>WACC=</b> | <b>0.0865</b>  |

AEP INDIANA MICHIGAN TRANSMISSION COMPANY

| <u>Letter</u> | <u>Notes</u>  |   |        |  |      |       |   |     |       |   |
|---------------|---|---|--------|--|------|-------|---|-----|-------|---|
|               | General Notes: a) References to data from Worksheets are indicated as: Worksheet X, Line#.Column.X  |   |        |  |      |       |   |     |       |   |
| A             | Revenue credits include:<br>1) Forfeited Discounts.<br>2) Miscellaneous Service Revenues.<br>3) Rental revenues earned on assets included in the rate base.<br>4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.<br>5) Other electric revenues.<br>6) Revenues for grandfathered PTP contracts included in the load divisor.<br>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.<br>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:<br>1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 85.<br>2) AEP transmission equalization transfers, as shown on line 86<br>3) The impact of state regulatory deferrals and amortizations, as shown on line 87<br>4) All A&G Expenses, as shown on line 100.  |   |        |  |      |       |   |     |       |   |
| 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 133.   |   |        |  |      |       |   |     |       |   |
| 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 102 and 103 to determine the total O&M collected in the formula. The amounts on lines 102 and 103 are also excluded in the calculation of the FCR percentage calculated on lines 5 through 11.<br>The addbacks on lines 102 and 103 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.<br>The company records referenced on lines 102 and 103 is the AEP INDIANA MICHIGAN TRANSMISSION 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             | The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor 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 ER10-355, recoverable PBOP expense is based on a rate of 9.4 cents per dollar of direct labor. This rate may be adjusted up or down every four years based on a comparison of the Allowable TransCo PBOP Expense and the Actual PBOP Expense for a four year Historic and four year Projected period. If the over or under collection is greater than plus or minus 20% of the recoverable amount, an adjustment will be proposed in a Section 205 rate filing.  |   |        |  |      |       |   |     |       |   |
| 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.<br>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)<br>(In 128) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.<br>Inputs Required: <table border="0" style="margin-left: 20px; width: 50%;"> <tr> <td style="padding-right: 20px;">FIT =</td> <td style="padding-right: 20px;">35.00%</td> <td></td> </tr> <tr> <td>SIT=</td> <td>7.27%</td> <td>(State Income Tax Rate or Composite SIT. Worksheet G)</td> </tr> <tr> <td>p =</td> <td>0.00%</td> <td>(percent of federal income tax deductible for state purposes)</td> </tr> </table>   | FIT =   | 35.00% |  | SIT= | 7.27% | (State Income Tax Rate or Composite SIT. Worksheet G) | p = | 0.00% | (percent of federal income tax deductible for state purposes) |
| FIT =         | 35.00%  |   |        |  |      |       |   |     |       |   |
| SIT=          | 7.27%   | (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             | As shown on Worksheet Q, the AEP Appalachian Transmission Company capital structure and weighted cost of capital (WACC) shall be based on (1) the weighted composite of AEP East Operating Companies' actual end-of-year capital structure, including year-end outstanding long term debt (LTD) and preferred stock (PS) issuances (Projected) or the beginning and ending average capital structure, including the beginning and ending average outstanding LTD and PS issuances (True-Up) with the common equity portion as capped in Docket No. ER08-1329 where any excess common equity is priced at the cost of LTD and the composite equity ratio is further capped at 50%, and (2) the actual weighted composite LTD and PS cost using actual calendar year LTD expense and PS dividends of the AEP East Operating Companies excluding all interest rate hedging costs and/or gains, until the the Company establishes its own actual capital structure.<br>Upon establishment of actual debt financing for Appalachian Transmission Company, the Company shall use its own actual capital structure capped by a 50% Common Equity Cap and its own LTD costs, excluding all interest rate hedging costs and/or gains, as computed on Worksheet L for the Projected TCOS or Worksheet M for the True Up TCOS. |   |        |  |      |       |   |     |       |   |
| T             | AEP INDIANA MICHIGAN TRANSMISSION COMPANY's Common Stock is limited to 50% of the capital structure. This limit may only be changed through a Section 205 or 206 filing effective after June 30, 2013.<br>If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure.  |   |        |  |      |       |   |     |       |   |

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| Line No. |  |                        | Total | DA      | Allocator | Transmission Amount |
|----------|--|------------------------|-------|---------|-----------|---------------------|
| 178      | REVENUE REQUIREMENT (w/o incentives)           | (In 313)               |       |         |           | \$785,482           |
| 179      | REVENUE CREDITS                                | (Note A) (Worksheet E) | -     | 1.00000 |           | -                   |
| 180      | REVENUE REQUIREMENT For All Company Facilities | (In 178 less In 179)   |       |         |           | \$ 785,482          |

**MEMO: The Carrying Charge Calculations on lines 183 to 188 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 181 is included in the total on line 180.**

|     |  |  |  |  |  |        |
|-----|--|--|--|--|--|--------|
| 181 | Not applicable on this template  |  |  |  |  |        |
| 182 | NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)      |  |  |  |  |        |
| 183 | Annual Rate  | ( In 178 - In 279 - In 280) / In 225 x 100)                            |  |  |  | 17.44% |
| 184 | Monthly Rate   | (In 183 / 12)  |  |  |  | 1.45%  |
| 185 | NET PLANT CARRYING CHARGE ON LINE 183 , w/o depreciation or ROE incentives (Note B)        |  |  |  |  |        |
| 186 | Annual Rate  | ( In 178 - In 279 - In 280 - In 285) / In 225 x 100)                   |  |  |  | 17.44% |
| 187 | NET PLANT CARRYING CHARGE ON LINE 186, w/o Return, income taxes or ROE incentives (Note B) |  |  |  |  |        |
| 188 | Annual Rate  | ( In 178 - In 279 - In 280 - In 285 - In 308 - In 309) / In 225 x 100) |  |  |  | 5.10%  |
| 189 | Not applicable on this template  |  |  |  |  |        |
| 190 | <b>REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES</b>   |  |  |  |  |        |
| 191 | Total Load Dispatch & Scheduling (Account 561)   | Line 262 Below   |  |  |  | -      |
| 192 | Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)          |  |  |  |  | -      |
| 193 | Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)    |  |  |  |  | -      |
| 194 | Total 561 Internally Developed Costs   | (Line 191 - Line 192 - Line 193)                                       |  |  |  | -      |

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| Line No. | (1)   | (2)   | (3)                        | (4)              | (5)                           |
|----------|---|---|----------------------------|------------------|-------------------------------|
|          | <b>RATE BASE CALCULATION</b>  | <b>Data Sources<br/>(See "General Notes")</b> | <b>TO Total<br/>NOTE C</b> | <b>Allocator</b> | <b>Total<br/>Transmission</b> |
| 195      | GROSS PLANT IN SERVICE  |   |                            |                  |                               |
| 196      | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 197      | Transmission  | (Worksheet A In 3.C & Ln 317)                 | 4,504,519                  | DA               | 4,504,519                     |
| 198      | Less: Transmission ARO (Enter Negative)                                       | (Worksheet A In 4.C & Ln 318)                 | -                          | TP               | -                             |
| 199      | Plus: Transmission Plant-in-Service Additions (Worksheet I)                   |   | N/A                        | NA               | N/A                           |
| 200      | Plus: Additional Trans Plant on Transferred Assets (Worksheet I)              |   | N/A                        | NA               | N/A                           |
| 201      | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 202      | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 203      | General Plant   | (Worksheet A In 7.C)                          | -                          | W/S              | -                             |
| 204      | Less: General Plant ARO (Enter Negative)                                      | (Worksheet A In 8.C)                          | -                          | W/S              | -                             |
| 205      | Intangible Plant  | (Worksheet A In 9.C)                          | -                          | W/S              | -                             |
| 206      | TOTAL GROSS PLANT   | (Sum of Lines: 197 to 200 & 203 to 205)       | 4,504,519                  | GP(h)=           | 4,504,519                     |
|          |   |   |                            | GTD=             | 1.00000                       |
| 207      | ACCUMULATED DEPRECIATION AND AMORTIZATION                                     |   |                            |                  |                               |
| 208      | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 209      | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 210      | Transmission  | (Worksheet A In 14.C & 28.C)                  | (1)                        | TP1=             | (1)                           |
| 211      | Less: Transmission ARO (Enter Negative)                                       | (Worksheet A In 15.C)                         | -                          | TP1=             | -                             |
| 212      | Plus: Transmission Plant-in-Service Additions (Worksheet I)                   |   | N/A                        | DA               | N/A                           |
| 213      | Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)         |   | N/A                        | DA               | N/A                           |
| 214      | Plus: Additional Transmission Depreciation for 2011 (In 285)                  |   | N/A                        | TP1              | N/A                           |
| 215      | Plus: Additional General & Intangible Depreciation for 2011 (In 284 + In 285) |   | N/A                        | W/S              | N/A                           |
| 216      | Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)             |   | N/A                        | DA               | N/A                           |
| 217      | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 218      | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 219      | General Plant   | (Worksheet A In 18.C)                         | -                          | W/S              | -                             |
| 220      | Less: General Plant ARO (Enter Negative)                                      | (Worksheet A In 19.C)                         | -                          | W/S              | -                             |
| 221      | Intangible Plant  | (Worksheet A In 20.C)                         | -                          | W/S              | -                             |
| 222      | TOTAL ACCUMULATED DEPRECIATION  | (Sum of Lines: 210 to 216 & 219 to 221)       | (1)                        |                  | (1)                           |
| 223      | NET PLANT IN SERVICE  |   |                            |                  |                               |
| 224      | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 225      | Transmission  | (In 197 + In 198 - In 210 - In 211)           | 4,504,520                  |                  | 4,504,520                     |
| 226      | Plus: Transmission Plant-in-Service Additions (In 199 - In 212)               |   | N/A                        |                  | N/A                           |
| 227      | Plus: Additional Trans Plant on Transferred Assets (In 200 - In 213)          |   | N/A                        |                  | N/A                           |
| 228      | Plus: Additional Transmission Depreciation for 2011 (-In 214)                 |   | N/A                        |                  | N/A                           |
| 229      | Plus: Additional General & Intangible Depreciation for 2011 (-In 215)         |   | N/A                        |                  | N/A                           |
| 230      | Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 216)   |   | N/A                        |                  | N/A                           |
| 231      | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 232      | General Plant   | (In 203 + In 204 - In 219 - In 220)           | -                          |                  | -                             |
| 233      | Intangible Plant  | (In 205 - In 221)                             | -                          |                  | -                             |
| 234      | TOTAL NET PLANT IN SERVICE  | (Sum of Lines: 225 to 230 & 232, 233)         | 4,504,520                  | NP(h)=           | 4,504,520                     |
| 235      | DEFERRED TAX ADJUSTMENTS TO RATE BASE   | (Note D)                                      |                            |                  |                               |
| 236      | Account No. 281.1 (enter negative)  | (Worksheet B, In 2 & In 5.C)                  | -                          | NA               | -                             |
| 237      | Account No. 282.1 (enter negative)  | (Worksheet B, In 7 & In 10.C)                 | -                          | DA               | -                             |
| 238      | Account No. 283.1 (enter negative)  | (Worksheet B, In 12 & In 15.C)                | (33,049)                   | DA               | (33,049)                      |
| 239      | Account No. 190.1   | (Worksheet B, In 17 & In 20.C)                | 10,488                     | DA               | 10,488                        |
| 240      | Account No. 255 (enter negative)  | (Worksheet B, In 24 & In 25.C)                | -                          | DA               | -                             |
| 241      | TOTAL ADJUSTMENTS   | (sum ins 236 to 240)                          | (22,561)                   |                  | (22,561)                      |
| 242      | PLANT HELD FOR FUTURE USE   | (Worksheet A In 29.C & In 30.C)               | -                          | DA               | -                             |
| 243      | REGULATORY ASSETS   | (Worksheet A In 41. (C))                      | -                          | DA               | -                             |
| 244      | WORKING CAPITAL   | (Note E)                                      |                            |                  |                               |
| 245      | Cash Working Capital  | (1/8 * In 265)                                | 1,857                      |                  | 1,857                         |
| 246      | Transmission Materials & Supplies   | (Worksheet C, In 2.(D))                       | -                          | TP               | -                             |
| 247      | A&G Materials & Supplies  | (Worksheet C, In 3.(D))                       | -                          | W/S              | -                             |
| 248      | Stores Expense  | (Worksheet C, In 4.(D))                       | -                          | GP(h)            | -                             |
| 249      | Prepayments (Account 165) - Labor Allocated                                   | (Worksheet C, In 6.G)                         | -                          | W/S              | -                             |
| 250      | Prepayments (Account 165) - Gross Plant                                       | (Worksheet C, In 6.F)                         | -                          | GP(h)            | -                             |
| 251      | Prepayments (Account 165) - Transmission Only                                 | (Worksheet C, In 6.E)                         | -                          | DA               | -                             |
| 252      | Prepayments (Account 165) - Unallocable                                       | (Worksheet C, In 6.D)                         | -                          | NA               | -                             |
| 253      | TOTAL WORKING CAPITAL   | (sum ins 245 to 252)                          | 1,857                      |                  | 1,857                         |
| 254      | IPP CONTRIBUTIONS FOR CONSTRUCTION  | (Note F) (Worksheet D, In 7.B)                | -                          | DA               | -                             |
| 255      | RATE BASE (sum ins 234, 241, 242, 243, 253, 254)                              |   | 4,483,816                  |                  | 4,483,816                     |



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SUPPORTING CALCULATIONS

|        |   |                                     |                                      |                                       |       |           |          |               |
|--------|---|-------------------------------------|--------------------------------------|---------------------------------------|-------|-----------|----------|---------------|
| In No. | TRANSMISSION PLANT INCLUDED IN PJM TARIFF   |                                     |                                      |                                       |       |           |          |               |
| 314    | Total transmission plant  | (In 197)                            |                                      |                                       |       |           |          | 4,504,519     |
| 315    | Less transmission plant excluded from PJM Tariff (Note P)   |                                     |                                      |                                       |       |           |          | -             |
| 316    | Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note Q) |                                     |                                      |                                       |       |           |          | -             |
| 317    | Transmission plant included in PJM Tariff   | (In 314 - In 315 - In 316)          |                                      |                                       |       |           |          | 4,504,519     |
| 318    | Percent of transmission plant in PJM Tariff   | (In 317 / In 314)                   |                                      |                                       |       |           | TP=      | 1.00000       |
| 319    | WAGES & SALARY ALLOCATOR (W/S)  | (Note R)                            |                                      |                                       |       |           |          |               |
| 320    | <i>Line Deliberately Left Blank</i>   |                                     |                                      |                                       |       |           |          |               |
| 321    | Transmission  | 354.21.b                            | Direct Payroll                       | Payroll Billed from AEP Service Corp. | Total |           |          |               |
| 322    | Regional Market Expenses  | 354.22.b                            | 0                                    | 9,454                                 | 9,454 | TP        | 1.00000  | 9,454         |
| 323    | <i>Line Deliberately Left Blank</i>   |                                     | 0                                    |                                       | -     | NA        | 0.00000  | -             |
| 324    | Other (Excludes A&G)  | 354.24,25,26.b                      | 0                                    |                                       | -     | NA        | 0.00000  | -             |
| 325    | Total   | (sum Ins 321, 322, & 324)           | 0                                    | 9,454                                 | 9,454 |           |          | 9,454         |
| 326    | Transmission related amount   |                                     |                                      |                                       |       |           | W/S=     | 1.00000       |
| 327    | <b>Actual (Uncapped) Capital Structure</b>  |                                     |                                      |                                       |       |           |          | \$            |
| 328    | WEIGHTED AVERAGE COST OF CAPITAL (WACC)   |                                     |                                      |                                       |       |           |          |               |
| 329    | Long Term Interest  | (Worksheet L, In. 34, col. (D))     |                                      |                                       |       | See W/S L |          | -             |
| 329    | Preferred Dividends   | (Worksheet L, In. 44, col. (D))     |                                      |                                       |       |           |          | -             |
| 330    | <u>Development of Common Stock:</u>   |                                     |                                      |                                       |       |           |          |               |
| 331    | Proprietary Capital   | (FF1 p 112, Ln 16.c)                |                                      |                                       |       |           |          | 79            |
| 332    | Less: Preferred Stock   | (FF1 p 112, Ln 3.c)                 |                                      |                                       |       |           |          | -             |
| 333    | Less: Account 216.1   | (FF1 p 112, Ln 12.c)                |                                      |                                       |       |           |          | -             |
| 334    | Less: Account 219   | (FF1 p 112, Ln 15.c)                |                                      |                                       |       |           |          | -             |
| 335    | Common Stock  | (In 331 - In 332 - In 333 - In 334) |                                      |                                       |       |           |          | 79            |
|        |   |                                     | <b>Capital Structure Percentages</b> |                                       |       |           |          |               |
|        |   |                                     | \$                                   | %                                     |       | Cost      | Weighted |               |
| 336    | Long Term Debt (Worksheet L, In 34, col. (B))   |                                     | -                                    | 0.00%                                 |       | -         | 0.0000   |               |
| 337    | Preferred Stock (In 332)  |                                     | -                                    | 0.00%                                 |       | -         | 0.0000   |               |
| 338    | Common Stock (In 335)   |                                     | 79                                   | 100.00%                               |       | 11.49%    | 0.1149   |               |
| 339    | Total (Sum Ins 336 to 338)  |                                     | 79                                   | 1                                     |       |           | WACC=    | 0.1149        |
| 340    | <b>AEP OPERATING COMPANIES' COMPOSITE (Note S)</b>  |                                     |                                      |                                       |       |           |          | \$            |
| 341    | WEIGHTED AVERAGE COST OF CAPITAL (WACC)   |                                     |                                      |                                       |       |           |          |               |
| 342    | Long Term Interest  | (Worksheet Q, In. 14)               |                                      |                                       |       |           |          | 586,715,404   |
| 343    | Preferred Dividends   | (Worksheet Q, In. 36)               |                                      |                                       |       |           |          | 1,869,421     |
| 344    | <u>Development of Common Stock:</u>   |                                     |                                      |                                       |       |           |          |               |
| 345    | Proprietary Capital   | (Worksheet Q, In. 37)               |                                      |                                       |       |           |          | 9,696,588,831 |
| 346    | Less: Preferred Stock   | (Worksheet Q, In. 38)               |                                      |                                       |       |           |          | 42,434,700    |
| 347    | Less: Account 216.1   | (Worksheet Q, In. 39)               |                                      |                                       |       |           |          | 3,524,364     |
| 348    | Less: Account 219   | (Worksheet Q, In. 40)               |                                      |                                       |       |           |          | (251,294,035) |
| 349    | Common Stock  | (In 344 - In 345 - In 346 - In 347) |                                      |                                       |       |           |          | 9,901,923,802 |
| 350    |   |                                     | <b>Capital Structure Percentages</b> |                                       |       |           |          |               |
| 350    | Long Term Debt (Worksheet Q, In 50)   |                                     | 50.35%                               | 9,982,635,524                         |       | 5.88%     | 0.0296   |               |
| 351    | Preferred Stock (Worksheet Q, In 51)  |                                     | 0.21%                                | 42,434,700                            |       | 4.41%     | 0.0001   |               |
| 352    | Common Stock (Worksheet Q, In 52)   |                                     | 49.44%                               | 9,802,693,462                         |       | 11.49%    | 0.0568   |               |
| 353    | Total (Worksheet Q, In 45)  |                                     |                                      | 19,827,763,686                        |       |           | WACC=    | 0.0865        |

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AEP INDIANA MICHIGAN TRANSMISSION 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 265. It excludes:  
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 262.  
2) AEP transmission equalization transfers, as shown on line 263  
3) The impact of state regulatory deferrals and amortizations, as shown on line 264  
4) All A&G Expenses, as shown on line 277.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 254 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 310.
- 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 192 & 193 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 265. 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 279 and 280 to determine the total O&M collected in the formula. The amounts on lines 279 and 280 are also excluded in the calculation of the FCR percentage calculated on lines 182 through 188. The addbacks on lines 279 and 280 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 279 and 280 is the AEP INDIANA MICHIGAN TRANSMISSION 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 The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor 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 ER10-355, recoverable PBOP expense is based on a rate of 9.4 cents per dollar of direct labor. This rate may be adjusted up or down every four years based on a comparison of the Allowable TransCo PBOP Expense and the Actual PBOP Expense for a four year Historic and four year Projected period. If the over or under collection is greater than plus or minus 20% of the recoverable amount, an adjustment will be proposed in a Section 205 rate filing.
- 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 305 multiplied by (1/1-T)). If the applicable tax rates are zero enter 0.  
Inputs Required: FIT = 35.00%  
SIT = 7.27% (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 As shown on Worksheet Q, the AEP Appalachian Transmission Company capital structure and weighted cost of capital (WACC) shall be based on (1) the weighted composite of AEP East Operating Companies' actual end-of-year capital structure, including year-end outstanding long term debt (LTD) and preferred stock (PS) issuances (Projected) or the beginning and ending average capital structure, including the beginning and ending average outstanding LTD and PS issuances (True-Up) with the common equity portion as capped in Docket No. ER08-1329 where any excess common equity is priced at the cost of LTD and the composite equity ratio is further capped at 50%, and (2) the actual weighted composite LTD and PS cost using actual calendar year LTD expense and PS dividends of the AEP East Operating Companies excluding all interest rate hedging costs and/or gains, until the the Company establishes its own actual capital structure. Upon establishment of actual debt financing for Appalachian Transmission Company, the Company shall use its own actual capital structure capped by a 50% Common Equity Cap and its own LTD costs, excluding all interest rate hedging costs and/or gains, as computed on Worksheet L for the Projected TCOS or Worksheet M for the True Up TCOS.
- T AEP INDIANA MICHIGAN TRANSMISSION COMPANY's Common Stock is limited to 50% of the capital structure. This limit may only be changed through a Section 205 or 206 filing effective after June 30, 2013. If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure.

AEPTCo subsidiaries in PJM  
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**AEP INDIANA MICHIGAN TRANSMISSION COMPANY**

| Line No. |  |                        | Total | Allocator  | Transmission Amount |
|----------|--|------------------------|-------|------------|---------------------|
| 1        | REVENUE REQUIREMENT (w/o incentives)           | (ln 136)               |       |            | \$496,666           |
| 2        | REVENUE CREDITS                                | (Note A) (Worksheet E) | -     | DA 1.00000 | \$ -                |
| 3        | REVENUE REQUIREMENT For All Company Facilities | (ln 1 less ln 2)       |       |            | \$ 496,666          |

**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)        |   | - | DA 1.00000 | \$ -   |
| 5  | NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)    |   |   |            |        |
| 6  | Annual Rate  | ((ln 1 - ln 102 - ln 103) / ln 48 x 100)                            |   |            | 22.05% |
| 7  | Monthly Rate   | (ln 6 / 12)   |   |            | 1.84%  |
| 8  | NET PLANT CARRYING CHARGE ON LINE 6, w/o depreciation or ROE incentives (Note B)         |   |   |            |        |
| 9  | Annual Rate  | ((ln 1 - ln 102 - ln 103 - ln 108) / ln 48 x 100)                   |   |            | 22.05% |
| 10 | NET PLANT CARRYING CHARGE ON LINE 9, w/o Return, income taxes or ROE incentives (Note B) |   |   |            |        |
| 11 | Annual Rate  | ((ln 1 - ln 102 - ln 103 - ln 108 - ln 131 - ln 132) / ln 48 x 100) |   |            | 9.89%  |
| 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   |   |            | -      |
| 15 | Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)        |   |   |            | -      |
| 16 | Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)  |   |   |            | -      |
| 17 | Total 561 Internally Developed Costs   | (Line 14 - Line 15 - Line 16)                                       |   |            | -      |

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AEP INDIANA MICHIGAN TRANSMISSION COMPANY

| Line No. | (1)   | (2)   | (3)                        | (4)              | (5)                           |
|----------|---|---|----------------------------|------------------|-------------------------------|
|          | <b>RATE BASE CALCULATION</b>  | <b>Data Sources<br/>(See "General Notes")</b> | <b>TO Total<br/>NOTE C</b> | <b>Allocator</b> | <b>Total<br/>Transmission</b> |
| 18       | GROSS PLANT IN SERVICE  |   |                            |                  |                               |
| 19       | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 20       | Transmission  | (Worksheet A In 3.E & Ln 140)                 | 2,252,260                  | DA               | 2,252,260                     |
| 21       | Less: Transmission ARO (Enter Negative)                                       | (Worksheet A In 4.E & Ln 141)                 | -                          | TP               | -                             |
| 22       | Plus: Transmission Plant-in-Service Additions (Worksheet I)                   |   | N/A                        | NA               | N/A                           |
| 23       | Plus: Additional Trans Plant on Transferred Assets (Worksheet I)              |   | N/A                        | NA               | N/A                           |
| 24       | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 25       | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 26       | General Plant   | (Worksheet A In 7.E)                          | -                          | W/S              | -                             |
| 27       | Less: General Plant ARO (Enter Negative)                                      | (Worksheet A In 8.E)                          | -                          | W/S              | -                             |
| 28       | Intangible Plant  | (Worksheet A In 9.E)                          | -                          | W/S              | -                             |
| 29       | TOTAL GROSS PLANT   | (Sum of Lines: 20 to 23 & 26 to 28)           | 2,252,260                  | GP(h)=           | 2,252,260                     |
|          |   |   |                            | GTD=             | 0.00000                       |
| 30       | ACCUMULATED DEPRECIATION AND AMORTIZATION                                     |   |                            |                  |                               |
| 31       | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 32       | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 33       | Transmission  | (Worksheet A In 14.E & 28.E)                  | (1)                        | TP1=             | (1)                           |
| 34       | Less: Transmission ARO (Enter Negative)                                       | (Worksheet A In 15.E)                         | -                          | TP1=             | -                             |
| 35       | Plus: Transmission Plant-in-Service Additions (Worksheet I)                   |   | N/A                        | DA               | N/A                           |
| 36       | Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)         |   | N/A                        | DA               | N/A                           |
| 37       | Plus: Additional Transmission Depreciation for 2011 (In 108)                  |   | N/A                        | TP1              | N/A                           |
| 38       | Plus: Additional General & Intangible Depreciation for 2011 (In 107 + In 108) |   | N/A                        | W/S              | N/A                           |
| 39       | Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)             |   | N/A                        | DA               | N/A                           |
| 40       | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 41       | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 42       | General Plant   | (Worksheet A In 18.E)                         | -                          | W/S              | -                             |
| 43       | Less: General Plant ARO (Enter Negative)                                      | (Worksheet A In 19.E)                         | -                          | W/S              | -                             |
| 44       | Intangible Plant  | (Worksheet A In 20.E)                         | -                          | W/S              | -                             |
| 45       | TOTAL ACCUMULATED DEPRECIATION  | (Sum of Lines: 33 to 39 & 42 to 44)           | (1)                        |                  | (1)                           |
| 46       | NET PLANT IN SERVICE  |   |                            |                  |                               |
| 47       | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 48       | Transmission  | (In 20 + In 21 - In 33 - In 34)               | 2,252,260                  |                  | 2,252,260                     |
| 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       | <i>Line Deliberately Left Blank</i>   |   |                            |                  |                               |
| 55       | General Plant   | (In 26 + In 27 - In 42 - In 43)               | -                          |                  | -                             |
| 56       | Intangible Plant  | (In 28 - In 44)                               | -                          |                  | -                             |
| 57       | TOTAL NET PLANT IN SERVICE  | (Sum of Lines: 48 to 53 & 55, 56)             | 2,252,260                  | NP(h)=           | 2,252,260                     |
| 58       | DEFERRED TAX ADJUSTMENTS TO RATE BASE   | (Note D)                                      |                            |                  |                               |
| 59       | Account No. 281.1 (enter negative)  | (Worksheet B, In 2 & In 5.E)                  | -                          | NA               | -                             |
| 60       | Account No. 282.1 (enter negative)  | (Worksheet B, In 7 & In 10.E)                 | -                          | DA               | -                             |
| 61       | Account No. 283.1 (enter negative)  | (Worksheet B, In 12 & In 15.E)                | (16,525)                   | DA               | (16,525)                      |
| 62       | Account No. 190.1   | (Worksheet B, In 17 & In 20.E)                | 5,244                      | DA               | 5,244                         |
| 63       | Account No. 255 (enter negative)  | (Worksheet B, In 24 & In 25.E)                | -                          | DA               | -                             |
| 64       | TOTAL ADJUSTMENTS   | (sum Ins 59 to 63)                            | (11,281)                   |                  | (11,281)                      |
| 65       | PLANT HELD FOR FUTURE USE   | (Worksheet A In 29.E & In 30.E)               | -                          | DA               | -                             |
| 66       | REGULATORY ASSETS   | (Worksheet A In 41. (E))                      | -                          | DA               | -                             |
| 67       | WORKING CAPITAL   | (Note E)                                      |                            |                  |                               |
| 68       | Cash Working Capital  | (1/8 * In 88)                                 | 1,857                      |                  | 1,857                         |
| 69       | Transmission Materials & Supplies   | (Worksheet C, In 2.F)                         | -                          | TP               | -                             |
| 70       | A&G Materials & Supplies  | (Worksheet C, In 3.F)                         | -                          | W/S              | -                             |
| 71       | Stores Expense  | (Worksheet C, In 4.(D))                       | -                          | GP(h)            | -                             |
| 72       | Prepayments (Account 185) - Labor Allocated                                   | (Worksheet C, In 8.G)                         | -                          | W/S              | -                             |
| 73       | Prepayments (Account 185) - Gross Plant                                       | (Worksheet C, In 8.F)                         | -                          | GP(h)            | -                             |
| 74       | Prepayments (Account 185) - Transmission Only                                 | (Worksheet C, In 8.E)                         | -                          | DA               | -                             |
| 75       | Prepayments (Account 185) - Unallocable                                       | (Worksheet C, In 8.D)                         | -                          | NA               | -                             |
| 76       | TOTAL WORKING CAPITAL   | (sum Ins 68 to 75)                            | 1,857                      |                  | 1,857                         |
| 77       | IPP CONTRIBUTIONS FOR CONSTRUCTION  | (Note F) (Worksheet D, In 8 (B))              | -                          | DA               | -                             |
| 78       | RATE BASE (sum Ins 57, 64, 65, 66, 76, 77)                                    |   | 2,242,837                  |                  | 2,242,837                     |

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| Line No. | (1)<br>EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION                            | (2)<br>Data Sources<br>(See "General Notes") | (3)<br>TO Total | (4)<br>Allocator | (5)<br>Total Transmission |
|----------|---|--|-----------------|------------------|---------------------------|
|          | <b>OPERATION &amp; MAINTENANCE EXPENSE</b>  |  |                 |                  |                           |
| 79       | <i>Line Deliberately Left Blank</i>   |  |                 |                  |                           |
| 80       | <i>Line Deliberately Left Blank</i>   |  |                 |                  |                           |
| 81       | Customer Related Expense  | 322.164,171,178.b                            | -               |                  |                           |
| 82       | Regional Marketing Expenses   | 322.131.b                                    | -               |                  |                           |
| 83       | Transmission  | 321.112.b                                    | 14,856          |                  |                           |
| 84       | TOTAL O&M EXPENSES  | (sum Ins 81 to 83)                           | 14,856          |                  |                           |
| 85       | Less: Total Account 561   | (Note G) (Worksheet F, In 14.C)              | -               |                  |                           |
| 86       | Less: Account 565   | (Note H) 321.96.b                            | -               |                  |                           |
| 87       | Less: Regulatory Deferrals & Amortizations  | (Note I) (Worksheet F, In 4.C)               | -               |                  |                           |
| 88       | Total O&M Allocable to Transmission   | (Ins 83 - 85 - 86 - 87)                      | 14,856          | TP 1.00000       | 14,856                    |
| 89       | Administrative and General  | 323.197.b (Note J)                           | 195,073         |                  |                           |
| 90       | Less: Acct. 924, Property Insurance   | 323.185.b                                    | -               |                  |                           |
| 91       | Acct. 928, Reg. Com. Exp.   | 323.189.b                                    | -               |                  |                           |
| 92       | Acct. 930.1, Gen. Advert. Exp.  | 323.191.b                                    | -               |                  |                           |
| 93       | Acct. 930.2, Misc. Gen. Exp.  | 323.192.b                                    | -               |                  |                           |
| 94       | Balance of A & G  | (In 89 - sum In 90 to In 93)                 | 195,073         | W/S 1.00000      | 195,073                   |
| 95       | Plus: Acct. 924, Property Insurance   | (In 90)                                      | -               | GP(h) 1.00000    | -                         |
| 96       | Acct. 928 - Transmission Specific   | Worksheet F In 20.(E) (Note L)               | -               | TP 1.00000       | -                         |
| 97       | Acct 930.1 - Only safety related ads -Direct  | Worksheet F In 37.(E) (Note L)               | -               | TP 1.00000       | -                         |
| 98       | Acct 930.2 - Misc Gen. Exp. - Trans   | Worksheet F In 42.(E) (Note L)               | -               | DA 1.00000       | -                         |
| 99       | PBOP Adjustment   | Worksheet O Ln 16 (B), (Note K & M)          | 6,107           | W/S 1.00000      | 6,107                     |
| 100      | A & G Subtotal  | (sum Ins 94 to 99)                           | 201,180         |                  | 201,180                   |
| 101      | O & M EXPENSE SUBTOTAL  | (In 88 + In 100)                             | 216,036         |                  | 216,036                   |
| 102      | Plus: TEA Settlement in Account 565   | Company Records (Note H)                     | -               | DA 1.00000       | -                         |
| 103      | Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)      |  | -               | DA 1.00000       | -                         |
| 104      | TOTAL O & M EXPENSE   | (In 101 + In 102 + In 103)                   | 216,036         |                  | 216,036                   |
| 105      | <b>DEPRECIATION AND AMORTIZATION EXPENSE</b>  |  |                 |                  |                           |
| 106      | <i>Line Deliberately Left Blank</i>   |  |                 |                  |                           |
| 107      | <i>Line Deliberately Left Blank</i>   |  |                 |                  |                           |
| 108      | Transmission  | 336.7.f                                      | -               | TP1 1.00000      | -                         |
| 109      | Plus: Transmission Plant-in-Service Additions (Worksheet I)                                 |  | N/A             |                  | N/A                       |
| 110      | Plus: Formation Costs Amortization  | (Worksheet A In 35.E)                        | 6,745           | TP1 1.00000      | 6,745                     |
| 111      | General   | 336.10.f                                     | -               | W/S 1.00000      | -                         |
| 112      | Intangible  | 336.1.f                                      | -               | W/S 1.00000      | -                         |
| 113      | TOTAL DEPRECIATION AND AMORTIZATION   | (Ln 108+109+111+112)                         | 6,745           |                  | 6,745                     |
| 114      | <b>TAXES OTHER THAN INCOME</b>  |  |                 |                  |                           |
| 115      | <b>Labor Related</b>  |  |                 |                  |                           |
| 116      | Payroll   | Worksheet H In 23.(D)                        | -               | W/S 1.00000      | -                         |
| 117      | <b>Plant Related</b>  |  |                 |                  |                           |
| 118      | Property  | Worksheet H In 23.(C) & In 58.(C)            | -               | DA               | -                         |
| 119      | Gross Receipts/Sales & Use  | Worksheet H In 23.(F)                        | -               | NA 0.00000       | -                         |
| 120      | Other   | Worksheet H In 23.(E)                        | -               | GP(h) 1.00000    | -                         |
| 121      | TOTAL OTHER TAXES   | (sum Ins 116 to 120)                         | -               |                  | -                         |
| 122      | <b>INCOME TAXES</b>   |  |                 |                  |                           |
| 123      | $T=1 - ((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p) =$                                     |  | 39.73%          |                  |                           |
| 124      | $EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$  |  | 43.33%          |                  |                           |
| 125      | where WCLTD=(In 174) and WACC = (In 177)  |  |                 |                  |                           |
| 126      | and FIT, SIT & p are as given in Note O.  |  |                 |                  |                           |
| 127      | $GRCF=1 / (1 - T) =$ (from In 123)  |  | 1,6591          |                  |                           |
| 128      | Amortized Investment Tax Credit (enter negative)  | (FF1 p.114, In 19.c)                         | -               |                  |                           |
| 129      | Income Tax Calculation  | (In 124 * In 132)                            | 82,803          |                  | 82,803                    |
| 130      | ITC adjustment  | (In 127 * In 128)                            | -               | NP(h) 1.00000    | -                         |
| 131      | TOTAL INCOME TAXES  | (sum Ins 129 to 130)                         | 82,803          |                  | 82,803                    |
| 132      | RETURN ON RATE BASE (Rate Base*WACC)  | (In 78 * In 177)                             | 191,082         |                  | 191,082                   |
| 133      | INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))                    |  | -               | DA 1.00000       | -                         |
| 134      | (Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. (F) & (H)) |  | -               |                  | -                         |
| 135      | Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 134 * In124)      |  | -               |                  | -                         |
| 136      | TOTAL REVENUE REQUIREMENT   | (sum Ins 104, 113, 121, 131, 132, 133)       | 496,666         |                  | 496,666                   |

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**SUPPORTING CALCULATIONS**

|           |   |                                     |                |  |                |    |              |                |
|-----------|---|-------------------------------------|----------------|--|----------------|----|--------------|----------------|
| In<br>No. |   |                                     |                |  |                |    |              |                |
| 137       | TRANSMISSION PLANT INCLUDED IN PJM TARIFF   | (In 20)                             |                |  |                |    |              | 2,252,260      |
| 138       | Total transmission plant  |                                     |                |  |                |    |              | -              |
| 139       | Less transmission plant excluded from PJM Tariff (Note P)   |                                     |                |  |                |    |              | -              |
| 140       | Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note Q) |                                     |                |  |                |    |              | -              |
| 140       | Transmission plant included in PJM Tariff   | (In 137 - In 138 - In 139)          |                |  |                |    |              | 2,252,260      |
| 141       | Percent of transmission plant in PJM Tariff   | (In 140 / In 137)                   |                |  |                |    | <b>TP</b>    | <b>1.00000</b> |
| 142       | WAGES & SALARY ALLOCATOR (W/S)  | (Note R)                            | Direct Payroll | Payroll Billed from<br>AEP Service Corp. | Total          |    |              |                |
| 143       | <i>Line Deliberately Left Blank</i>   |                                     |                |  |                |    |              |                |
| 144       | Transmission  | 354.21.b                            | 0              | 9,454                                    | 9,454          | TP | 1.00000      | 9,454          |
| 145       | Regional Market Expenses  | 354.22.b                            | 0              | 0  | -              | NA | 0.00000      | -              |
| 146       | <i>Line Deliberately Left Blank</i>   |                                     |                |  |                |    |              |                |
| 147       | Other (Excludes A&G)  | 354.24,25,26.b                      | 0              | 0  | -              | NA | 0.00000      | -              |
| 148       | Total   | (sum Ins 144, 145, & 147)           | 0              | 9,454                                    | 9,454          |    |              | 9,454          |
| 149       | Transmission related amount   |                                     |                |  |                |    | <b>W/S=</b>  | <b>1.00000</b> |
| 150       | <b>ACTUAL CAPPED CAPITAL COST STRUCTURE (Note S)</b>  |                                     |                |  |                |    |              |                |
| 150       | WEIGHTED AVERAGE COST OF CAPITAL (WACC)   |                                     |                |  |                |    |              | \$             |
| 151       | Long Term Interest  | (Worksheet M, In. 20, col. (E))     |                |  |                |    |              | -              |
| 152       | Preferred Dividends   | (Worksheet M, In. 49, col. (E))     |                |  |                |    |              | -              |
| 153       | <u>Development of Average Common Stock Balance:</u>   |                                     |                |  |                |    |              |                |
| 154       | Proprietary Capital   | (Worksheet M, In. 1, col. (E))      |                |  |                |    |              | (188)          |
| 155       | Less: Preferred Stock   | (Worksheet M, In. 2, col. (E))      |                |  |                |    |              | -              |
| 156       | Less: Account 216.1   | (Worksheet M, In. 3, col. (E))      |                |  |                |    |              | -              |
| 157       | Less: Account 219   | (Worksheet M, In. 4, col. (E))      |                |  |                |    |              | -              |
| 158       | Average Common Stock  | (In 154 - In 155 - In 156 - In 157) |                |  |                |    |              | (188)          |
|           | <b>Capped Actual Average Capital Structure</b>  |                                     |                |  |                |    |              |                |
|           |   | Average \$                          |                | <b>Capital Structure Percentages</b>     |                |    | Cost         | Weighted       |
| 159       | Long Term Debt W/S M, In 11, In 21, col. (E))   | -                                   |                | Actual                                   | Cap Limit      |    | -            | 0.0000         |
| 160       | Preferred Stock (In 155)  | -                                   |                | -  | 0.00%          |    | -            | 0.0000         |
| 161       | Common Stock (In 158)   | (188)                               |                | -  | 0.00%          |    | 11.49%       | 0.0000         |
| 162       | Total (Sum Ins 159 to 161)  | (188)                               |                | 0%                                       | 0%             |    | <b>WACC=</b> | <b>0.0000</b>  |
| 163       | Capital Structure Equity Limit (Note T)   | 50.0%                               |                |  |                |    |              |                |
| 164       | <b>AEP OPERATING COMPANIES' COMPOSITE (Note S)</b>  |                                     |                |  |                |    |              |                |
| 164       | WEIGHTED AVERAGE COST OF CAPITAL (WACC)   |                                     |                |  |                |    |              | \$             |
| 165       | Long Term Interest  | (Worksheet Q, In. 132)              |                |  |                |    |              | 586,715,404    |
| 166       | Preferred Dividends   | (Worksheet Q, In. 134)              |                |  |                |    |              | 1,869,421      |
| 167       | <u>Development of Actual Average Common Stock:</u>  |                                     |                |  |                |    |              |                |
| 168       | Proprietary Capital   | (Worksheet Q, In. 135)              |                |  |                |    |              | 9,619,224,860  |
| 169       | Less: Preferred Stock   | (Worksheet Q, In. 136)              |                |  |                |    |              | 42,444,850     |
| 170       | Less: Account 216.1   | (Worksheet Q, In. 137)              |                |  |                |    |              | 3,800,681      |
| 171       | Less: Account 219   | (Worksheet Q, In. 138)              |                |  |                |    |              | (247,022,717)  |
| 172       | Common Stock  | (In 168 - In 169 - In 170 - In 171) |                |  |                |    |              | 9,820,002,046  |
| 173       | <b>True Up Capitalization with Equity Caps</b>  |                                     |                |  |                |    |              |                |
| 174       | Long Term Debt (Worksheet Q, In 148)  |                                     |                | %  | \$             |    | Cost         | Weighted       |
| 174       | Long Term Debt (Worksheet Q, In 148)  |                                     |                | 51.12%                                   | 10,277,999,909 |    | 0.0571       | 0.0292         |
| 175       | Preferred Stock (Worksheet Q, In 149)   |                                     |                | 0.21%                                    | 42,444,850     |    | 0.0440       | 0.0001         |
| 176       | Common Stock (Worksheet Q, In 150)  |                                     |                | 48.67%                                   | 9,786,166,830  |    | 11.49%       | 0.0559         |
| 177       | Total (Worksheet Q, In 143)   |                                     |                | 100%                                     | 20,106,611,589 |    | <b>WACC=</b> | <b>0.0852</b>  |

AEPTCo subsidiaries in PJM  
Transmission Cost of Service Formula Rate  
Utilizing Actual Cost Data for 2010 with Average Ratebase Balances

AEP INDIANA MICHIGAN TRANSMISSION 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 100.
- 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 133.
- 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 102 and 103 to determine the total O&M collected in the formula. The amounts on lines 102 and 103 are also excluded in the calculation of the FCR percentage calculated on lines 5 through 11. The addbacks on lines 102 and 103 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 102 and 103 is the AEP INDIANA MICHIGAN TRANSMISSION 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** The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor 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 ER10-355, recoverable PBOP expense is based on a rate of 9.4 cents per dollar of direct labor. This rate may be adjusted up or down every four years based on a comparison of the Allowable TransCo PBOP Expense and the Actual PBOP Expense for a four year Historic and four year Projected period. If the over or under collection is greater than plus or minus 20% of the recoverable amount, an adjustment will be proposed in a Section 205 rate filing.
- 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 128) multiplied by  $(1/(1-T))$ . If the applicable tax rates are zero enter 0.
- |                  |       |        |   |
|------------------|-------|--------|---|
| Inputs Required: | FIT = | 35.00% |   |
|                  | SIT=  | 7.27%  | (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** As shown on Worksheet Q, the AEP Appalachian Transmission Company capital structure and weighted cost of capital (WACC) shall be based on (1) the weighted composite of AEP East Operating Companies' actual end-of-year capital structure, including year-end outstanding long term debt (LTD) and preferred stock (PS) issuances (Projected) or the beginning and ending average capital structure, including the beginning and ending average outstanding LTD and PS issuances (True-Up) with the common equity portion as capped in Docket No. ER08-1329 where any excess common equity is priced at the cost of LTD and the composite equity ratio is further capped at 50%, and (2) the actual weighted composite LTD and PS cost using actual calendar year LTD expense and PS dividends of the AEP East Operating Companies excluding all interest rate hedging costs and/or gains, until the the Company establishes its own actual capital structure. Upon establishment of actual debt financing for Appalachian Transmission Company, the Company shall use its own actual capital structure capped by a 50% Common Equity Cap and its own LTD costs, excluding all interest rate hedging costs and/or gains, as computed on Worksheet L for the Projected TCOS or Worksheet M for the True Up TCOS.
- T** AEP INDIANA MICHIGAN TRANSMISSION COMPANY's Common Stock is limited to 50% of the capital structure. This limit may only be changed through a Section 205 or 206 filing effective after June 30, 2013. If the percentage of equity exceeds the cap, the excess is included in weighted percentage of long term debt in the capital structure.

AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using 2010 FF1 Balances  
Worksheet A Supporting Plant Balances  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

| Line   | (A)  | (B)   | (C)                         | (D)                         | (E)                      |
|--|--|---|-----------------------------|-----------------------------|--------------------------|
| Number   | Rate Base Item & Supporting Balance                      | Source of Data                                  | Balance @ December 31, 2010 | Balance @ December 31, 2009 | Average Balance for 2010 |
| <b>Plant Investment Balances</b>   |  |   |                             |                             |                          |
| 1  | Line Deliberately Left Blank                             |   |                             |                             |                          |
| 2  | Line Deliberately Left Blank                             |   |                             |                             |                          |
| 3  | Transmission Plant In Service                            | FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58 | 4,504,519                   | -                           | 2,252,260                |
| 4  | Transmission Asset Retirement Obligation                 | FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57 | -                           | -                           | -                        |
| 5  | Line Deliberately Left Blank                             |   |                             |                             |                          |
| 6  | Line Deliberately Left Blank                             |   |                             |                             |                          |
| 7  | General Plant In Service                                 | FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99 | -                           | -                           | -                        |
| 8  | General Asset Retirement Obligation                      | FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98 | -                           | -                           | -                        |
| 9  | Intangible Plant In Service                              | FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5  | -                           | -                           | -                        |
| 10   | Total Property Investment Balance                        | (Sum of Lines: 3, 7, 9)                         | 4,504,519                   | -                           | 2,252,260                |
| 11   | Total ARO Balance (included in total on line 10)         | (Sum of Lines: 4, 8)                            | -                           | -                           | -                        |
| <b>Accumulated Depreciation &amp; Amortization Balances</b>  |  |   |                             |                             |                          |
| 12   | Line Deliberately Left Blank                             |   |                             |                             |                          |
| 13   | Line Deliberately Left Blank                             |   |                             |                             |                          |
| 14   | Transmission Accumulated Depreciation                    | FF1, page 219, In 25, Col. (b)                  | (1)                         | -                           | (1)                      |
| 15   | Transmission ARO Accumulated Depreciation                | Company Records - Note 1                        | -                           | -                           | -                        |
| 16   | Line Deliberately Left Blank                             |   |                             |                             |                          |
| 17   | Line Deliberately Left Blank                             |   |                             |                             |                          |
| 18   | General Accumulated Depreciation                         | FF1, page 219, In 28, Col. (b)                  | -                           | -                           | -                        |
| 19   | General ARO Accumulated Depreciation                     | Company Records - Note 1                        | -                           | -                           | -                        |
| 20   | Intangible Accumulated Amortization                      | FF1, page 200, In 21, Col. (b)                  | -                           | -                           | -                        |
| 21   | Total Accumulated Depreciation or Amortization           | (Sum of Lines: 14, 18, 20)                      | (1)                         | -                           | (1)                      |
| 22   | Total ARO Balance (included in total on line 21)         | (Sum of Lines: 15, 19)                          | -                           | -                           | -                        |
| <b>Generation Step-Up Units</b>  |  |   |                             |                             |                          |
| 23   | GSU Investment Amount                                    | Company Records - Note 1                        |                             |                             | -                        |
| 24   | GSU Accumulated Depreciation                             | Company Records - Note 1                        |                             |                             | -                        |
| 25   | GSU Net Balance  | (Line 23 - Line 24)                             | -                           | -                           | -                        |
| <b>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</b>                               |  |   |                             |                             |                          |
| 26   | Transmission Accumulated Depreciation                    | (Line 14 Above)                                 | (1)                         | -                           | (1)                      |
| 27   | Less: GSU Accumulated Depreciation                       | (Line 24 Above)                                 | -                           | -                           | -                        |
| 28   | Subtotal of Transmission Net of GSU                      | (Line 26 - Line 27)                             | (1)                         | -                           | (1)                      |
| <b>Plant Held For Future Use</b>   |  |   |                             |                             |                          |
| 29   | Plant Held For Future Use                                | FF1, page 214, In 47, Col. (d)                  | -                           | -                           | -                        |
| 30   | Transmission Plant Held For Future                       | Company Records - Note 1                        |                             |                             | -                        |
| <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   | Beginning Balance of Regulatory Asset (Note 2)           |   | 107,915                     | 157,007                     | 132,461                  |
| 32   | Amortization in Months                                   |   | 48                          | 48                          | 48                       |
| 33   | Monthly Amortization                                     |   | 2,248                       | 5,452                       | 3,850                    |
| 34   | Months in 2010 to be amortized                           |   | 6                           | -                           | 3                        |
| 35   | Amortization Expense in 2010                             |   | 13,489                      | -                           | 6,745                    |
| 36   | Months in 2011 to be amortized                           |   | 12                          | 6                           | 9                        |
| 37   | Amortization Expense in 2011                             |   | 26,979                      | 19,626                      | 23,302                   |
| 38   | Ending Balance of Regulatory Asset                       |   | 94,425                      | 157,007                     | 125,716                  |
| 39   | Average Balance of Regulatory Asset                      |   | 101,170                     | 157,007                     | 129,088                  |
| 40   | Unamortized Balance of Regulatory Asset at YE 2010       |   | 94,425                      | 157,007                     | 125,716                  |
| 41   | Total Regulatory Deferrals Included in Ratebase (Note 2) |   | 0                           | 0                           | -                        |

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

NOTE 2 Formation costs through 6/30/2010 are includable at 50% with 48 month amortization and no return on the unamortized balance. The balance on line 41 may not include unamortized formation costs.

AEPTCo subsidiaries in PJM  
 Cost of Service Formula Rate Using 2010 FF1 Balances  
 Worksheet B Supporting ADIT and ITC Balances  
 AEP INDIANA MICHIGAN TRANSMISSION COMPANY

| <u>Line Number</u> | <u>(A)<br/>Description</u>                | <u>(B)<br/>Source</u>             | <u>(C)<br/>Balance @ December<br/>31, 2010</u> | <u>(D)<br/>Balance @ December<br/>31, 2009</u> | <u>(E)<br/>Average Balance<br/>for 2010</u> |
|--------------------|---|-----------------------------------|--|--|---|
| 1                  | <b><u>Account 281</u></b>                 |                                   |  |  |   |
| 2                  | Year End Utility Deferrals                | FF1, p. 272 - 273, In 8, Col. (k) | -  | -  | -   |
| 3                  | Less: ARO Related Deferrals               | Company Records - Note 1          | -  | -  | -   |
| 4                  | Less: Other Excluded Deferrals            | Company Records - Note 1          | -  | -  | -   |
| 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) | 0  | 0  | -   |
| 8                  | Less: ARO Related Deferrals               | Company Records - Note 1          | 0  | 0  | -   |
| 9                  | Less: Other Excluded Deferrals            | Company Records - Note 1          | -  | -  | -   |
| 10                 | Transmission Related Deferrals            | Ln 7 - In 8 - In 9                | -  | -  | -   |
| 11                 | <b><u>Account 283</u></b>                 |                                   |  |  |   |
| 12                 | Year End Utility Deferrals                | FF1, p. 276 - 277, In 9, Col. (k) | 33,049   | 0  | 16,525                                      |
| 13                 | Less: ARO Related Deferrals               | Company Records - Note 1          | 0  | 0  | -   |
| 14                 | Less: Other Excluded Deferrals            | Company Records - Note 1          | -  | -  | -   |
| 15                 | Transmission Related Deferrals            | Ln 12 - In 13 - In 14             | 33,049   | -  | 16,525                                      |
| 16                 | <b><u>Account 190</u></b>                 |                                   |  |  |   |
| 17                 | Year End Utility Deferrals                | FF1, p. 234, In 8, Col. (c)       | 10,488   | 0  | 5,244                                       |
| 18                 | Less: ARO Related Deferrals               | Company Records - Note 1          | 0  | 0  | -   |
| 19                 | Less: Other Excluded Deferrals            | Company Records - Note 1          | -  | -  | -   |
| 20                 | Transmission Related Deferrals            | Ln 17 - In 18 - In 19             | 10,488   | -  | 5,244                                       |
| 21                 | <b><u>Account 255</u></b>                 |                                   |  |  |   |
| 22                 | Year End ITC Balances                     | FF1, p. 266-267, In 8, Col. (h)   | 0  | 0  | -   |
| 23                 | Less: Balances Not Qualified for Ratebase | Company Records - Note 1          | -  | -  | -   |
| 24                 | ITC Balances Includeable in Ratebase      | Ln 22 - In 23                     | -  | -  | -   |
| 25                 | Transmission Related Deferrals            | Company Records - Note 1          | -  | -  | -   |

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.

AEPTCo subsidiaries in PJM  
 Cost of Service Formula Rate Using 2010 FF1 Balances  
 Worksheet C Supporting Working Capital Rate Base Adjustments  
 AEP INDIANA MICHIGAN TRANSMISSION 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 | 0                           | 0                           |                          |     |     |     |     |
| 3                               | General Materials & Supplies      | 0                           | 0                           |                          |     |     |     |     |
| 4                               | Stores Expense (Undistributed)    | 0                           | 0                           |                          |     |     |     |     |

**Prepayment Balance Summary**

| Line | Description                    | Average of YE Balance | Excludable Balances | 100% Transmission Related | Transmission Plant Related | Transmission Labor Related | Total Included in Ratebase (E)+(F)+(G) |
|------|--------------------------------|-----------------------|---------------------|---------------------------|----------------------------|----------------------------|--|
| 5    |                                |                       |                     |                           |                            |                            |  |
| 6    | Totals as of December 31, 2010 | 0                     | 0                   | 0                         | 0                          | 0                          | 0                                      |
| 7    | Totals as of December 31, 2009 |                       |                     |                           |                            |                            |  |
| 8    | <b>Average Balance</b>         | -                     | -                   | -                         | -                          | -                          | -                                      |

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

| Line | 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                       |
|------|-----------|--------------------------------------|-----------------|---------------------|---------------------------|----------------------------|----------------------------|--|-----------------------------------|
| 9    |           |                                      |                 |                     |                           |                            |                            |  |                                   |
| 10   | 1650001   | Prepaid Insurance                    | 0               | -                   |                           | -                          |                            | -                                      | Plant Related Insurance Policies  |
| 11   | 165000207 | Prepaid Taxes                        | 0               | -                   |                           | -                          |                            | -                                      | Prepaid PSC Fees                  |
| 12   | 1650003   | Prepaid Rents                        | 0               | -                   |                           |                            | -                          | -                                      | Prepaid Distribution Rent Expense |
| 13   | 1650004   | Prepaid Interest                     | 0               | -                   |                           |                            |                            | -                                      |                                   |
| 14   | 1650005   | Prepaid Employee Benefits            | 0               | -                   |                           |                            | -                          | -                                      |                                   |
| 15   | 1650006   | Other Prepayments                    | 0               | -                   |                           |                            |                            | -                                      |                                   |
| 16   | 1650009   | Prepaid Carry Cost-Factored AR       | 0               | -                   |                           |                            |                            | -                                      | AR Factoring - Retail Only        |
| 17   | 1650010   | Prepaid Pension Benefits             | 0               | -                   |                           |                            | -                          | -                                      | Prefunded Pension Expense         |
| 18   | 1650014   | FAS 158 Qual Contra Asset            | 0               | -                   |                           |                            |                            | -                                      | SFAS 158 Offset                   |
| 19   | 1650016   | FAS 112 ASSETS                       | 0               | -                   |                           |                            | -                          | -                                      | SFAS 112 Overfunding Asset        |
|      |           | <b>Subtotal - Form 1, p 111.57.c</b> | 0               | 0                   | 0                         | 0                          | 0                          | 0                                      |                                   |

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

| Line | Acc. No.  | Description                          | 2009 YE Balance | Excludable Balances | 100% Transmission Related | Transmission Plant Related | Transmission Labor Related | Total Included in Ratebase (E)+(F)+(G) | Explanation                      |
|------|-----------|--------------------------------------|-----------------|---------------------|---------------------------|----------------------------|----------------------------|--|----------------------------------|
| 20   |           |                                      |                 |                     |                           |                            |                            |  |                                  |
| 21   | 1650001   | Prepaid Insurance                    | 0               |                     |                           | 0                          |                            | -                                      | Plant Related Insurance Policies |
| 22   | 165000206 | Prepaid Taxes                        | 0               |                     |                           | 0                          |                            | -                                      | Prepaid PSC Fees                 |
| 23   | 165000207 | Prepaid Taxes                        | 0               |                     |                           | 0                          |                            | -                                      |                                  |
| 24   | 165000208 | Prepaid Taxes                        | 0               |                     |                           | 0                          |                            | -                                      |                                  |
| 25   | 1650003   | Prepaid Rents                        | 0               | 0                   |                           |                            |                            | -                                      |                                  |
| 26   | 1650004   | Prepaid Interest                     | 0               | 0                   |                           |                            |                            | -                                      |                                  |
| 27   | 1650006   | Other Prepayments                    | 0               | 0                   |                           |                            |                            | -                                      |                                  |
| 28   | 1650009   | Prepaid Carry Cost-Factored AR       | 0               | 0                   |                           |                            |                            | -                                      | AR Factoring - Retail Only       |
| 29   | 1650010   | Prepaid Pension Benefits             | 0               |                     |                           |                            | 0                          | -                                      | Prefunded Pension Expense        |
| 30   | 1650014   | FAS 158 Qual Contra Asset            | 0               | 0                   |                           |                            |                            | -                                      | SFAS 158 Offset                  |
| 31   | 1650016   | FAS 112 ASSETS                       | 0               | 0                   |                           |                            |                            | -                                      | SFAS 112 Overfunding Asset       |
|      |           | <b>Subtotal - Form 1, p 111.57.c</b> |                 |                     |                           |                            |                            |  |                                  |

AEPTCo subsidiaries in PJM  
 Cost of Service Formula Rate Using 2010 FF1 Balances  
 Worksheet D Supporting IPP Credits  
 AEP INDIANA MICHIGAN TRANSMISSION 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 24.b) | -               |
| 2                  | Interest Expense (Company Records - Note 1)                            |                 |
| 3                  | Revenue Credits to Generators (Company Records - Note 1)               | -               |
| 4                  | <u>Other Adjustments</u>   |                 |
| 5                  | Accounting Adjustment (Company Records - Note 1)                       | -               |
| 6                  |  | -               |
| 7                  | Net Funds from IPP Customers 12/31/2010 (2010 FORM 1, P269, line 24.f) | -               |
| 8                  | Average Balance for Year as Indicated in Column ((In 1 + In 7)/2)      | -               |

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

AEPTCo subsidiaries in PJM  
 Cost of Service Formula Rate Using 2010 FF1 Balances  
 Worksheet E Supporting Revenue Credits  
 AEP INDIANA MICHIGAN TRANSMISSION COMPANY

| <u>Line Number</u> | <u>Description</u>  | <u>Total Company</u> | <u>Non-Transmission</u> | <u>Transmission</u> |
|--------------------|---|----------------------|-------------------------|---------------------|
| 1                  | Account 450, Forfeited Discounts (FF1 p.300.16.(b); Company Records - Note 1)                         | -                    | -                       | -                   |
| 2                  | Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)              | -                    | -                       |                     |
| 3                  | Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)                 | -                    | -                       |                     |
| 4                  | Account 4560015, Associated Business Development- (Company Records - Note 1)                          |                      | -                       |                     |
| 5                  | Account 456 - Other Electric Revenues - (Company Records - Note 1)                                    | -                    | -                       | -                   |
| 6                  | Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))                         | -                    | -                       | -                   |
| 7                  | Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1) | -                    | -                       |                     |
| 8                  | Total Other Operating Revenues To Reduce Revenue Requirement  | -                    | -                       | -                   |

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

AEPTCo subsidiaries in PJM  
 Cost of Service Formula Rate Using 2010 FF1 Balances  
 Worksheet F Supporting Allocation of Specific O&M or A&G Expenses  
 AEP INDIANA MICHIGAN TRANSMISSION COMPANY

| (A)   | (B)             | (C)  | (D)                           | (E)                                    | (F)   |                    |
|---|-----------------|--|-------------------------------|--|---|--------------------|
| <u>Line</u><br><u>Number</u>                            | <u>Item No.</u> | <u>Description</u>   | <u>2010</u><br><u>Expense</u> | <u>100%</u><br><u>Non-Transmission</u> | <u>100%</u><br><u>Transmission</u><br><u>Specific</u> | <u>Explanation</u> |
| <b>Regulatory O&amp;M Deferrals &amp; Amortizations</b> |                 |  |                               |  |   |                    |
| 1   | 5700005         | Maint Station-Reliability-Df                                     | -                             |  |   |                    |
| 2   |                 |  |                               |  |   |                    |
| 3   |                 |  |                               |  |   |                    |
| 4   |                 | <b>Total</b>   | 0                             |  |   |                    |
| <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                              | 0                             |  |   |                    |
| 7   | FF1 p 321.86.b  | 561.2 - Load Dispatch - Monitor & Operate Trans System           | 0                             |  |   |                    |
| 8   | FF1 p 321.87.b  | 561.3 - Load Dispatch - Trans Service & Scheduling               | 0                             |  |   |                    |
| 9   | FF1 p 321.88.b  | 561.4 - Scheduling, System Control & Dispatch                    | 0                             |  |   |                    |
| 10  | FF1 p 321.89.b  | 561.5 - Reliability, Planning and Standards Development          | 0                             |  |   |                    |
| 11  | FF1 p 321.90.b  | 561.6 - Transmission Service Studies                             | 0                             |  |   |                    |
| 12  | FF1 p 321.91.b  | 561.7 - Generation Interconnection Studies                       | 0                             |  |   |                    |
| 13  | FF1 p 321.92.b  | 561.8 - Reliability, Planning and Standards Development Services | 0                             |  |   |                    |
| 14  |                 | <b>Total of Account 561</b>                                      | 0                             |  |   |                    |
| <b>Account 928</b>                                      |                 |  |                               |  |   |                    |
| 15  | 9280000         | Regulatory Commission Exp  | -                             | -                                      | -   |                    |
| 16  | 9280001         | Regulatory Commission Exp-Adm                                    | -                             | -                                      | -   |                    |
| 17  | 9280002         | Regulatory Commission Exp-Case                                   | -                             | -                                      | -   |                    |
| 18  | 9280002         | Regulatory Commission Exp-Case                                   | -                             | -                                      | -   |                    |
| 19  | 9280002         | Regulatory Commission Exp-Case                                   | -                             | -                                      | -   |                    |
| 20  |                 | <b>Total</b>   | -                             | -                                      | -   |                    |
| <b>Account 930.1</b>                                    |                 |  |                               |  |   |                    |
| 21  | 9301000         | General Advertising Expenses                                     | -                             | -                                      | -   |                    |
| 22  | 9301001         | Newspaper Advertising Space                                      | -                             | -                                      | -   |                    |
| 23  | 9301002         | Radio Station Advertising Time                                   | -                             | -                                      | -   |                    |
| 24  | 9301003         | TV Station Advertising Time                                      | -                             | -                                      | -   |                    |
| 25  | 9301004         | Newspaper Advertising Prod Exp                                   | -                             | -                                      | -   |                    |
| 26  | 9301005         | Radio & TV Advertising Prod Exp                                  | -                             | -                                      | -   |                    |
| 27  | 9301006         | Spec Corporate Comm Info Proj                                    | -                             | -                                      | -   |                    |
| 28  | 9301007         | Special Adv Space & Prod Exp                                     | -                             | -                                      | -   |                    |
| 29  | 9301008         | Direct Mail and Handouts   | -                             | -                                      | -   |                    |
| 30  | 9301009         | Fairs, Shows, and Exhibits                                       | -                             | -                                      | -   |                    |
| 31  | 9301010         | Publicity  | -                             | -                                      | -   |                    |
| 32  | 9301011         | Dedications, Tours, & Openings                                   | -                             | -                                      | -   |                    |
| 33  | 9301012         | Public Opinion Surveys   | -                             | -                                      | -   |                    |
| 34  | 9301013         | Movies Slide Films & Speeches                                    | -                             | -                                      | -   |                    |
| 35  | 9301014         | Video Communications   | -                             | -                                      | -   |                    |
| 36  | 9301015         | Other Corporate Comm Exp   | -                             | -                                      | -   |                    |
| 37  |                 | <b>Total</b>   | -                             | -                                      | -   |                    |
| <b>Account 930.2</b>                                    |                 |  |                               |  |   |                    |
| 38  | 9302000         | Misc General Expenses  | 0                             |  |   |                    |
| 39  | 9302003         | Corporate & Fiscal Expenses                                      | 0                             |  |   |                    |
| 40  | 9302004         | Research, Develop&Demonstr Exp                                   | 0                             |  |   |                    |
| 41  | 9302007         | Assoc Business Development Exp                                   | 0                             |  |   |                    |
| 42  |                 | <b>Total</b>   | -                             | -                                      | -   |                    |

AEPTCo subsidiaries in PJM  
 Cost of Service Formula Rate Using 2010 FF1 Balances  
 Worksheet G Supporting - Development of Composite State Income Tax Rate  
 AEP INDIANA MICHIGAN TRANSMISSION COMPANY

|   |                                       |        |                     |
|---|---------------------------------------|--------|---------------------|
| 1 | Indiana State Tax Rate                | 8.50%  |                     |
|   | Apportionment Factor - Note 2         | 50.00% |                     |
|   | Effective State Tax Rate              |        | 4.25%               |
| 2 | Michigan Tax Rate                     | 6.04%  |                     |
|   | Apportionment Factor - Note 2         | 50.00% |                     |
|   | Effective State Tax Rate              |        | 3.02%               |
| 3 | _____ Tax Rate                        | 0.00%  |                     |
|   | Apportionment Factor - Note 2         | 0.00%  |                     |
|   | Effective State Tax Rate              |        | 0.00%               |
| 4 | _____ Tax Rate                        | 0.00%  |                     |
|   | Apportionment Factor - Note 2         | 0.00%  |                     |
|   | Effective State Tax Rate              |        | 0.00%               |
| 5 | _____ Tax Rate                        | 0.00%  |                     |
|   | Apportionment Factor - Note 2         | 0.00%  |                     |
|   | Effective State Tax Rate              |        | 0.00%               |
|   | Total Effective State Income Tax Rate |        | <u><u>7.27%</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 20% 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.

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

| Line No. | (A)<br>Account                                   | (B)<br>Total Company | (C)<br>Property | (D)<br>Labor | (E)<br>Other | (F)<br>Non-Allocable |
|----------|--|----------------------|-----------------|--------------|--------------|----------------------|
|          |  | NOTE 1               |                 |              |              |                      |
| 1        | <b>Revenue Taxes</b>                             |                      |                 |              |              |                      |
| 2        | Gross Receipts Tax                               | -                    |                 |              |              | -                    |
| 3        | <b>Real Estate and Personal Property Taxes</b>   |                      |                 |              |              |                      |
| 4        | Real and Personal Property - West Virginia       | -                    | -               |              |              |                      |
| 5        | Real and Personal Property - Virginia            | -                    | -               |              |              |                      |
| 6        | Real and Personal Property - Tennessee           | -                    | -               |              |              |                      |
| 7        | Real and Personal Property - Other Jurisdictions | -                    | -               |              |              |                      |
| 8        | <b>Payroll Taxes</b>                             |                      |                 |              |              |                      |
| 9        | Federal Insurance Contribution (FICA )           | -                    |                 | -            |              |                      |
| 10       | Federal Unemployment Tax                         | -                    |                 | -            |              |                      |
| 11       | State Unemployment Insurance                     | -                    |                 | -            |              |                      |
| 12       | <i>Line Deliberately Left Blank</i>              |                      |                 |              |              |                      |
| 13       | State Severance Taxes                            | -                    |                 |              |              | -                    |
| 14       | <b>Miscellaneous Taxes</b>                       |                      |                 |              |              |                      |
| 15       | State Business & Occupation Tax                  | -                    |                 |              |              | -                    |
| 16       | State Public Service Commission Fees             | -                    |                 |              | -            |                      |
| 17       | State Franchise Taxes                            | -                    |                 |              | -            |                      |
| 18       | State Lic/Registration Fee                       | -                    |                 |              | -            |                      |
| 19       | Misc. State and Local Tax                        | -                    |                 |              | -            |                      |
| 20       | Sales & Use                                      | -                    |                 |              | -            |                      |
| 21       | Federal Excise Tax                               | -                    |                 |              | -            |                      |
| 22       | Michigan Single Business Tax                     | -                    |                 |              | -            |                      |
| 23       | Total Taxes by Allocable Basis                   | -                    | -               | -            | -            | -                    |

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

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

**Functional Property Tax Allocation**

| Line No. | Account   | Lines 24-58<br>Column (B)  |              | Lines 24-58<br>Column (D)  |          | Total     |
|----------|---|----------------------------|--------------|----------------------------|----------|-----------|
|          |   | Deliberately Left<br>Blank | Transmission | Deliberately Left<br>Blank | General  |           |
| 24       | Functionalized Net Plant (Hist. TCOS, Lns 224 thru 234)     | -                          | 4,504,520    | -                          | -        | 4,504,520 |
|          | <b>VIRGINIA JURISDICTION</b>                                |                            |              |                            |          |           |
| 25       | Percentage of Plant in VIRGINIA JURISDICTION                |                            |              |                            |          |           |
| 26       | Net Plant in VIRGINIA JURISDICTION (Ln 24 * Ln 25)          | -                          | -            | -                          | -        | -         |
| 27       | Less: Net Value of Exempted Generation Plant                | -                          | -            | -                          | -        | -         |
| 28       | Taxable Property Basis (Ln 26 - Ln 27)                      | -                          | -            | -                          | -        | -         |
| 29       | Relative Valuation Factor                                   | -                          | -            | -                          | -        | 0         |
| 30       | Weighted Net Plant (Ln 28 * Ln 29)                          | -                          | -            | -                          | -        | -         |
| 31       | General Plant Allocator (Ln 30 / (Total - General Plant))   | 0.00%                      | 0.00%        | 0.00%                      | -100.00% | -         |
| 32       | Functionalized General Plant (Ln 31 * General Plant)        | -                          | -            | -                          | -        | -         |
| 33       | Weighted VIRGINIA JURISDICTION Plant (Ln 30 + 32)           | -                          | -            | -                          | -        | -         |
| 34       | Functional Percentage (Ln 33/Total Ln 33)                   | 0.00%                      | 0.00%        | 0.00%                      | -        | -         |
| 35       | Functionalized Expense in VIRGINIA JURISDICTION             | -                          | -            | -                          | -        | -         |
|          | <b>WEST VA JURISDICTION</b>                                 |                            |              |                            |          |           |
| 36       | Percentage of Plant in WEST VA JURISDICTION                 |                            |              |                            |          |           |
| 37       | Net Plant in WEST VA JURISDICTION (Ln 24 * Ln 36)           | -                          | -            | -                          | -        | -         |
| 38       | Less: Net Value of Exempted Generation Plant                | -                          | -            | -                          | -        | -         |
| 39       | Taxable Property Basis (Ln 37 - Ln 38)                      | -                          | -            | -                          | -        | -         |
| 40       | Relative Valuation Factor                                   | -                          | -            | -                          | -        | 0         |
| 41       | Weighted Net Plant (Ln 39 * Ln 40)                          | -                          | -            | -                          | -        | -         |
| 42       | General Plant Allocator (Ln 41 / (Total - General Plant))   | 0.00%                      | 0.00%        | 0.00%                      | -100.00% | -         |
| 43       | Functionalized General Plant (Ln 42 * General Plant)        | -                          | -            | -                          | -        | -         |
| 44       | Weighted WEST VA JURISDICTION Plant (Ln 41 + 43)            | -                          | -            | -                          | -        | -         |
| 45       | Functional Percentage (Ln 44/Total Ln 44)                   | 0.00%                      | 0.00%        | 0.00%                      | -        | -         |
| 46       | Functionalized Expense in WEST VA JURISDICTION              | -                          | -            | -                          | -        | -         |
|          | <b>TENNESSEE JURISDICTION</b>                               |                            |              |                            |          |           |
| 47       | Net Plant in TENNESSEE JURISDICTION (Ln 24 - Ln 26 - Ln 37) | -                          | 4,504,520    | -                          | -        | 4,504,520 |
| 48       | Less: Net Value Exempted Generation Plant                   | -                          | -            | -                          | -        | -         |
| 49       | Taxable Property Basis                                      | -                          | 4,504,520    | -                          | -        | 4,504,520 |
| 50       | Relative Valuation Factor                                   | -                          | -            | -                          | -        | -         |
| 51       | Weighted Net Plant (Ln 49 * Ln 50)                          | -                          | -            | -                          | -        | -         |
| 52       | General Plant Allocator (Ln 51 / (Total - General Plant))   | 0.00%                      | 0.00%        | 0.00%                      | -100.00% | -         |
| 53       | Functionalized General Plant (Ln 53 * General Plant)        | -                          | -            | -                          | -        | -         |
| 54       | Weighted TENNESSEE JURISDICTION Plant (Ln 51 + 53)          | -                          | -            | -                          | -        | -         |
| 55       | Functional Percentage (Ln 54/Total Ln 54)                   | 0.00%                      | 0.00%        | 0.00%                      | -        | -         |
| 56       | Functionalized Expense in TENNESSEE JURISDICTION            | -                          | -            | -                          | -        | -         |
| 57       | Total Other Jurisdictions: (Line 7 * Net Plant Allocator)   | -                          | -            | -                          | -        | -         |
| 58       | Total Func. Property Taxes (Sum Lns 35, 46 56, 57)          | -                          | -            | -                          | -        | -         |

| (A)  | (B)           | (C)                  | (D)   |
|--|---------------|----------------------|---|
| Line No. Annual Tax Expenses by Type (Note 1)  | Total Company | FERC FORM 1 Tie-Back | FERC FORM 1 Reference   |
| <b>1 Revenue Taxes</b>   |               |                      |   |
| 2 Gross Receipts Tax   | -             |                      | P.263.1 In 7 (i)<br>P.263.2 In 3 (i)<br>P.263.2 In 4 (i)  |
| <b>3 Real Estate and Personal Property Taxes</b>   |               |                      |   |
| 4 Real and Personal Property - West Virginia   | -             |                      | P.263 In 34 (i)<br>P.263 In 35 (i)<br>P.263 In 38 (i)<br>P.263 In 39 (i)<br>P.263.1 In 2 (i)<br>P.263.1 In 3 (i)  |
| 5 Real and Personal Property - Virginia  | -             |                      | P.263.2 In 21 (i)<br>P.263.2 In 22 (i)<br>P.263.2 In 24 (i)<br>P.263.2 In 25 (i)<br>P.263.2 In 26 (i)<br>P.263.2 In 27 (i)  |
| 6 Real and Personal Property - Tennessee   | -             |                      | P.263.3 In 3 (i)<br>P.263.3 In 4 (i)  |
| 7 Real and Personal Property - Other Jurisdictions                                       | -             |                      | P.263.4 In 12 (i)   |
| <b>8 Payroll Taxes</b>   |               |                      |   |
| 9 Federal Insurance Contribution (FICA )   | -             |                      | P.263 In 6 (i)  |
| 10 Federal Unemployment Tax  | -             |                      | P.263 In 9 (i)  |
| 11 State Unemployment Insurance  | -             |                      | P.263.1 In 23 (i)<br>P.263.2 In 33 (i)<br>P.263.3 In 16 (i)   |
| 12 <i>Line Left Deliberately Blank</i>   |               |                      |   |
| 13 State Severance Taxes   | -             |                      |   |
| <b>14 Miscellaneous Taxes</b>  |               |                      |   |
| 15 State Business & Occupation Tax   | -             |                      | P.263 In 21 (i)<br>P.263 In 22 (i)  |
| 16 State Public Service Commission Fees  | -             |                      | P.263 In 26 (i)<br>P.263 In 27 (i)<br>P.263.3 In 20 (i)   |
| 17 State Franchise Taxes   | -             |                      | P.263.1 In 18 (i)<br>P.263.1 In 19 (i)<br>P.263.1 In 34 (i)<br>P.263.2 In 10 (i)<br>P.263.2 In 11 (i)<br>P.263.2 In 38 (i)<br>P.263.2 In 39 (i)<br>P.263.3 In 27 (i)<br>P.263.3 In 28 (i)<br>P.263.4 In 20 (i)<br>P.263.4 In 27 (i) |
| 18 State Lic/Registration Fee  | -             |                      | P.263.1 In 15 (i)<br>P.263.2 In 13 (i)<br>P.263.3 In 8 (i)<br>P.263.4 In 21 (i)   |
| 19 Misc. State and Local Tax   | -             |                      | P.263.1 In 12 (i)   |
| 20 Sales & Use   | -             |                      | P.263 In 30 (i)<br>P.263 In 31(i)<br>P.263.2 In 16 (i)<br>P.263.2 In 17 (i)<br>P.263.3 In 21 (i)  |
| 21 Federal Excise Tax  | -             |                      | P.263 In 13 (i)<br>P.263 In 14 (i)  |
| 22 Michigan Single Business Tax  | -             |                      |   |
| 23 Total Taxes by Allocable Basis<br>(Total Company Amount Ties to FFI p.114, Ln 14,(c)) | -             | -                    |   |

Note 1: The taxes assessed on each transmission company can differ from year to year and between transmission companies by both the type of taxes and the states in which they were assessed. Therefore, for each company, the types and jurisdictions of tax expense recorded on this page could differ from the same page in the same company's prior year template or from this page in other transmission companies' current year templates. For each update, this sheet will be revised to ensure that the total activity recorded hereon equals the total reported in account 408.1 on P. 114, Ln 14 of the Ferc Form 1.

**AEPTCo subsidiaries in PJM  
 Cost of Service Formula Rate Using 2010 FF1 Balances  
 Worksheet I Supporting Transmission Plant in Service Additions  
 AEP INDIANA MICHIGAN TRANSMISSION 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)):           | -                |
| 2 | Transmission Plant @ End of Historic Period (2010) (P.207, In 58,(g)):                 | 4,504,519        |
| 3 |  | <u>4,504,519</u> |
| 4 | Average Balance of Transmission Investment   | 2,252,260        |
| 5 | Annual Depreciation Expense, Historic TCOS, In 285                                     | -                |
| 6 | Composite Depreciation Rate  | 0.00%            |
| 7 | Depreciation rate of AEP Operating Companies from Worksheet P (used if line 6 is zero) | 1.43%            |

**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          | \$ 3,128,014        | 1.43%                              | \$ 44,601           | \$ 3,717             | 11                      | \$ 40,887                       |
| 10 | February         | \$ -                | 1.43%                              | \$ -                | \$ -                 | 10                      | \$ -                            |
| 11 | March            | \$ -                | 1.43%                              | \$ -                | \$ -                 | 9                       | \$ -                            |
| 12 | April            | \$ -                | 1.43%                              | \$ -                | \$ -                 | 8                       | \$ -                            |
| 13 | May              | \$ -                | 1.43%                              | \$ -                | \$ -                 | 7                       | \$ -                            |
| 14 | June             | \$ -                | 1.43%                              | \$ -                | \$ -                 | 6                       | \$ -                            |
| 15 | July             | \$ -                | 1.43%                              | \$ -                | \$ -                 | 5                       | \$ -                            |
| 16 | August           | \$ -                | 1.43%                              | \$ -                | \$ -                 | 4                       | \$ -                            |
| 17 | September        | \$ -                | 1.43%                              | \$ -                | \$ -                 | 3                       | \$ -                            |
| 18 | October          | \$ -                | 1.43%                              | \$ -                | \$ -                 | 2                       | \$ -                            |
| 19 | November         | \$ -                | 1.43%                              | \$ -                | \$ -                 | 1                       | \$ -                            |
| 20 | December         | \$ -                | 1.43%                              | \$ -                | \$ -                 | 0                       | \$ -                            |
| 21 | Investment       | <u>\$ 3,128,014</u> |                                    |                     |                      | Depreciation Expense    | <u>\$ 40,887</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 2009**

|  | <u>Estimated Cost</u><br><u>(000's)</u> | <u>Month in Service</u> |
|--|---|-------------------------|
| 25 <b>Major Zonal Projects</b>                                   |   |                         |
| 26   |   |                         |
| 27   |   |                         |
| 28   |   |                         |
| 29   |   |                         |
| 30   |   |                         |
| 31   | Subtotal                                | -                       |
| 32 <b>PJM Socialized/Beneficiary Allocated Regional Projects</b> |   |                         |
| 33   |   | \$0                     |
| 34   | Subtotal                                | \$0                     |

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

AEPTCo subsidiaries in PJM  
Cost of Service Formula Rate Using 2010 FF1 Balances  
Worksheet J Supporting Calculation of PROJECTED PJM RTEP Project Revenue Requirement Billed to Benefiting Zones  
AEP INDIANA MICHIGAN TRANSMISSION COMPANY

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

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

|   |        |   |
|---|--------|---|
| ROE w/o incentives (Projected TCOS, In 176)   | 11.49% |   |
| Project ROE Incentive Adder   | 0      | ←ROE Adder Cannot Exceed 125 Basis Points                         |
| ROE with additional 0 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 174 through 176) |        |   |
|   | %      | Cost  |
| Long Term Debt  | 50.35% | 5.88%   |
| Preferred Stock   | 0.21%  | 4.41%   |
| Common Stock  | 49.44% | 11.49%  |
|   |        | Weighted cost   |
|   |        | 2.959%  |
|   |        | 0.009%  |
|   |        | 5.681%  |
|   | R =    | 8.649%  |

| SUMMARY OF PROJECTED ANNUAL RTEP REVENUE REQUIREMENTS |             |              |                   |
|---|-------------|--------------|-------------------|
|   | Rev Require | W Incentives | Incentive Amounts |
| PROJECTED YEAR  | 2011        | -            | \$ -              |

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

|                                   |           |
|-----------------------------------|-----------|
| Rate Base (Projected TCOS, In 78) | 7,570,943 |
| R (from A, above)                 | 8.649%    |
| Return (Rate Base x R)            | 654,815   |

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

|   |         |
|---|---------|
| Return (from B, above)                      | 654,815 |
| Effective Tax Rate (Projected TCOS, In 124) | 43.36%  |
| Income Tax Calculation (Return x CIT)       | 283,921 |
| ITC Adjustment                              | -       |
| Income Taxes                                | 283,921 |

**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 (Projected TCOS, In 1)              | 1,222,638 |
| T.E.A. & Lease Payments (Projected TCOS, Lns 102 & 103)        | -         |
| Return (Projected TCOS, In 132)                                | 654,815   |
| Income Taxes (Projected TCOS, In 131)                          | 283,921   |
| Annual Revenue Requirement, Less TEA Charges, Return and Taxes | 283,902   |

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

|  |           |
|--|-----------|
| Annual Revenue Requirement, Less TEA Charges, Return and Taxes   | 283,902   |
| Return (from I.B. above)   | 654,815   |
| Income Taxes (from I.C. above)                                   | 283,921   |
| Annual Revenue Requirement, with 0 Basis Point ROE increase      | 1,222,638 |
| Depreciation (Projected TCOS, In 108)                            | -         |
| Annual Rev. Req, w/0 Basis Point ROE increase, less Depreciation | 1,222,638 |

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

|  |           |
|--|-----------|
| Net Transmission Plant (Projected TCOS, In 48)                     | 4,504,519 |
| Annual Revenue Requirement, with 0 Basis Point ROE increase        | 1,222,638 |
| FCR with 0 Basis Point increase in ROE                             | 27.14%    |
| Annual Rev. Req, w / 0 Basis Point ROE increase, less Dep.         | 1,222,638 |
| FCR with 0 Basis Point ROE increase, less Depreciation             | 27.14%    |
| FCR less Depreciation (Projected TCOS, In 9)                       | 15.57%    |
| Incremental FCR with 0 Basis Point ROE increase, less Depreciation | 11.58%    |

**III. Calculation of Composite Depreciation Rate**

|  |           |
|--|-----------|
| Transmission Plant @ Beginning of Historic Period (2010) (P.206, In 58,(b)): | -         |
| Transmission Plant @ End of Historic Period (2010) (F.207, In 58,(g)):       | 4,504,519 |
| Subtotal   | 4,504,519 |
| Average Transmission Plant Balance for 2010                                  | 2,252,260 |
| Annual Depreciation Rate (Projected TCOS, In 108)                            | -         |
| Composite Depreciation Rate  | 0.00%     |
| Depreciable Life for Composite Depreciation Rate                             | -         |
| Round to nearest whole year  | -         |

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



**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 176)   |        |        |               | 11.49%   |
| Project ROE Incentive Adde  | 0      |        |               | <==ROE Adder Cannot Exceed 100 Basis Point:                                |
| ROE with additional 0 basis point incentive   |        |        |               | 11.49% <== ROE Including Incentives Cannot Exceed 12.5% Until July 1, 2012 |
| Determine R ( cost of long term debt, cost of preferred stock and equity percentage is from the True-Up TCOS, Ins 174 through176) |        |        |               |  |
|   | %      | Cost   | Weighted cost |  |
| Long Term Debt  | 51.12% | 5.71%  | 2.918%        |  |
| Preferred Stock   | 0.21%  | 4.40%  | 0.009%        |  |
| Common Stock  | 48.67% | 11.49% | 5.592%        |  |
|   |        | R =    | 8.520%        |  |

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

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

|                                 |           |
|---------------------------------|-----------|
| Rate Base (True-Up TCOS, In 78) | 2,242,837 |
| R (from A. above)               | 8.520%    |
| Return (Rate Base x R)          | 191,082   |

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

|   |         |
|---|---------|
| Return (from B. above)                    | 191,082 |
| Effective Tax Rate (True-Up TCOS, In 124) | 43.33%  |
| Income Tax Calculation (Return x CIT)     | 82,803  |
| ITC Adjustment                            | -       |
| Income Taxes                              | 82,803  |

**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)       | 496,666 |
| T.E.A. & Lease Payments (True-Up TCOS, Lns 102 & 103) | -       |
| Return (True-Up TCOS, In 132)                         | 191,082 |
| Income Taxes (True-Up TCOS, In 131)                   | 82,803  |
| Annual Revenue Requirement, Less TEA                  | 222,781 |
| Charges, Return and Taxes                             | 222,781 |

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

|   |         |
|---|---------|
| Annual Revenue Requirement, Less TEA Charges, Return and Taxes    | 222,781 |
| Return (from I.B. above)  | 191,082 |
| Income Taxes (from I.C. above)                                    | 82,803  |
| Annual Revenue Requirement, with 0 Basis Point ROE increase       | 496,666 |
| Depreciation (True-Up TCOS, In 108)                               | -       |
| Annual Rev. Req. w/ 0 Basis Point ROE increase, less Depreciation | 496,666 |

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

|  |           |
|--|-----------|
| Net Transmission Plant (True-Up TCOS, In 48)                       | 2,252,260 |
| Annual Revenue Requirement, with 0 Basis Point ROE increase        | 496,666   |
| FCR with 0 Basis Point increase in ROE                             | 22.05%    |
| Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep.         | 496,666   |
| FCR with 0 Basis Point ROE increase, less Depreciation             | 22.05%    |
| FCR less Depreciation (True-Up TCOS, In 9)                         | 22.05%    |
| 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)): | -         |
| Transmission Plant @ End of Historic Period ( ) (P.207, In 58,(g)):       | 4,504,519 |
| Subtotal  | 4,504,519 |
| Average Transmission Plant Balance for                                    | 2,252,260 |
| Annual Depreciation Rate (True-Up TCOS, In 108)                           | -         |
| Composite Depreciation Rate   | 0.00%     |
| Depreciable Life for Composite Depreciation Rate                          | -         |
| Round to nearest whole year   | -         |

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

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   | -           | -            | -                 |
| True-Up Adjustment | -           | -            | -                 |

| Details              |      | Current Year  | 2010   |
|----------------------|------|---|--------|
| Investment           |      |   |        |
| Service Year (yyyy)  | 2008 | ROE increase accepted by FERC (Basis Points)              | -      |
| Service Month (1-12) |      | FCR w/o incentives, less depreciation                     | 22.05% |
| Useful life          |      | FCR w/incentives approved for these facilities, less dep. | 22.05% |
| CIAC (Yes or No)     | No   | Annual Depreciation Expense                               | -      |

**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 ** |
|-----------------|-------------------|----------------------|----------------|-----------------|---------------------------------|-------------------------------------|-------------------------------|--|---------------------------------------|--|---|---|
| 2008            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2009            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2010            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2011            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2012            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2013            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2014            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2015            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2016            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2017            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2018            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2019            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2020            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2021            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2022            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2023            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2024            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2025            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2026            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2027            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2028            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2029            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2030            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2031            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2032            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2033            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2034            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2035            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2036            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2037            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2038            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2039            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2040            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2041            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2042            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2043            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2044            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2045            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2046            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2047            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2048            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2049            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2050            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2051            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2052            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2053            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2054            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2055            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2056            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2057            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2058            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2059            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2060            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2061            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2062            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2063            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2064            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2065            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2066            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| 2067            | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |
| Project Totals  | -                 | -                    | -              | -               | -                               | -                                   | \$ -                          | \$ -   | -                                     | \$ -   | -   | \$ -                                    |

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

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

AEPTCo subsidiaries in PJM  
 Cost of Service Formula Rate Using 2010 FF1 Balances  
 Worksheet L Supporting Projected Cost of Debt  
 AEP INDIANA MICHIGAN TRANSMISSION COMPANY

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

| <u>Line Number</u> | <u>(A)<br/>Issuance</u>                            | <u>(B)<br/>Principle Outstanding</u>     | <u>(C)<br/>Interest Rate</u> | <u>(D)<br/>Annual Expense<br/>(See Note S on<br/>Projected Template)</u> |
|--------------------|--|--|------------------------------|--|
| 1                  | <b>Long Term Debt (FF1.p. 256-257, a,h)</b>        |  |                              |  |
| 2                  | <b>Bonds - Acc 221</b>                             |  |                              |  |
| 3                  |  |  |                              | -  |
| 4                  |  |  |                              | -  |
| 5                  |  |  |                              | -  |
| 6                  | <b>Reacquired Bonds - Total Account 222</b>        |  |                              |  |
| 7                  |  |  |                              | -  |
| 8                  |  |  |                              | -  |
| 9                  |  |  |                              | -  |
| 10                 | <b>Advances from Assoc Companies</b>               |  |                              |  |
| 11                 |  |  |                              | -  |
| 12                 |  |  |                              | -  |
| 13                 |  |  |                              | -  |
| 14                 | <b>Other Long Term Debt - Acc 224</b>              |  |                              |  |
| 15                 |  |  |                              | -  |
| 16                 |  |  |                              | -  |
| 17                 |  |  |                              | -  |
| 18                 |  |  |                              | -  |
| 19                 |  |  |                              | -  |
| 20                 |  |  |                              | -  |
| 21                 |  |  |                              | -  |
| 22                 |  |  |                              | -  |
| 23                 |  |  |                              | -  |
| 24                 |  |  |                              | -  |
| 25                 |  |  |                              | -  |
| 26                 | <b>Sale/Leaseback (If Applicable)</b>              |  | 0                            | -  |
| 27                 | <b>Issuance Discount, Premium, &amp; Expenses:</b> |  |                              |  |
| 28                 | Auction Fees                                       | FF1.p. 256 & 257.Lines Described as Fees |                              | -  |
| 29                 | Amort of Debt Discount and Expenses                | FF1.p. 117.63.c                          |                              | -  |
| 30                 | Less: Amort of Debt Premiums                       | FF1.p. 117.65.c                          |                              | -  |
| 31                 | <b>Reacquired Debt:</b>                            |  |                              |  |
| 32                 | Amortization of Loss                               | FF1.p. 117.64.c                          |                              | -  |
| 33                 | Less: Amortization of Gain                         | FF1.p. 117.66.c                          |                              | -  |
| 34                 | <b>Total Interest on Long Term Debt</b>            | -  | 0                            | -  |
| 35                 | <b>Preferred Stock (FF1.p. 250-251)</b>            |  |                              |  |
| 36                 | <b>Preferred Shares Outstanding</b>                |  |                              |  |
| 37                 |  |  |                              | -  |
| 38                 |  |  |                              | -  |
| 39                 |  |  |                              | -  |
| 40                 |  |  |                              | -  |
| 41                 |  |  |                              | -  |
| 42                 |  |  |                              | -  |
| 43                 |  |  |                              | -  |
| 44                 | <b>Dividends on Preferred Stock</b>                | -  | 0.00%                        | -  |

NOTE: All interest rate hedging gains/losses shall be excluded from long term debt expense.

**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)                      | (D)                      | (E)     |
|--|---|--------------------------|--------------------------|---------|
| Line   |   | Balances @<br>12/31/2010 | Balances @<br>12/31/2009 | Average |
| <b>Development of Average Balance of Common Equity</b> |   |                          |                          |         |
| 1  | Proprietary Capital (112.16.c&d)        | 79                       | (455)                    | (188)   |
| 2  | Less Preferred Stock (Ln 48 Below)      | -                        | -                        | -       |
| 3  | Less Account 216.1 (112.12.c&d)         | 0                        | -                        | -       |
| 4  | Less Account 219.1 (112.15.c&d)         | -                        | -                        | -       |
| 5  | <b>Average Balance of Common Equity</b> | 79                       | (455)                    | (188)   |

**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)    | - | - | - |
| 9  | Senior Unsecured Notes (112.21.c&d)               | - | - | - |
| 10 | Less: Fair Value Hedges (See Note on Ln 12 below) | - | - | - |
| 11 | <b>Total Average Debt</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. (Page 257, Column H of the FF1)**

**13 Annual Interest Expense for 2010**

|   |   |   |   |   |
|---|---|---|---|---|
| 14  | Interest on Long Term Debt (256-257.33.i)                                     | - | - | - |
| Less: Total Hedge (Gain)/Expense Accumulated from p 256-257, col (i) of FERC Form 1 |   |   |   |   |
| 15  | included in Ln 14 and shown in Ln 32 below.                                   | - | - | - |
| 16  | Amort of Debt Discount & Expense (117.63.c)                                   | - | - | - |
| 17  | Amort of Loss on Reacquired Debt (117.64.c)                                   | - | - | - |
| 18  | Less: Amort of Premium on Debt (117.65.c)                                     | - | - | - |
| 19  | Less: Amort of Gain on Reacquired Debt (117.66.c)                             | - | - | - |
| 20  | <b>Total Interest Expense (Ln 14 - Ln 15 + Ln 16 + Ln 17 - Ln 18 - Ln 19)</b> | - | - | - |

21 **Average Cost of Debt for 2010 (Ln 20/Ln 11)** 0.00%

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

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

|    | HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1) | "(Amortization of (Gain)/Loss for 2009 | Remaining Unamortized Balance | Amortization Period |        |
|----|--|--|-------------------------------|---------------------|--------|
|    |  |  |                               | Beginning           | Ending |
| 23 |  |  |                               |                     |        |
| 24 |  |  |                               |                     |        |
| 25 |  |  |                               |                     |        |
| 26 |  |  |                               |                     |        |
| 27 |  |  |                               |                     |        |
| 28 |  |  |                               |                     |        |
| 29 |  |  |                               |                     |        |
| 30 |  |  |                               |                     |        |
| 31 |  |  |                               |                     |        |

32 **Net (Gain)/Loss Hedge Amortization To Be Removed** -

**Development of Cost of Preferred Stock**

| Preferred Stock |  |       | Average |
|-----------------|--|-------|---------|
| 33              | 0% Series - Dividend Rate (p. 250-251. 7 & 10.a)     |       |         |
| 34              | 0% Series - Par Value (p. 250-251. 8.c)              |       |         |
| 35              | 0% Series - Shares O/S (p.250-251. 8 & 11.e)         |       |         |
| 36              | 0% Series - Monetary Value (Ln 34 * Ln 35)           | -     | -       |
| 37              | 0% Series - Dividend Amount (Ln 33 * Ln 36)          | -     | -       |
| 38              | 0% Series - Dividend Rate (p. 250-251.a)             |       |         |
| 39              | 0% Series - Par Value (p. 250-251.c)                 |       |         |
| 40              | 0% Series - Shares O/S (p.250-251. e)                |       |         |
| 41              | 0% Series - Monetary Value (Ln 39 * Ln 40)           | -     | -       |
| 42              | 0% Series - 0 - Dividend Amount (Ln 38 * Ln 41)      | -     | -       |
| 43              | 0% Series - Dividend Rate (p. 250-251.a)             |       |         |
| 44              | 0% Series - Par Value (p. 250-251.c)                 |       |         |
| 45              | 0% Series - Shares O/S (p.250-251.e)                 |       |         |
| 46              | 0% Series - Monetary Value (Ln 44 * Ln 45)           | -     | -       |
| 47              | 0% Series - Dividend Amount (Ln 43 * Ln 46)          | -     | -       |
| 48              | <b>Balance of Preferred Stock (Lns 36, 41, 46)</b>   | -     | -       |
| 49              | <b>Dividends on Preferred Stock (Lns 37, 42, 47)</b> | -     | -       |
| 50              | <b>Average Cost of Preferred Stock (Ln 49/48)</b>    | 0.00% | 0.00%   |

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

**AEPTCo subsidiaries in PJM  
 Cost of Service Formula Rate Using 2010 FF1 Balances  
 Worksheet N - Gains (Losses) on Sales of Plant Held For Future Use  
 AEP INDIANA MICHIGAN TRANSMISSION COMPANY**

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

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

AEPTCo subsidiaries in PJM  
 Cost of Service Formula Rate Using 2010 FF1 Balances  
 Calculation of Post-employment Benefits Other than Pensions Expenses Allocable to Transmission Service  
 Worksheet O - PBOP Support  
 AEP INDIANA MICHIGAN TRANSMISSION COMPANY

| PBOP | (A)  | (B)             |
|------|--|-----------------|
| 1    | <b><u>Calculation of PBOP Expenses</u></b>                     |                 |
| 2    | <b><u>AEP System PBOP Rate</u></b>                             |                 |
| 3    | Total AEP System PBOP expenses                                 | \$110,965,728   |
| 4    | Base Year relating to retired personnel                        | \$0             |
| 5    | Amount allocated on Labor                                      | \$110,965,728   |
| 6    | Total AEP System Direct Labor Expense                          | \$1,204,054,866 |
| 7    | AEP System PBOP expense per dollar of direct labor (PBOP Rate) | \$0.092         |
| 8    | Currently Approved PBOP Rate                                   | \$0.094         |
| 9    | Base PBOP TransCo labor expensed in current year               | 78,786          |
| 10   | Allowable TransCo PBOP Expense for current year (Ln 8 * Ln 9)  | \$7,406         |
| 11   | Direct PBOP Expense per Actuarial Report                       | \$0             |
| 12   | Additional PBOP Ledger Entry (From Company Records)            | \$0             |
| 13   | Medicare Credit  | \$0             |
| 14   | PBOP Expenses From AEP Affiliates (From Company Records)       | \$1,299         |
| 15   | Actual PBOP Expense (Sum Lines 11-14)                          | \$1,299         |
| 16   | PBOP Adjustment Line 10 less Line 15                           | \$6,107         |

AEPTCo subsidiaries in PJM  
 Worksheet - P  
 DEPRECIATION RATES  
 FOR TRANSMISSION PLANT PROPERTY ACCOUNTS  
 EFFECTIVE AS OF 7/1/2010

AEP INDIANA MICHIGAN TRANSMISSION COMPANY

|                                  | <b>PLANT<br/>ACCT.</b> | <b>RATES<br/>Note 1</b> |
|----------------------------------|------------------------|-------------------------|
| <b><i>TRANSMISSION PLANT</i></b> |                        |                         |
| Land Rights                      | 350.1                  | 1.16%                   |
| Structures & Improvements        | 352.0                  | 1.15%                   |
| Station Equipment                | 353.0                  | 1.46%                   |
| Towers & Fixtures                | 354.0                  | 1.46%                   |
| Poles & Fixtures                 | 355.0                  | 2.19%                   |
| Overhead Conductor               | 356.0                  | 1.23%                   |
| Underground Conduit              | 357.0                  | 1.45%                   |
| Underground Conductors           | 358.0                  | 1.35%                   |
| Trails & Roads                   | 359.0                  | 1.50%                   |

**Note:** Per the Settlement in Docket No. ER10-355, Appendix A.1.2, AEP INDIANA MICHIGAN TRANSMISSION COMPANY shall use the depreciation rates shown above by FERC Account until such time as the FERC approves new depreciation rates pursuant to a Section 205 or 206 filing to change rates.

|  | <u>I &amp; M</u> | <u>TOTAL</u>  |
|--|------------------|---------------|
| 1 T-Plant (FF1 206.58.g)               | 1,153,823,876    | 1,153,823,876 |
| 2 T-Plant (FF1 206.58.b)               | 1,115,559,969    | 1,115,559,969 |
| 3 Average (Ln 1+ Ln 2)/2               | 1,134,691,923    | 1,134,691,923 |
| 4 Depreciation (FF1 336.7.f)           | 16,178,988       | 16,178,988    |
| 5 Composite Depreciation (Ln 3 / Ln 4) |                  | <b>1.43%</b>  |

**Note:** AEP INDIANA MICHIGAN TRANSMISSION COMPANY shall initially use the composite depreciation rate for I & M shown above to estimate depreciation expense for transmission projects in Worksheets I, J, and K until a composite depreciation rate based on transmission plant in service and depreciation expenses recorded by AEP INDIANA MICHIGAN TRANSMISSION COMPANY for its own transmission facilities can be calculated in AEP INDIANA MICHIGAN TRANSMISSION COMPANY's the first Annual Update including a True-Up TCOS.

AEP East Consolidated Utility Capital Structure  
Consolidation of Operating Companies' Capital Structure @ December 31, 2010  
Worksheet Q Page 1

| Line  | Appalachian Power Company | Columbus Southern Power Company | Indiana Michigan Power Company | Kentucky Power Company | Kingsport Power Company | Ohio Power Company | Wheeling Power Company | AEP East Operating Companies' Consolidated Capital Structure |
|---|---------------------------|---------------------------------|--------------------------------|------------------------|-------------------------|--------------------|------------------------|--|
| <b>Development of Long Term Debt Balances at Year End</b>   |                           |                                 |                                |                        |                         |                    |                        |  |
| 1 Bonds (112.18.c&d)  | -                         | -                               | -                              | -                      | -                       | -                  | -                      | -  |
| 2 Less: Reacquired Bonds (112.19.c&d)   | -                         | -                               | -                              | -                      | -                       | 303,000,000        | -                      | 303,000,000  |
| 3 LT Advances from Assoc. Companies (112.20.c&d)  | -                         | -                               | -                              | 20,000,000             | 20,000,000              | 200,000,000        | 25,000,000             | 265,000,000  |
| 4 Senior Unsecured Notes (112.21.c&d) Excludes Spent Nuc Fuel Disp Fund   | 3,569,080,184             | 1,442,745,000                   | 1,542,000,000                  | 530,000,000            | -                       | 2,837,580,000      | -                      | 9,921,405,184  |
| 5 Less: Fair Value Hedges (See Note on Ln 7 below)  | -                         | -                               | -                              | -                      | -                       | -                  | -                      | -  |
| 6 <b>Total Long Term Debt Balance</b>   | 3,569,080,184             | 1,442,745,000                   | 1,542,000,000                  | 550,000,000            | 20,000,000              | 2,734,580,000      | 25,000,000             | 9,883,405,184  |
| 7 NOTE: The balance of fair value hedges on outstanding long term debt are to be excluded from the balance of long term debt included in the formula's capital structure page 257, Column H of the FF1) |                           |                                 |                                |                        |                         |                    |                        |  |
| <b>Development of Long Term Debt Interest Expense</b>   |                           |                                 |                                |                        |                         |                    |                        |  |
| 8 Interest on Long Term Debt (256-257.33.i)   | 202,562,005               | 83,196,386                      | 100,106,931                    | 35,048,706             | 449,958                 | 150,607,498        | 1,312,500              | 573,283,984  |
| 9 Amort of Debt Discount & Expense (117.63.c)   | 3,062,701                 | 1,862,634                       | 3,103,138                      | 471,186                | -                       | 3,175,310          | -                      | 11,674,969   |
| 10 Amort of Loss on Reacquired Debt (117.64.c)  | 1,030,544                 | 743,541                         | 1,399,579                      | 33,649                 | -                       | 594,470            | -                      | 3,801,783  |
| 11 Less: Amort of Premium on Debt (117.65.c)  | -                         | -                               | -                              | -                      | -                       | -                  | -                      | -  |
| 12 Less: Amort of Gain on Reacquired Debt (117.66.c)  | -                         | -                               | 1,712                          | -                      | -                       | -                  | -                      | 1,712  |
| 13 Less: Hedge Interest on pp 256-257(i)  | 2,499,225                 | -                               | 1,549,104                      | 92,956                 | -                       | (2,097,665)        | -                      | 2,043,620  |
| 14 <b>LTD Interest Expense</b>  | 204,156,025               | 85,802,561                      | 103,058,832                    | 35,460,585             | 449,958                 | 156,474,943        | 1,312,500              | 586,715,404  |
| <b>Development of Cost of Preferred Stock and Preferred Dividends</b>   |                           |                                 |                                |                        |                         |                    |                        |  |
| 15 Dividend Rate (p. 250-251. 7.a)  | 4.50%                     | -                               | 4.125%                         | -                      | -                       | 4.08%              | -                      | -  |
| 16 Par Value (p. 250-251. 8.c)  | \$ 100.00                 | -                               | \$ 100.00                      | -                      | -                       | \$ 100.00          | -                      | -  |
| 17 Shares Outstanding (p.250-251. 8.e)  | 177,465                   | -                               | 55,257                         | -                      | -                       | 14,495             | -                      | -  |
| 18 Monetary Value (Ln 16 * Ln 17)   | 17,746,500                | -                               | 5,525,700                      | -                      | -                       | 1,449,500          | -                      | 24,721,700   |
| 19 Dividend Amount (Ln 15 * Ln 18)  | 798,593                   | -                               | 227,935                        | -                      | -                       | 59,140             | -                      | 1,085,667  |
| 20 Dividend Rate (p. 250-251. 7.a)  | -                         | -                               | 4.12%                          | -                      | -                       | 4.20%              | -                      | -  |
| 21 Par Value (p. 250-251. 8.c)  | -                         | -                               | \$ 100.00                      | -                      | -                       | \$ 100.00          | -                      | -  |
| 22 Shares Outstanding (p.250-251. 8.e)  | -                         | -                               | 11,055                         | -                      | -                       | 22,824             | -                      | -  |
| 23 Monetary Value (Ln 21 * Ln 22)   | -                         | -                               | 1,105,500                      | -                      | -                       | 2,282,400          | -                      | 3,387,900  |
| 24 Dividend Amount (Ln 20 * Ln 23)  | -                         | -                               | 45,547                         | -                      | -                       | 95,861             | -                      | 141,407  |
| 25 Dividend Rate (p. 250-251. 7.a)  | -                         | -                               | 4.56%                          | -                      | -                       | 4.40%              | -                      | -  |
| 26 Par Value (p. 250-251. 8.c)  | -                         | -                               | \$ 100.00                      | -                      | -                       | \$ 100.00          | -                      | -  |
| 27 Shares Outstanding (p.250-251. 8.e)  | -                         | -                               | 14,412                         | -                      | -                       | 31,482             | -                      | -  |
| 28 Monetary Value (Ln 26 * Ln 27)   | -                         | -                               | 1,441,200                      | -                      | -                       | 3,148,200          | -                      | 4,589,400  |
| 29 Dividend Amount (Ln 25 * Ln 28)  | -                         | -                               | 65,719                         | -                      | -                       | 138,521            | -                      | 204,240  |
| 30 Dividend Rate (p. 250-251. 7.a)  | -                         | -                               | -                              | -                      | -                       | 4.50%              | -                      | -  |
| 31 Par Value (p. 250-251. 8.c)  | -                         | -                               | -                              | -                      | -                       | \$ 100.00          | -                      | -  |
| 32 Shares Outstanding (p.250-251. 8.e)  | -                         | -                               | -                              | -                      | -                       | 97,357             | -                      | -  |
| 33 Monetary Value (Ln 31 * Ln 32)   | -                         | -                               | -                              | -                      | -                       | 9,735,700          | -                      | 9,735,700  |
| 34 Dividend Amount (Ln 30 * Ln 33)  | -                         | -                               | -                              | -                      | -                       | 438,107            | -                      | 438,107  |
| 35 <b>Preferred Stock (Lns 18, 23, 28,33)</b>   | 17,746,500                | -                               | 8,072,400                      | -                      | -                       | 16,615,800         | -                      | 42,434,700   |
| 36 <b>Preferred Dividends (Lns 19, 24, 29,34)</b>   | 798,593                   | -                               | 339,200                        | -                      | -                       | 731,628            | -                      | 1,869,421  |
| <b>Development of Common Equity</b>   |                           |                                 |                                |                        |                         |                    |                        |  |
| 37 Proprietary Capital (112.16.c)   | 2,839,425,752             | 1,486,215,163                   | 1,702,420,053                  | 446,215,385            | 27,572,018              | 3,148,530,292      | 46,210,168             | 9,696,588,831  |
| 38 Less: Preferred Stock (Ln 35 Above)  | 17,746,500                | -                               | 8,072,400                      | -                      | -                       | 16,615,800         | -                      | 42,434,700   |
| 39 Less: Account 216.1 (112.12.c)   | 1,578,710                 | 2,134,800                       | (189,146)                      | -                      | -                       | -                  | -                      | 3,524,364  |
| 40 Less: Account 219.1 (112.15.c)   | (48,022,992)              | (51,335,895)                    | (20,888,248)                   | (451,129)              | 6,182                   | (128,819,047)      | (1,782,906)            | (251,294,035)  |
| 41 <b>Balance of Common Equity</b>  | 2,868,123,534             | 1,535,416,258                   | 1,715,425,047                  | 446,666,514            | 27,565,836              | 3,260,733,539      | 47,993,074             | 9,901,923,802  |
| <b>Calculation of Capital Shares</b>  |                           |                                 |                                |                        |                         |                    |                        |  |
| 42 Long Term Debt (Ln 6 Above)  | 3,569,080,184             | 1,442,745,000                   | 1,542,000,000                  | 550,000,000            | 20,000,000              | 2,734,580,000      | 25,000,000             | 9,883,405,184  |
| 43 Preferred Stock (Ln 35 Above)  | 17,746,500                | -                               | 8,072,400                      | -                      | -                       | 16,615,800         | -                      | 42,434,700   |
| 44 Common Equity (Ln 41 Above)  | 2,868,123,534             | 1,535,416,258                   | 1,715,425,047                  | 446,666,514            | 27,565,836              | 3,260,733,539      | 47,993,074             | 9,901,923,802  |
| 45 <b>Total Company Structure</b>   | 6,454,950,218             | 2,978,161,258                   | 3,265,497,447                  | 996,666,514            | 47,565,836              | 6,011,929,339      | 72,993,074             | 19,827,763,686   |
| 46 LTD Capital Shares (Ln 42 / Ln 45)   | 55.29%                    | 48.44%                          | 47.22%                         | 55.18%                 | 42.05%                  | 45.49%             | 34.25%                 | 49.85%   |
| 47 Preferred Stock Capital Shares (Ln 43 / Ln 45)   | 0.27%                     | 0.00%                           | 0.25%                          | 0.00%                  | 0.00%                   | 0.28%              | 0.00%                  | 0.21%  |
| 48 Common Equity Capital Shares (Ln 44 / Ln 45)   | 44.43%                    | 51.56%                          | 52.53%                         | 44.82%                 | 57.95%                  | 54.24%             | 65.75%                 | 49.94%   |
| 49 <b>Equity Capital Share Limit</b>  | 50.00%                    | 51.00%                          | 50.00%                         | 50.00%                 | 100.00%                 | 55.00%             | 100.00%                | 50.00%   |
| 50 LTD Capital Shares with Capital Equity Cap   | 55.29%                    | 49.00%                          | 49.75%                         | 55.18%                 | 42.05%                  | 45.49%             | 34.25%                 | 50.35%   |
| 51 Preferred Stock Capital Shares   | 0.27%                     | 0.00%                           | 0.25%                          | 0.00%                  | 0.00%                   | 0.28%              | 0.00%                  | 0.21%  |
| 52 Common Equity Capital Shares with Capital Equity Cap   | 44.43%                    | 51.00%                          | 50.00%                         | 44.82%                 | 57.95%                  | 54.24%             | 65.75%                 | 49.44%   |
| <b>Calculation of Capital Cost Rate</b>   |                           |                                 |                                |                        |                         |                    |                        |  |
| 53 LTD Capital Cost Rate (Ln 14 / Ln 6)   | 5.72%                     | 5.95%                           | 6.68%                          | 6.45%                  | 2.25%                   | 5.72%              | 5.25%                  | 5.94%  |
| 54 Preferred Stock Capital Cost Rate (Ln 36 / Ln 35)  | 4.50%                     | 0.00%                           | 4.20%                          | 0.00%                  | 0.00%                   | 4.40%              | 0.00%                  | 4.41%  |
| 55 Common Equity Capital Cost Rate  | 11.49%                    | 11.49%                          | 11.49%                         | 11.49%                 | 11.49%                  | 11.49%             | 11.49%                 | 11.49%   |
| <b>Calculation of Weighted Capital Cost Rate</b>  |                           |                                 |                                |                        |                         |                    |                        |  |
| 56 LTD Weighted Capital Cost Rate (Ln 50 * Ln 53)   | 3.16%                     | 2.91%                           | 3.33%                          | 3.56%                  | 0.95%                   | 2.60%              | 1.80%                  | 2.99%  |
| 57 Preferred Stock Capital Cost Rate (Ln 51 * Ln 54)  | 0.01%                     | 0.00%                           | 0.01%                          | 0.00%                  | 0.00%                   | 0.01%              | 0.00%                  | 0.01%  |
| 58 Common Equity Capital Cost Rate (Ln 52 * Ln 55)  | 5.11%                     | 5.86%                           | 5.75%                          | 5.15%                  | 6.66%                   | 6.23%              | 7.55%                  | 5.68%  |
| 59 <b>Total Company Structure</b>   | 8.28%                     | 8.77%                           | 9.08%                          | 8.71%                  | 7.60%                   | 8.85%              | 9.35%                  | 8.68%  |

AEP East Consolidated Utility Capital Structure  
Consolidation of Operating Companies' Capital Structure @ December 31, 2009  
Worksheet Q Page 2

| Line   | Appalachian Power Company | Columbus Southern Power Company | Indiana Michigan Power Company | Kentucky Power Company | Kingsport Power Company | Ohio Power Company | Wheeling Power Company | AEP East Operating Companies' Consolidated Capital Structure |
|--|---------------------------|---------------------------------|--------------------------------|------------------------|-------------------------|--------------------|------------------------|--|
| <b>Development of Long Term Debt Balances at Year End</b>  |                           |                                 |                                |                        |                         |                    |                        |  |
| 60 Bonds (112.18.c&d)  | -                         | -                               | -                              | -                      | -                       | -                  | -                      | -  |
| 61 Less: Reacquired Bonds (112.19.c&d)   | 17,500,000                | -                               | -                              | -                      | -                       | 303,000,000        | -                      | 320,500,000  |
| 62 LT Advances from Assoc. Companies (112.20.c&d)  | 100,000,000               | 100,000,000                     | 25,000,000                     | 20,000,000             | 20,000,000              | 200,000,000        | 25,000,000             | 490,000,000  |
| 63 Senior Unsecured Notes (112.21.c&d) Excludes Spent Nuc Fuel Disp Fund   | 3,419,099,201             | 1,442,745,000                   | 1,692,000,000                  | 530,000,000            | -                       | 3,351,580,000      | -                      | 10,435,424,201   |
| 64 Less: Fair Value Hedges (See Note on Ln 66 below)   | -                         | -                               | -                              | -                      | -                       | -                  | -                      | -  |
| 65 <b>Total Long Term Debt Balance</b>   | 3,501,599,201             | 1,542,745,000                   | 1,717,000,000                  | 550,000,000            | 20,000,000              | 3,248,580,000      | 25,000,000             | 10,604,924,201   |
| 66 NOTE: The balance of fair value hedges on outstanding long term debt are to be excluded from the balance of long term debt included in the formula's capital structure. ¶57, Column H of the FF1) |                           |                                 |                                |                        |                         |                    |                        |  |
| <b>Development of Long Term Debt Interest Expense</b>  |                           |                                 |                                |                        |                         |                    |                        |  |
| 67 Interest on Long Term Debt (256-257.33.i)   | 201,508,637               | 83,846,255                      | 100,346,371                    | 30,323,070             | 1,075,000               | 129,578,994        | 1,312,500              | 547,990,827  |
| 68 Amort of Debt Discount & Expense (117.63.c)   | 3,232,592                 | 1,841,488                       | 3,157,632                      | 457,098                | -                       | 3,354,846          | -                      | 12,043,656   |
| 69 Amort of Loss on Reacquired Debt (117.64.c)   | 991,540                   | 743,496                         | 1,596,824                      | 33,649                 | -                       | 626,793            | -                      | 3,992,302  |
| 70 Less: Amort of Premium on Debt (117.65.c)   | -                         | -                               | -                              | -                      | -                       | -                  | -                      | -  |
| 71 Less: Amort of Gain on Reacquired Debt (117.66.c)   | -                         | -                               | 1,712                          | -                      | -                       | -                  | -                      | 1,712  |
| 72 Less: Hedge Interest on pp 256-257(i)   | 2,569,395                 | -                               | 1,551,518                      | 92,956                 | -                       | (7,185,191)        | -                      | (2,971,322)  |
| 73 <b>LTD Interest Expense</b>   | 203,163,374               | 86,431,239                      | 103,547,597                    | 30,720,861             | 1,075,000               | 140,745,824        | 1,312,500              | 566,996,395  |
| <b>Development of Cost of Preferred Stock and Preferred Dividends</b>  |                           |                                 |                                |                        |                         |                    |                        |  |
| 74 Dividend Rate (p. 250-251. 7.a)   | 4.50%                     | -                               | 4.125%                         | -                      | -                       | 4.08%              | -                      | -  |
| 75 Par Value (p. 250-251. 8.c)   | \$ 100.00                 | -                               | \$ 100.00                      | -                      | -                       | \$ 100.00          | -                      | -  |
| 76 Shares Outstanding (p.250-251. 8.e)   | 177,518                   | -                               | 55,301                         | -                      | -                       | 14,595             | -                      | -  |
| 77 Monetary Value (Ln 75 * Ln 76)  | 17,751,800                | -                               | 5,530,100                      | -                      | -                       | 1,459,500          | -                      | 24,741,400   |
| 78 Dividend Amount (Ln 74 * Ln 77)   | 798,831                   | -                               | 228,117                        | -                      | -                       | 59,548             | -                      | 1,086,495  |
| 79 Dividend Rate (p. 250-251. 7.a)   | -                         | -                               | 4.12%                          | -                      | -                       | 4.20%              | -                      | -  |
| 80 Par Value (p. 250-251. 8.c)   | -                         | -                               | \$ 100.00                      | -                      | -                       | \$ 100.00          | -                      | -  |
| 81 Shares Outstanding (p.250-251. 8.e)   | -                         | -                               | 11,055                         | -                      | -                       | 22,824             | -                      | -  |
| 82 Monetary Value (Ln 80 * Ln 81)  | -                         | -                               | 1,105,500                      | -                      | -                       | 2,282,400          | -                      | 3,387,900  |
| 83 Dividend Amount (Ln 79 * Ln 82)   | -                         | -                               | 45,547                         | -                      | -                       | 95,861             | -                      | 141,407  |
| 84 Dividend Rate (p. 250-251. 7.a)   | -                         | -                               | 4.56%                          | -                      | -                       | 4.40%              | -                      | -  |
| 85 Par Value (p. 250-251. 8.c)   | -                         | -                               | \$ 100.00                      | -                      | -                       | \$ 100.00          | -                      | -  |
| 86 Shares Outstanding (p.250-251. 8.e)   | -                         | -                               | 14,412                         | -                      | -                       | 31,482             | -                      | -  |
| 87 Monetary Value (Ln 85 * Ln 86)  | -                         | -                               | 1,441,200                      | -                      | -                       | 3,148,200          | -                      | 4,589,400  |
| 88 Dividend Amount (Ln 84 * Ln 87)   | -                         | -                               | 65,719                         | -                      | -                       | 138,521            | -                      | 204,240  |
| 89 Dividend Rate (p. 250-251. 7.a)   | -                         | -                               | -                              | -                      | -                       | 4.50%              | -                      | -  |
| 90 Par Value (p. 250-251. 8.c)   | -                         | -                               | -                              | -                      | -                       | \$ 100.00          | -                      | -  |
| 91 Shares Outstanding (p.250-251. 8.e)   | -                         | -                               | -                              | -                      | -                       | 97,363             | -                      | -  |
| 92 Monetary Value (Ln 90 * Ln 91)  | -                         | -                               | -                              | -                      | -                       | 9,736,300          | -                      | 9,736,300  |
| 93 Dividend Amount (Ln 89 * Ln 92)   | -                         | -                               | -                              | -                      | -                       | 438,134            | -                      | 438,134  |
| 94 <b>Preferred Stock (Lns 77, 82, 87, 92)</b>   | 17,751,800                | -                               | 8,076,800                      | -                      | -                       | 16,626,400         | -                      | 42,455,000   |
| 95 <b>Preferred Dividends (Lns 78, 83, 88, 93)</b>   | 798,831                   | -                               | 339,382                        | -                      | -                       | 732,063            | -                      | 1,870,276  |
| <b>Development of Common Equity</b>  |                           |                                 |                                |                        |                         |                    |                        |  |
| 96 Proprietary Capital (112.16.c)  | 2,789,329,067             | 1,359,835,152                   | 1,680,859,984                  | 431,783,697            | 21,335,470              | 3,214,812,667      | 43,904,852             | 9,541,860,889  |
| 97 Less: Preferred Stock (Ln 94 Above)   | 17,751,800                | -                               | 8,076,800                      | -                      | -                       | 16,626,400         | -                      | 42,455,000   |
| 98 Less: Account 216.1 (112.12.c)  | 2,593,528                 | 2,064,800                       | (581,331)                      | -                      | -                       | -                  | -                      | 4,076,997  |
| 99 Less: Account 219.1 (112.15.c)  | (50,254,363)              | (49,993,531)                    | (21,700,504)                   | (600,942)              | 5,560                   | (118,458,118)      | (1,749,500)            | (242,751,398)  |
| 100 <b>Balance of Common Equity</b>  | 2,819,238,102             | 1,407,763,883                   | 1,695,065,019                  | 432,384,639            | 21,329,910              | 3,316,644,385      | 45,654,352             | 9,738,080,290  |
| <b>Calculation of Capital Shares</b>   |                           |                                 |                                |                        |                         |                    |                        |  |
| 101 Long Term Debt (Ln 65 Above)   | 3,501,599,201             | 1,542,745,000                   | 1,717,000,000                  | 550,000,000            | 20,000,000              | 3,248,580,000      | 25,000,000             | 10,604,924,201   |
| 102 Preferred Stock (Ln 94 Above)  | 17,751,800                | -                               | 8,076,800                      | -                      | -                       | 16,626,400         | -                      | 42,455,000   |
| 103 Common Equity (Ln 100 Above)   | 2,819,238,102             | 1,407,763,883                   | 1,695,065,019                  | 432,384,639            | 21,329,910              | 3,316,644,385      | 45,654,352             | 9,738,080,290  |
| 104 <b>Total Company Structure</b>   | 6,338,589,103             | 2,950,508,883                   | 3,420,141,819                  | 982,384,639            | 41,329,910              | 6,581,850,785      | 70,654,352             | 20,385,459,491   |
| 105 LTD Capital Shares (Ln 101 / Ln 104)   | 55.24%                    | 52.29%                          | 50.20%                         | 55.99%                 | 48.39%                  | 49.36%             | 35.38%                 | 52.02%   |
| 106 Preferred Stock Capital Shares (Ln 102 / Ln 104)   | 0.28%                     | 0.00%                           | 0.24%                          | 0.00%                  | 0.00%                   | 0.25%              | 0.00%                  | 0.21%  |
| 107 Common Equity Capital Shares (Ln 103 / Ln 104)   | 44.48%                    | 47.71%                          | 49.56%                         | 44.01%                 | 51.61%                  | 50.39%             | 64.62%                 | 47.77%   |
| 108 <b>Equity Capital Share Limit</b>  | 50.00%                    | 51.00%                          | 50.00%                         | 50.00%                 | 100.00%                 | 55.00%             | 100.00%                | 50.00%   |
| 109 LTD Capital Shares with Capital Equity Cap   | 55.24%                    | 52.29%                          | 50.20%                         | 55.99%                 | 48.39%                  | 49.36%             | 35.38%                 | 52.02%   |
| 110 Preferred Stock Capital Shares   | 0.28%                     | 0.00%                           | 0.24%                          | 0.00%                  | 0.00%                   | 0.25%              | 0.00%                  | 0.21%  |
| 111 Common Equity Capital Shares with Capital Equity Cap   | 44.48%                    | 47.71%                          | 49.56%                         | 44.01%                 | 51.61%                  | 50.39%             | 64.62%                 | 47.77%   |
| <b>Calculation of Capital Cost Rate</b>  |                           |                                 |                                |                        |                         |                    |                        |  |
| 112 LTD Capital Cost Rate (Ln 73 / Ln 65)  | 5.80%                     | 5.60%                           | 6.03%                          | 5.59%                  | 5.38%                   | 4.33%              | 5.25%                  | 5.35%  |
| 113 Preferred Stock Capital Cost Rate (Ln 95 / Ln 94)  | 4.50%                     | 0.00%                           | 4.20%                          | 0.00%                  | 0.00%                   | 4.40%              | 0.00%                  | 4.41%  |
| 114 Common Equity Capital Cost Rate  | 11.49%                    | 11.49%                          | 11.49%                         | 11.49%                 | 11.49%                  | 11.49%             | 11.49%                 | 11.49%   |
| <b>Calculation of Weighted Capital Cost Rate</b>   |                           |                                 |                                |                        |                         |                    |                        |  |
| 115 LTD Weighted Capital Cost Rate (Ln 109 * Ln 112)   | 3.21%                     | 2.93%                           | 3.03%                          | 3.13%                  | 2.60%                   | 2.14%              | 1.86%                  | 2.78%  |
| 116 Preferred Stock Capital Cost Rate (Ln 110 * Ln 113)  | 0.01%                     | 0.00%                           | 0.01%                          | 0.00%                  | 0.00%                   | 0.01%              | 0.00%                  | 0.01%  |
| 117 Common Equity Capital Cost Rate (Ln 111 * Ln 114)  | 5.11%                     | 5.48%                           | 5.69%                          | 5.06%                  | 5.93%                   | 5.79%              | 7.42%                  | 5.49%  |
| 118 <b>Total Company Structure</b>   | 8.33%                     | 8.41%                           | 8.73%                          | 8.18%                  | 8.53%                   | 7.94%              | 9.28%                  | 8.28%  |

AEP East Consolidated Utility Capital Structure  
Consolidation of Operating Companies' Average Capital Structure  
Worksheet Q Page 3

| Line   | Appalachian Power Company | Columbus Southern Power Company | Indiana Michigan Power Company | Kentucky Power Company | Kingsport Power Company | Ohio Power Company   | Wheeling Power Company | AEP East Operating Companies' Consolidated Capital Structure |
|--|---------------------------|---------------------------------|--------------------------------|------------------------|-------------------------|----------------------|------------------------|--|
| <b>Development of Average Long Term Debt</b>   |                           |                                 |                                |                        |                         |                      |                        |  |
| 119 Average Bonds (Ln 1 + Ln 60) / 2   | -                         | -                               | -                              | -                      | -                       | -                    | -                      | -  |
| 120 Less: Average Reacquired Bonds (Ln 2 + Ln 61) / 2  | 8,750,000                 | -                               | -                              | -                      | -                       | 303,000,000          | -                      | 311,750,000  |
| 121 Average LT Advances from Assoc. Companies (Ln 3 + Ln 62) / 2   | 50,000,000                | 50,000,000                      | 12,500,000                     | 20,000,000             | 20,000,000              | 200,000,000          | 25,000,000             | 377,500,000  |
| 122 Average Senior Unsecured Notes (Ln 4 + Ln 63) / 2  | 3,494,089,693             | 1,442,745,000                   | 1,617,000,000                  | 530,000,000            | -                       | 3,094,580,000        | -                      | 10,178,414,693   |
| 123 Less: Average Fair Value Hedges (See Note on Ln 125 below)   | -                         | -                               | -                              | -                      | -                       | -                    | -                      | -  |
| 124 <b>Average Balance of Long Term Debt</b>   | <b>3,535,339,693</b>      | <b>1,492,745,000</b>            | <b>1,629,500,000</b>           | <b>550,000,000</b>     | <b>20,000,000</b>       | <b>2,991,580,000</b> | <b>25,000,000</b>      | <b>10,244,164,693</b>  |
| 125 NOTE: The balance of fair value hedges on outstanding long term debt are to be excluded from the balance of long term debt included in the formula's capital structure. <a href="#">257</a> , Column H of the FF1) |                           |                                 |                                |                        |                         |                      |                        |  |
| <b>Development of 2010 Long Term Debt Interest Expense</b>   |                           |                                 |                                |                        |                         |                      |                        |  |
| 126 Interest on Long Term Debt (256-257.33.i)  | 202,562,005               | 83,196,386                      | 100,106,931                    | 35,048,706             | 449,958                 | 150,607,498          | 1,312,500              | 573,283,984  |
| 127 Amort of Debt Discount & Expense (117.63.c)  | 3,062,701                 | 1,862,634                       | 3,103,138                      | 471,186                | -                       | 3,175,310            | -                      | 11,674,969   |
| 128 Amort of Loss on Reacquired Debt (117.64.c)  | 1,030,544                 | 743,541                         | 1,399,579                      | 33,649                 | -                       | 594,470              | -                      | 3,801,783  |
| 129 Less: Amort of Premium on Debt (117.65.c)  | -                         | -                               | -                              | -                      | -                       | -                    | -                      | -  |
| 130 Less: Amort of Gain on Reacquired Debt (117.66.c)  | -                         | -                               | 1,712                          | -                      | -                       | -                    | -                      | 1,712  |
| 131 Less: Hedge Interest on pp 256-257(i)  | 2,499,225                 | -                               | 1,549,104                      | 92,956                 | -                       | (2,097,665)          | -                      | 2,043,620  |
| 132 <b>2010 LTD Interest Expense</b>   | <b>204,156,025</b>        | <b>85,802,561</b>               | <b>103,058,832</b>             | <b>35,460,585</b>      | <b>449,958</b>          | <b>156,474,943</b>   | <b>1,312,500</b>       | <b>586,715,404</b>   |
| <b>2010 Cost of Preferred Stock and Preferred Dividends</b>  |                           |                                 |                                |                        |                         |                      |                        |  |
| 133 Average Balance of Preferred Stock (Ln 35 + Ln 94) / 2   | 17,749,150                | -                               | 8,074,600                      | -                      | -                       | 16,621,100           | -                      | 42,444,850   |
| 134 2010 Preferred Dividends (Ln 36)   | 798,593                   | -                               | 339,200                        | -                      | -                       | 731,628              | -                      | 1,869,421  |
| <b>Development of Average Common Equity</b>  |                           |                                 |                                |                        |                         |                      |                        |  |
| 135 Average Proprietary Capital (Ln 37 + Ln 96) / 2  | 2,814,377,410             | 1,423,025,158                   | 1,691,640,019                  | 438,999,541            | 24,453,744              | 3,181,671,480        | 45,057,510             | 9,619,224,860  |
| 136 Less: Average Preferred Stock (Ln 133 Above)   | 17,749,150                | -                               | 8,074,600                      | -                      | -                       | 16,621,100           | -                      | 42,444,850   |
| 137 Less: Average Account 216.1 (Ln 39 + Ln 98) / 2  | 2,086,119                 | 2,099,800                       | (385,239)                      | -                      | -                       | -                    | -                      | 3,800,681  |
| 138 Less: Average Account 219.1 (Ln 40 + Ln 99) / 2  | (49,138,678)              | (50,664,713)                    | (21,294,376)                   | (526,036)              | 5,871                   | (123,638,583)        | (1,766,203)            | (247,022,717)  |
| 139 <b>Average Balance of Common Equity</b>  | <b>2,843,680,818</b>      | <b>1,471,590,071</b>            | <b>1,705,245,033</b>           | <b>439,525,577</b>     | <b>24,447,873</b>       | <b>3,288,688,962</b> | <b>46,823,713</b>      | <b>9,820,002,046</b>   |
| <b>Calculation of Capital Shares</b>   |                           |                                 |                                |                        |                         |                      |                        |  |
| 140 Average Balance of Long Term Debt (Ln 124 Above)   | 3,535,339,693             | 1,492,745,000                   | 1,629,500,000                  | 550,000,000            | 20,000,000              | 2,991,580,000        | 25,000,000             | 10,244,164,693   |
| 141 Average Balance of Preferred Stock (Ln 133 Above)  | 17,749,150                | -                               | 8,074,600                      | -                      | -                       | 16,621,100           | -                      | 42,444,850   |
| 142 Average Balance of Common Equity (Ln 139 Above)  | 2,843,680,818             | 1,471,590,071                   | 1,705,245,033                  | 439,525,577            | 24,447,873              | 3,288,688,962        | 46,823,713             | 9,820,002,046  |
| 143 Average of Total Company Structure   | 6,396,769,661             | 2,964,335,071                   | 3,342,819,633                  | 989,525,577            | 44,447,873              | 6,296,890,062        | 71,823,713             | 20,106,611,589   |
| 144 Average Balance of LTD Capital Shares (Ln 140 / Ln 143)  | 55.27%                    | 50.36%                          | 48.75%                         | 55.58%                 | 45.00%                  | 47.51%               | 34.81%                 | 50.95%   |
| 145 Average Balance of Preferred Stock Capital Shares (Ln 141 / Ln 143)  | 0.28%                     | 0.00%                           | 0.24%                          | 0.00%                  | 0.00%                   | 0.26%                | 0.00%                  | 0.21%  |
| 146 Average Balance of Common Equity Capital Shares (Ln 142 / Ln 143)  | 44.45%                    | 49.64%                          | 51.01%                         | 44.42%                 | 55.00%                  | 52.23%               | 65.19%                 | 48.84%   |
| 147 <b>Equity Capital Share Limit</b>  | <b>50.00%</b>             | <b>51.00%</b>                   | <b>50.00%</b>                  | <b>50.00%</b>          | <b>100.00%</b>          | <b>55.00%</b>        | <b>100.00%</b>         | <b>50.00%</b>  |
| 148 LTD Capital Shares with Capital Equity Cap   | 55.27%                    | 50.36%                          | 49.76%                         | 55.58%                 | 45.00%                  | 47.51%               | 34.81%                 | 51.12%   |
| 149 Preferred Stock Capital Shares   | 0.28%                     | 0.00%                           | 0.24%                          | 0.00%                  | 0.00%                   | 0.26%                | 0.00%                  | 0.21%  |
| 150 Common Equity Capital Shares with Capital Equity Cap   | 44.45%                    | 49.64%                          | 50.00%                         | 44.42%                 | 55.00%                  | 52.23%               | 65.19%                 | 48.67%   |
| <b>Calculation of Capital Cost Rate</b>  |                           |                                 |                                |                        |                         |                      |                        |  |
| 151 LTD Capital Cost Rate (Ln 132 / Ln 124)  | 5.77%                     | 5.75%                           | 6.32%                          | 6.45%                  | 2.25%                   | 5.23%                | 5.25%                  | 5.73%  |
| 152 Preferred Stock Capital Cost Rate (Ln 134 / Ln 133)  | 4.50%                     | 0.00%                           | 4.20%                          | 0.00%                  | 0.00%                   | 4.40%                | 0.00%                  | 4.40%  |
| 153 Common Equity Capital Cost Rate  | 11.49%                    | 11.49%                          | 11.49%                         | 11.49%                 | 11.49%                  | 11.49%               | 11.49%                 | 11.49%   |
| <b>Calculation of Weighted Capital Cost Rate</b>   |                           |                                 |                                |                        |                         |                      |                        |  |
| 154 LTD Weighted Capital Cost Rate (Ln 148 * Ln 151)   | 3.19%                     | 2.89%                           | 3.15%                          | 3.58%                  | 1.01%                   | 2.48%                | 1.83%                  | 2.93%  |
| 155 Preferred Stock Capital Cost Rate (Ln 149 * Ln 152)  | 0.01%                     | 0.00%                           | 0.01%                          | 0.00%                  | 0.00%                   | 0.01%                | 0.00%                  | 0.01%  |
| 156 Common Equity Capital Cost Rate (Ln 150 * Ln 153)  | 5.11%                     | 5.70%                           | 5.75%                          | 5.10%                  | 6.32%                   | 6.00%                | 7.49%                  | 5.99%  |
| 157 <b>ACTUAL WEIGHTED AVG COST OF CAPITAL</b>   | <b>8.31%</b>              | <b>8.60%</b>                    | <b>8.90%</b>                   | <b>8.69%</b>           | <b>7.33%</b>            | <b>8.50%</b>         | <b>9.32%</b>           | <b>8.53%</b>   |