

AEP East Companies  
Transmission Cost of Service Formula Rate  
Utilizing Historic Cost Data for 2008 and Projected Net Plant at Year-End 2009

APPALACHIAN POWER COMPANY

Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 137)			\$186,656,208
2	REVENUE CREDITS	(Note A) (Worksheet E)	13,076,923	DA 1.00000	\$ 13,076,923
3	REVENUE REQUIREMENT For All APCo Facilities	(ln 1 less ln 2)			\$ 173,579,285

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

4	Revenue Requirement for PJM RTEP Regional Facilities (w/o incentives) (Worksheet J)		2,251,918	DA 1.00000	\$ 2,251,918
5	NET PLANT CARRYING CHARGE W/O AFFILIATED LEASE PAYMENTS & T.E.A. ADJUSTMENT ADDBACK (w/o incentives) (Note B)				
6	Annual Rate	((ln 1 - ln 106 - ln 107) / ln 48 x 100)			18.16%
7	Monthly Rate	(ln 6 / 12)			1.51%
8	NET PLANT CARRYING CHARGE ON LINE 6, W/O DEPRECIATION (w/o incentives) (Note B)				
9	Annual Rate	((ln 1 - ln 106 - ln 107 - ln 112) / ln 48 x 100)			16.00%
10	NET PLANT CARRYING CHARGE ON LINE 8, W/O INCOME TAXES, RETURN (Note B)				
11	Annual Rate	((ln 1 - ln 106 - ln 107 - ln 112 - ln 134 - ln 135) / ln 48 x 100)			4.69%
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 86 Below			10,449,906
15	Less: Load Disptach - Scheduling, System Control and Dispatch Services (321.88.b)				5,600,457
16	Less: Load Disptach - Reliability, Planning & Standards Development Services (321.92.b)				968,844
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			3,880,605

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Line No.	(1) <b>RATE BASE CALCULATION</b>	(2) <b>Data Sources (See "General Notes")</b>	(3) <b>TO Total NOTE C</b>	(4) <b>Allocator</b>	(5) <b>Total Transmission</b>
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.C)	3,707,764,769	NA 0.00000	-
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(26,360,439)	NA 0.00000	-
20	Transmission	(Worksheet A In 3.C & In 141)	1,752,450,105	DA	1,723,913,735
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 0.98372	-
22	Plus: Transmission Plant-in-Service Additions (Worksheet I)		101,536,604	TP 0.98372	99,883,212
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		-	TP 0.98372	-
24	Distribution	(Worksheet A In 5.C)	2,499,383,288	NA 0.00000	-
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	(3,069)	NA 0.00000	-
26	General Plant	(Worksheet A In 7.C)	177,041,949	W/S 0.06739	11,930,963
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(561,160)	W/S 0.06739	(37,817)
28	Intangible Plant	(Worksheet A In 9.C)	128,237,789	W/S 0.06739	8,642,022
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	8,339,489,836		1,844,332,116
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.C)	1,676,210,832	NA 0.00000	-
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(8,784,073)	NA 0.00000	-
33	Transmission	(Worksheet A In 14.C & 28.C)	545,988,866	TP1= 0.98121	535,731,998
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 0.98121	-
35	Plus: Transmission Plant-in-Service Additions (Worksheet I)		466,690	DA 1.00000	466,690
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		-	DA 1.00000	-
37	Plus: Additional Transmission Depreciation for 2009 (In 112)		26,074,469	TP1 0.98121	25,584,638
38	Plus: Additional General & Intangible Depreciation for 2009 (In 114 + In 115)		18,864,623	W/S 0.06739	1,271,298
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		-	DA 1.00000	-
40	Distribution	(Worksheet A In 16.C)	721,508,664	NA 0.00000	-
41	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	(1,242)	NA 0.00000	-
42	General Plant	(Worksheet A In 18.C)	56,014,129	W/S 0.06739	3,774,826
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(255,092)	W/S 0.06739	(17,191)
44	Intangible Plant	(Worksheet A In 20.C)	91,068,992	W/S 0.06739	6,137,194
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	3,127,156,858		572,949,453
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	2,013,977,571		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	1,206,461,239		1,188,181,737
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		101,069,914		99,416,522
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		-		-
51	Plus: Additional Transmission Depreciation for 2009 (-In 37)		(26,074,469)		(25,584,638)
52	Plus: Additional General & Intangible Depreciation for 2009 (-In 38)		(18,864,623)		(1,271,298)
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		-		-
54	Distribution	(In 24 + In 25 - In 40 - In 41)	1,777,872,797		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	120,721,752		8,135,512
56	Intangible Plant	(In 28 - In 44)	37,168,797		2,504,828
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	5,212,332,978		1,271,382,662
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(76,241,472)	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(681,230,291)	DA	(178,894,788)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(314,452,711)	DA	(20,289,220)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	296,937,817	DA	42,996,717
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(9,248,830)	DA	(2,510,711)
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(784,235,487)		(158,698,002)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	3,453,520	DA	1,742,167
66	CONSTRUCTION WORK IN PROGRESS	(Worksheet A In 31.C)	-	TP 0.98372	-
67	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
68	WORKING CAPITAL	(Note E)			
69	Cash Working Capital	(1/8 * In 105)	17,288,695		4,712,941
70	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	572,305	TP 0.98372	562,986
71	A&G Materials & Supplies	(Worksheet C, In 3.(D))	912,406	W/S 0.06739	61,488
72	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h) 0.21176	-
73	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	139,773,163	W/S 0.06739	9,419,398
74	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	4,654,385	GP(h) 0.21176	985,601
75	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA 1.00000	-
76	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(137,982,867)	NA 0.00000	-
77	TOTAL WORKING CAPITAL	(sum Ins 69 to 76)	25,218,087		15,742,413
78	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.(B))	(2,144,476)	DA 1.00000	(2,144,476)
79	RATE BASE (sum Ins 57, 64, 65, 77, 78)		4,454,624,623		1,128,024,765

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Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
80	OPERATION & MAINTENANCE EXPENSE				
81	Production	321.80.b	2,014,222,856		
82	Distribution	322.156.b	117,537,838		
83	Customer Related Expense	322.164b & 323.171,178.b	47,918,143		
84	Regional Marketing Expenses	322.131.b	4,849,157		
85	Transmission	321.112.b	12,000,067		
86	TOTAL O&M EXPENSES	(sum Ins 80 to 84)	2,196,528,061		
87	Less: Total Account 561	(Note G) 321.84-92.b	10,449,906		
88	Less: Account 565	(Note H) 321.96.b	(25,739,299)		
89	Less: Regulatory Deferrals & Amortizations	(Note J) (Worksheet F, In 4)	1,977,445		
89	Total O&M Allocable to Transmission	(Ins 84 - 86 - 87 - 88)	25,312,015	TP 0.98372	24,899,842
90	Administrative and General	323.197.b (Note K)	120,747,247		
91	Less: Acct. 924, Property Insurance	323.185.b	2,666,734		
92	Acct. 928, Reg. Com. Exp.	322.189.b	1,943,815		
93	Acct. 930.1, Gen. Advert. Exp.	322.191.b	1,201,710		
94	Acct. 930.2, Misc. Gen. Exp.	322.192.b	11,323,480		
95	Balance of A & G	(In 90 - sum In 91 to In 94)	103,611,508	W/S 0.06739	6,982,442
96	Plus: Acct. 924, Property Insurance	(In 91)	2,666,734	GP(h) 0.21176	564,701
97	Acct. 928 - Transmission Specific	Worksheet F In 18.(E) (Note L)	-	TP 0.98372	-
98	Acct. 928 - Transmission Allocated	Worksheet F In 18.(F) (Note L)	-	GP(h) 0.21176	-
99	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 35.(E) (Note L)	-	DA 1.00000	-
100	Acct 930.1 - Only safety related ads - Allocated.	Worksheet F In 35.(F) (Note L)	-	GP(h) 0.21176	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 41.(E) (Note L)	5,150,844	DA 1.00000	5,150,844
102	Acct 930.2 - Misc Gen. Exp. - Allocated	Worksheet F In 41.(F) (Note L)	1,048,171	W/S 0.06739	70,637
103	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet F In 12.(C) (Note L)	(520,291)	W/S 0.06739	(35,063)
104	A & G Subtotal	(sum Ins 95 to 102 less In 103)	112,997,548		12,803,686
105	O & M EXPENSE SUBTOTAL	(In 89 + In 104)	138,309,563		37,703,528
106	Plus: TEA Settlement in Account 565	Company Records (Note M)	(29,145,683)	DA 1.00000	(29,145,683)
107	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note M)		-	DA 1.00000	-
108	TOTAL O & M EXPENSE	(In 105 + In 106 + In 107)	109,163,880		8,557,845
109	DEPRECIATION AND AMORTIZATION EXPENSE				
110	Production	336.2-6.f	86,355,257	NA 0.00000	-
111	Distribution	336.8.f	77,127,740	NA 0.00000	-
112	Transmission	336.7.f	26,074,469	TP 0.98372	25,649,880
113	Plus: Transmission Plant-in-Service Additions (Worksheet I)		466,690	TP 0.98372	459,091
114	General	336.10.f	855,668	W/S 0.06739	57,664
115	Intangible	336.1.f	18,008,955	W/S 0.06739	1,213,634
116	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 110 to 115)	208,888,779		27,380,269
117	TAXES OTHER THAN INCOME	(Note N)			
118	Labor Related				
119	Payroll	Worksheet H In 24.(D)	9,806,785	W/S 0.06739	660,885
120	Plant Related				
121	Property	Worksheet H In 24.(C) & 59.(C)	43,646,724	DA	13,265,294
122	Gross Receipts/Sales & Use	Worksheet H In 24.(F)	36,966,062	NA 0.00000	-
123	Other	Worksheet H In 24.(E)	10,568,394	GP(h) 0.21176	2,237,937
124	TOTAL OTHER TAXES	(sum Ins 119 to 123)	100,987,964		16,164,116
125	INCOME TAXES	(Note O)			
126	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		39.14%		
127	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		38.95%		
128	where WCLTD=(In 160) and WACC = (In 163)				
129	and FIT, SIT & p are as given in Note O.				
130	$GRCF=1 / (1 - T) =$ (from In 126)		1.6431		
131	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(2,300,334)		
132	Income Tax Calculation	(In 127 * In 135)	149,780,795		37,928,324
133	ITC adjustment	(In 130 * In 131)	(3,779,745)	NP(h) 0.23250	(878,794)
134	TOTAL INCOME TAXES	(sum Ins 132 to 133)	146,001,050		37,049,530
135	RETURN ON RATE BASE (Rate Base*WACC)	(In 79 * In 163)	384,540,424		97,375,460
136	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet D, In 2)		128,989	DA 1.00000	128,989
137	TOTAL REVENUE REQUIREMENT		949,711,086		186,656,208
	(sum Ins 108, 116, 124, 134, 135, 136)				

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF								
138	Total transmission plant	(In 20)							1,752,450,105
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)								28,536,370
141	Transmission plant included in PJM Tariff	(In 138 - In 139 - In 140)							1,723,913,735
142	Percent of transmission plant in PJM Tariff	(In 141 / In 138)						<b>TP=</b>	<b>0.98372</b>
143	WAGES & SALARY ALLOCATOR (W/S)	(Note R)							
				Payroll Billed from					
144	Production	354.20.b	60,517,528	AEP Service Corp.	24,072,141	84,589,669	NA	0.00000	-
145	Transmission	354.21,22.b	5,392,406		5,181,374	10,573,780	TP	0.98372	10,401,600
146	Distribution	354.23.b	36,352,534		3,284,047	39,636,581	NA	0.00000	-
147	Other (Excludes A&G)	354.24,25,26.b	10,497,417		9,050,481	19,547,898	NA	0.00000	-
148	Total	(sum ins 144 to 147)	112,759,885		41,588,043	154,347,928			10,401,600
149	Transmission related amount							<b>W/S=</b>	<b>0.06739</b>
150	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
151	Long Term Interest	(Worksheet K)							192,317,807
152	Preferred Dividends	(Worksheet K)							798,840
153	<u>Development of Common Stock:</u>								
154	Proprietary Capital	(FF1 p 112, Ln 16.c)							2,394,342,663
155	Less Preferred Stock (In 161)	(FF1 p 112, Ln 3.c)							17,752,000
156	Less Account 216.1	(FF1 p 112, Ln 12.c)							2,462,578
157	Less Account 219	(FF1 p 112, Ln 15.c)							(60,225,378)
158	Common Stock	(In 154 - In 155 - In 156 - In 157)							2,434,353,463
159								Cost	Weighted
160	Long Term Debt (Note T)	(Worksheet K)						(Note S)	
161	Preferred Stock	(In 155)							
162	Common Stock	(In 158)							
163	Total	(Sum Ins 160 to 162)							
			\$	%					
			3,197,240,790	56.59%				6.02%	0.0340
			17,752,000	0.31%				4.50%	0.0001
			2,434,353,463	43.09%				12.10%	0.0521
			5,649,346,253					<b>WACC=</b>	<b>0.0863</b>

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Letter

Notes

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

- A Revenue credits include:  
a) revenues for grandfathered PTP contracts included in the load divisor  
b) revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.  
c) rental revenues earned on assets included in the rate base.  
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 Plant balances in this study are projected as of December 31, 2009. Other ratebase amounts are as of December 31, 2008.
- 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 Allocations are shown on WS B.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, excluding AEP transmission equalization transfers, as shown on line 105.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 78 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 136.
- G Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- H Removes cost of transmission service provided by others. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such cost is added back after cash working capital is computed from line 124.
- I Per Note H above, this line is an adjustment to addback the activity in account 565 related to the PJM service at issue in this filing. The amount identified in column is used to remove the impact of this adjustment from the FCR rate calculated on line 11.
- J Removes the impact of regulatory deferrals or their amortization applicable only for state regulatory purposes.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.
- L Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. Worksheet F allocates these expense items. 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.
- M Addback of activity recorded in 565 that represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts tax 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". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (ln 131) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
- |                  |       |        |   |
|------------------|-------|--------|---|
| Inputs Required: | FIT = | 35.00% |   |
|                  | SIT = | 6.37%  | (State Income Tax Rate or Composite SIT. Worksheet G))        |
|                  | p =   | 0.00%  | (percent of federal income tax deductible for state purposes) |
- P Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- Q Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
- R Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S Long Term Debt cost rate = long-term interest (ln 151) / long term debt (ln 160). Preferred Stock cost rate = preferred dividends (ln 152) / preferred outstanding (ln 161). Common Stock cost rate (ROE) = 12.1%, the rate accepted by FERC in Docket No. ER08-XXX. It includes an additional 50 basis points for remaining a member of the PJM RTO.
- T This note only applies to Indiana Michigan Power Company.

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**APPALACHIAN POWER COMPANY**

Line No.			Total	Allocator	Transmission Amount
164	REVENUE REQUIREMENT (w/o incentives)	(In 300)			\$177,493,655
165	REVENUE CREDITS	(Note A) (Worksheet E)	13,076,923	DA 1.00000	\$ 13,076,923
166	REVENUE REQUIREMENT For All APCo Facilities	(In 164 less In 165)			\$ 164,416,732

**MEMO: The Carrying Charge Calculations on lines 169 to below is used in calculating project revenue requirements billed on PJM Schedule 12. The total non-incentive revenue requirements for these projects shown on line is included in the total on line 166.**

167	Revenue Requirement for PJM RTEP Regional Facilities (w/o incentives) (Worksheet J)		2,251,918	DA 1.00000	\$ 2,251,918
168	NET PLANT CARRYING CHARGE W/O AFFILIATED LEASE PAYMENTS & T.E.A. ADJUSTMENT ADDBACK (w/o incentives) (Note B)				
169	Annual Rate	( (In 164 - In 269 - In 270) / In 211 x 100)			17.39%
170	Monthly Rate	(In 169 / 12)			1.45%
171	NET PLANT CARRYING CHARGE ON LINE 169 , W/O DEPRECIATION (w/o incentives) (Note B)				
172	Annual Rate	( (In 164 - In 269 - In 270 - In 275) / In 211 x 100)			15.23%
173	NET PLANT CARRYING CHARGE ON LINE 171, W/O INCOME TAXES, RETURN (Note B)				
174	Annual Rate	( (In 164 - In 269 - In 270 - In 275 - In 297 - In 298) / In 211 x 100)			4.65%
175	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J)				-

**REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES**

177	Total Load Dispatch & Scheduling (Account 561)	Line 249 Below			10,449,906
178	Less: Load Disptach - Scheduling, System Control and Dispatch Services (321.88.b)				5,600,457
179	Less: Load Disptach - Reliability, Planning & Standards Development Services (321.92.b)				968,844
180	Total 561 Internally Developed Costs	(Line 177 - Line 178 - Line 179)			3,880,605

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Line No.	(1)	(2)	(3)	(4)	(5)
	<b>RATE BASE CALCULATION</b>	<b>Data Sources (See "General Notes")</b>	<b>TO Total NOTE C</b>	<b>Allocator</b>	<b>Total Transmission</b>
181	GROSS PLANT IN SERVICE				
181	Production	(Worksheet A In 1.C)	3,707,764,769	NA 0.00000	-
182	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(26,360,439)	NA 0.00000	-
183	Transmission	(Worksheet A In 3.C & In 304)	1,752,450,105	DA	1,723,913,735
184	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 0.98372	-
185	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA 0.00000	N/A
186	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA 0.00000	N/A
187	Distribution	(Worksheet A In 5.C)	2,499,383,288	NA 0.00000	-
188	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	(3,069)	NA 0.00000	-
189	General Plant	(Worksheet A In 7.C)	177,041,949	W/S 0.06739	11,930,963
190	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(561,160)	W/S 0.06739	(37,817)
191	Intangible Plant	(Worksheet A In 9.C)	128,237,789	W/S 0.06739	8,642,022
192	TOTAL GROSS PLANT	(sum Ins 181 to 191)	8,237,953,232	GP(h)= 0.211758 GTD= 0.40545	1,744,448,903
193	ACCUMULATED DEPRECIATION AND AMORTIZATION				
194	Production	(Worksheet A In 12.C)	1,676,210,832	NA 0.00000	-
195	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(8,784,073)	NA 0.00000	-
196	Transmission	(Worksheet A In 14.C & 28.C)	545,988,866	TP1= 0.98121	535,731,998
197	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 0.98121	-
198	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA 1.00000	N/A
199	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA 1.00000	N/A
200	Plus: Additional Transmission Depreciation for 2009 (In 275)		N/A	TP1 0.98121	N/A
201	Plus: Additional General & Intangible Depreciation for 2009 (In 274 + In 275)		N/A	W/S 0.06739	N/A
202	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA 1.00000	N/A
203	Distribution	(Worksheet A In 16.C)	721,508,664	NA 0.00000	-
204	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	(1,242)	NA 0.00000	-
205	General Plant	(Worksheet A In 18.C)	56,014,129	W/S 0.06739	3,774,826
206	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(255,092)	W/S 0.06739	(17,191)
207	Intangible Plant	(Worksheet A In 20.C)	91,068,992	W/S 0.06739	6,137,194
208	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 194 to 207)	3,081,751,076		545,626,827
209	NET PLANT IN SERVICE				
210	Production	(In 181 + In 182 - In 194 - In 195)	2,013,977,571		-
211	Transmission	(In 183 + In 197 - In 196 - In 197)	1,206,461,239		1,188,181,737
212	Plus: Transmission Plant-in-Service Additions (In 185 - In 198)		N/A		N/A
213	Plus: Additional Trans Plant on Transferred Assets (In 186 - In 199)		N/A		N/A
214	Plus: Additional Transmission Depreciation for 2009 (-In 200)		N/A		N/A
215	Plus: Additional General & Intangible Depreciation for 2009 (-In 201)		N/A		N/A
216	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 202)		N/A		N/A
217	Distribution	(In 187 + In 188 - In 203 - In 204)	1,777,872,797		-
218	General Plant	(In 189 + In 190 - In 205 - In 206)	120,721,752		8,135,512
219	Intangible Plant	(In 191 - In 207)	37,168,797		2,504,828
220	TOTAL NET PLANT IN SERVICE	(sum Ins 210 to 219)	5,156,202,156	NP(h)= 0.232501	1,198,822,076
221	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
222	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(76,241,472)	NA	-
223	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(681,230,291)	DA	(178,894,788)
224	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(314,452,711)	DA	(20,289,220)
225	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	296,937,817	DA	42,996,717
226	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(9,248,830)	DA	(2,510,711)
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	(784,235,487)		(158,698,002)
228	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	3,453,520	DA	1,742,167
229	CONSTRUCTION WORK IN PROGRESS	(Worksheet A In 31.C)	-	TP 0.98372	-
230	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
231	WORKING CAPITAL	(Note E)			
232	Cash Working Capital	(1/8 * In 268)	17,288,695		4,712,941
233	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	572,305	TP 0.98372	562,986
234	A&G Materials & Supplies	(Worksheet C, In 3.(D))	912,406	W/S 0.06739	61,488
235	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h) 0.21176	-
236	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	139,773,163	W/S 0.06739	9,419,398
237	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	4,654,385	GP(h) 0.21176	985,601
238	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA 1.00000	-
239	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(137,982,867)	NA 0.00000	-
240	TOTAL WORKING CAPITAL		25,218,087		15,742,413
241	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.(B))	(2,144,476)	DA 1.00000	(2,144,476)
242	RATE BASE (sum Ins 220, 227, 228, 240, 241)		4,398,493,802		1,055,464,179

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Line No.	(1) <b>EXPENSE, TAXES, RETURN &amp; REVENUE REQUIREMENTS CALCULATION</b>	(2) <b>Data Sources (See "General Notes")</b>	(3) <b>TO Total</b>	(4) <b>Allocator</b>	(5) <b>Total Transmission</b>
	<b>OPERATION &amp; MAINTENANCE EXPENSE</b>				
243	Production	321.80.b	2,014,222,856		
244	Distribution	322.156.b	117,537,838		
245	Customer Related Expense	322.164b & 323.171,178.b	47,918,143		
246	Regional Marketing Expenses	322.131.b	4,849,157		
247	Transmission	321.112.b	12,000,067		
248	TOTAL O&M EXPENSES	(sum Ins 243 to 247)	2,196,528,061		
249	Less: Total Account 561	(Note G) 321.84-92.b	10,449,906		
250	Less: Account 565	(Note H) 321.96.b	(25,739,299)		
251	Less: Regulatory Deferrals & Amortizations	(Note J) (Worksheet F, In 4)	1,977,445		
252	Total O&M Allocable to Transmission	(Ins 247 - 249 - 250 - 251)	25,312,015	TP 0.98372	24,899,842
253	Administrative and General	323.197.b (Note K)	120,747,247		
254	Less: Acct. 924, Property Insurance	323.185.b	2,666,734		
255	Acct. 928, Reg. Com. Exp.	322.189.b	1,943,815		
256	Acct. 930.1, Gen. Advert. Exp.	322.191.b	1,201,710		
257	Acct. 930.2, Misc. Gen. Exp.	322.192.b	11,323,480		
258	Balance of A & G	(In 253 - sum In 254 to In 257)	103,611,508	W/S 0.06739	6,982,442
259	Plus: Acct. 924, Property Insurance	(In 254)	2,666,734	GP(h) 0.21176	564,701
260	Acct. 928 - Transmission Specific	Worksheet F In 18.(E) (Note L)	-	TP 0.98372	-
261	Acct. 928 - Transmission Allocated	Worksheet F In 18.(F) (Note L)	-	GP(h) 0.21176	-
262	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 35.(E) (Note L)	-	DA 1.00000	-
263	Acct 930.1 - Only safety related ads - Allocated.	Worksheet F In 35.(F) (Note L)	-	GP(h) 0.21176	-
264	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 41.(E) (Note L)	5,150,844	DA 1.00000	5,150,844
265	Acct 930.2 - Misc Gen. Exp. - Allocated	Worksheet F In 41.(F) (Note L)	1,048,171	W/S 0.06739	70,637
266	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet F In 12.(C) (Note L)	(520,291)	W/S 0.06739	(35,063)
267	A & G Subtotal	(sum Ins 258 to 265 less In 266)	112,997,548		12,803,686
268	O & M EXPENSE SUBTOTAL	(In 252 + In 267)	138,309,563		37,703,528
269	Plus: TEA Settlement in Account 565	Company Records (Note M)	(29,145,683)	DA 1.00000	(29,145,683)
270	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note M)			DA 1.00000	-
271	TOTAL O & M EXPENSE	(In 268 + In 269 + In 270)	109,163,880		8,557,845
272	<b>DEPRECIATION AND AMORTIZATION EXPENSE</b>				
273	Production	336.2-6.f	86,355,257	NA 0.00000	-
274	Distribution	336.8.f	77,127,740	NA 0.00000	-
275	Transmission	336.7.f	26,074,469	TP 0.98372	25,649,880
276	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
277	General	336.10.f	855,668	W/S 0.06739	57,664
278	Intangible	336.1.f	18,008,955	W/S 0.06739	1,213,634
279	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 273 to 278)	208,422,089		26,921,178
280	<b>TAXES OTHER THAN INCOME</b>				
281	Labor Related	(Note N)			
282	Payroll	Worksheet H In 24.(D)	9,806,785	W/S 0.06739	660,885
283	Plant Related				
284	Property	Worksheet H In 24.(C) & 59.(C)	43,646,724	DA	13,265,294
285	Gross Receipts/Sales & Use	Worksheet H In 24.(F)	36,966,062	NA 0.00000	-
286	Other	Worksheet H In 24.(E)	10,568,394	GP(h) 0.21176	2,237,937
287	TOTAL OTHER TAXES	(sum Ins 282 to 286)	100,987,964		16,164,116
288	<b>INCOME TAXES</b>				
289	$T=1 - ((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)$		39.14%		
290	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		38.95%		
291	where WCLTD=(In 323) and WACC = (In 326)				
292	and FIT, SIT & p are as given in Note O.				
293	$GRCF=1 / (1 - T) =$ (from In 289)		1.6431		
294	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(2,300,334)		
295	Income Tax Calculation	(In 290 * In 298)	147,893,471		35,488,571
296	ITC adjustment	(In 293 * In 294)	(3,779,745)	NP(h) 0.23250	(878,794)
297	TOTAL INCOME TAXES	(sum Ins 295 to 296)	144,113,726		34,609,777
298	RETURN ON RATE BASE (Rate Base*WACC)	(In 242 * In 326)	379,694,995		91,111,750
299	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet D, In 2)		128,989	DA 1.00000	128,989
300	TOTAL REVENUE REQUIREMENT	(sum Ins 271, 279, 287, 297, 298, 299)	942,511,643		177,493,655

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF								
301	Total transmission plant	(In 183)							1,752,450,105
302	Less transmission plant excluded from PJM Tariff (Note P)								-
303	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 23, Col. (C)) (Note Q)								28,536,370
304	Transmission plant included in PJM Tariff	(In 301 - In 302 - In 303)							1,723,913,735
305	Percent of transmission plant in PJM Tariff	(In 304 / In 301)						<b>TP=</b>	<b>0.98372</b>
306	WAGES & SALARY ALLOCATOR (W/S)	(Note R)		Payroll Billed from					
307	Production	354.20.b	60,517,528	AEP Service Corp.	24,072,141	84,589,669	NA	0.00000	-
308	Transmission	354.21,22.b	5,392,406		5,181,374	10,573,780	TP	0.98372	10,401,600
309	Distribution	354.23.b	36,352,534		3,284,047	39,636,581	NA	0.00000	-
310	Other (Excludes A&G)	354.24,25,26.b	10,497,417		9,050,481	19,547,898	NA	0.00000	-
311	Total	(sum Ins 307 to 310)	112,759,885		41,588,043	154,347,928			10,401,600
312	Transmission related amount							<b>W/S=</b>	<b>0.06739</b>
313	WEIGHTED AVERAGE COST OF CAPITAL (WACC)								\$
314	Long Term Interest	(Worksheet K)							192,317,807
315	Preferred Dividends	(Worksheet K)							798,840
316	<u>Development of Common Stock:</u>								
317	Proprietary Capital	(FF1 p 112, Ln 16.c)							2,394,342,663
318	Less Preferred Stock (In 324)	(FF1 p 112, Ln 3.c)							17,752,000
319	Less Account 217	(FF1 p 112, Ln 12.c)							2,462,578
320	Less Account 219	(FF1 p 112, Ln 15.c)							(60,225,378)
321	Common Stock	(In 317 - In 318 - In 319 - In 320)							2,434,353,463
322				\$	%		Cost (Note S)	Weighted	
323	Long Term Debt (Note T)	(Worksheet K)		3,197,240,790	56.59%		6.02%	0.0340	
324	Preferred Stock	(In 318)		17,752,000	0.31%		4.50%	0.0001	
325	Common Stock	(In 321)		2,434,353,463	43.09%		12.10%	0.0521	
326	Total	(Sum Ins 323 to 325)		5,649,346,253			<b>WACC=</b>	<b>0.0863</b>	

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**Letter**

**Notes**

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

- A Revenue credits include:  
a) revenues for grandfathered PTP contracts included in the load divisor  
b) revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.  
c) rental revenues earned on assets included in the rate base.  
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 Plant balances in this study are as of December 31, 2008.
- 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 Allocations are shown on WS B.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, excluding AEP transmission equalization transfers, as shown on line 268.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 241 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 299.
- G Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- H Removes cost of transmission service provided by others. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such cost is added back after cash working capital is computed from line 287.
- I Per Note H above, this line is an adjustment to addback the activity in account 565 related to the PJM service at issue in this filing. The amount identified in column is used to remove the impact of this adjustment from the FCR rate calculated on line 174.
- J Removes the impact of regulatory deferrals or their amortization applicable only for state regulatory purposes.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.
- L Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. Worksheet F allocates these expense items. 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.
- M Addback of activity recorded in 565 that represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts tax 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". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, 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 294) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
- |                  |       |        |   |
|------------------|-------|--------|---|
| Inputs Required: | FIT = | 35.00% |   |
|                  | SIT=  | 6.37%  | (State Income Tax Rate or Composite SIT. Worksheet G))        |
|                  | p =   | 0.00%  | (percent of federal income tax deductible for state purposes) |
- P Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- Q Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
- R Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S Long Term Debt cost rate = long-term interest (In 314) / long term debt (In 323). Preferred Stock cost rate = preferred dividends (In 315) / preferred outstanding (In 324). Common Stock cost rate (ROE) = 12.1%, the rate accepted by FERC in Docket No. ER08-XXX. It includes an additional 50 basis points for remaining a member of the PJM RTO.
- T This note only applies to Indiana Michigan Power Company.

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Line No.			Total	Allocator	Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 137)			\$0
2	REVENUE CREDITS	(Note A) (Worksheet E)	-	DA 1.00000	\$ -
3	REVENUE REQUIREMENT For All APCo Facilities	(In 1 less In 2)			\$ -

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

4	Revenue Requirement for PJM RTEP Regional Facilities (w/o incentives) (Worksheet J)		-	DA 1.00000	\$ -
5	NET PLANT CARRYING CHARGE W/O AFFILIATED LEASE PAYMENTS & T.E.A. ADJUSTMENT ADDBACK (w/o incentives) (Note B)				
6	Annual Rate	((In 1 - In 106 - In 107) / In 48 x 100)			0.00%
7	Monthly Rate	(In 6 / 12)			0.00%
8	NET PLANT CARRYING CHARGE ON LINE 6 , W/O DEPRECIATION (w/o incentives) (Note B)				
9	Annual Rate	((In 1 - In 106 - In 107 - In 112) / In 48 x 100)			0.00%
10	NET PLANT CARRYING CHARGE ON LINE 8, W/O INCOME TAXES, RETURN (Note B)				
11	Annual Rate	((In 1 - In 106 - In 107 - In 112 - In 134 - In 135) / In 48 x 100)			0.00%
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 86 Below			-
15	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				-
16	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.6)				-
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			-

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	(1)	(2)	(3)	(4)	(5)
Line No.	<b>RATE BASE CALCULATION</b>	<b>Data Sources (See "General Notes")</b>	<b>TO Total NOTE C</b>	<b>Allocator</b>	<b>Total Transmission</b>
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.C)	-	NA 0.00000	-
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	-	NA 0.00000	-
20	Transmission	(Worksheet A In 3.C)	-	DA	-
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 0.00000	-
22	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA 0.00000	N/A
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA 0.00000	N/A
24	Distribution	(Worksheet A In 5.C)	-	NA 0.00000	-
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	-	NA 0.00000	-
26	General Plant	(Worksheet A In 7.C)	-	W/S 0.00000	-
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	-	W/S 0.00000	-
28	Intangible Plant	(Worksheet A In 9.C)	-	W/S 0.00000	-
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	-	GP(h)= 0.00000 GTD= 0.00000	-
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.C)	-	NA 0.00000	-
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	-	NA 0.00000	-
33	Transmission	(Worksheet A In 14.C & 14.C)	-	TP1= 0.00000	-
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 0.00000	-
35	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA 1.00000	N/A
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA 1.00000	N/A
37	Plus: Additional Transmission Depreciation for 2009 (In 112)		N/A	TP1 0.00000	N/A
38	Plus: Additional General & Intangible Depreciation for 2009 (In 111 + In 112)		N/A	W/S 0.00000	N/A
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA 1.00000	N/A
40	Distribution	(Worksheet A In 16.C)	-	NA 0.00000	-
41	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	-	NA 0.00000	-
42	General Plant	(Worksheet A In 18.C)	-	W/S 0.00000	-
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	-	W/S 0.00000	-
44	Intangible Plant	(Worksheet A In 20.C)	-	W/S 0.00000	-
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	-		-
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	-		-
48	Transmission	(In 20 + In 34 - In 33 - In 34)	-		-
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 2009 (-In 37)		N/A		N/A
52	Plus: Additional General & Intangible Depreciation for 2009 (-In 38)		N/A		N/A
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		N/A		N/A
54	Distribution	(In 24 + In 25 - In 40 - In 41)	-		-
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 Ins 47 to 56)	-	NP(h)= 0.00000	-
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)	-	DA	-
62	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	-	DA	-
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	-	DA	-
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	-		-
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29 & In 30)	-	DA	-
66	CONSTRUCTION WORK IN PROGRESS	Company Records	-	TP 0.00000	-
67	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
68	WORKING CAPITAL	(Note E)			
69	Cash Working Capital	(1/8 * In 105)	-		-
70	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	-	TP 0.00000	-
71	A&G Materials & Supplies	(Worksheet C, In 3.(D))	-	W/S 0.00000	-
72	Stores Expense	(Worksheet C, In .(D))	-	GP(h) 0.00000	-
73	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.F)	-	W/S 0.00000	-
74	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.E)	-	GP(h) 0.00000	-
75	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.D)	-	DA 1.00000	-
76	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.C)	-	NA 0.00000	-
77	TOTAL WORKING CAPITAL	(sum Ins 69 to 76)	-		-
78	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8 (C))	-	DA 1.00000	-
79	RATE BASE (sum Ins 57, 64, 65, 77, 78)		-		-

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

APPALACHIAN POWER COMPANY

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
80	OPERATION & MAINTENANCE EXPENSE				
81	Production	322.80.b	-		
82	Distribution	321.156.b	-		
83	Customer Related Expense	322.164,171,178.b	-		
84	Regional Marketing Expenses	322.131.b	-		
85	Transmission	321.112.b	-		
86	TOTAL O&M EXPENSES	(sum Ins 80 to 84)	-		
87	Less: Total Account 561	(Note G) 322.84-92.b	-		
88	Less: Account 565	(Note H) 322.96.b	-		
89	Less: Regulatory Deferrals & Amortizations	(Note J) (Worksheet F, In 4)	1,977,445		
89	Total O&M Allocable to Transmission	(Ins 84 - 86 - 87 - 88)	(1,977,445)	TP 0.00000	-
90	Administrative and General	323.197.b (Note K)	-		
91	Less: Acct. 924, Property Insurance	323.185.b	-		
92	Acct. 928, Reg. Com. Exp.	322.189.b	-		
93	Acct. 930.1, Gen. Advert. Exp.	322.191.b	-		
94	Acct. 930.2, Misc. Gen. Exp.	322.192.b	-		
95	Balance of A & G	(In 90 - sum In 91 to In 94)	-	W/S 0.00000	-
96	Plus: Acct. 924, Property Insurance	(In 91)	-	GP(h) 0.00000	-
97	Acct. 928 - Transmission Specific	Worksheet F In 60.(E) (Note L)	-	TP 0.00000	-
98	Acct. 928 - Transmission Allocated	Worksheet F In 60.(F) (Note L)	-	GP(h) 0.00000	-
99	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 76.(E) (Note L)	-	GP(h) 0.00000	-
100	Acct 930.1 - Only safety related ads - Allocated.	Worksheet F In 76.(F) (Note L)	-	DA 1.00000	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 82.(E) (Note L)	-	DA 1.00000	-
102	Acct 930.2 - Misc Gen. Exp. - Allocated	Worksheet F In 82.(F) (Note L)	-	W/S 0.00000	-
103	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet F In 12.(F) (Note L)	-	W/S 0.00000	-
104	A & G Subtotal	(sum Ins 95 to 102 less In 103)	-		-
105	O & M EXPENSE SUBTOTAL	(In 89 + In 104)	(1,977,445)		-
106	Plus: TEA Settlement in Account 565	Company Records (Note M)	-	DA 1.00000	-
107	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note M)		-	DA 1.00000	-
108	TOTAL O & M EXPENSE	(In 105 + In 106 + In 107)	(1,977,445)		-
109	DEPRECIATION AND AMORTIZATION EXPENSE				
110	Production	336.2-6.f	-	NA 0.00000	-
111	Distribution	336.8.f	-	NA 0.00000	-
112	Transmission	336.7.f	-	TP 0.00000	-
113	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
114	General	336.10.f	-	W/S 0.00000	-
115	Intangible	336.1.f	-	W/S 0.00000	-
116	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 110 to 115)	-		-
117	TAXES OTHER THAN INCOME	(Note N)			
118	Labor Related				
119	Payroll	Worksheet H	-	W/S 0.00000	-
120	Plant Related				
121	Property	Worksheet H	-	DA	-
122	Gross Receipts/Sales & Use	Worksheet H	-	NA 0.00000	-
123	Other	Worksheet H	-	GP(h) 0.00000	-
124	TOTAL OTHER TAXES	(sum Ins 119 to 123)	-		-
125	INCOME TAXES	(Note O)			
126	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p)$		0.00%		
127	$EIT=(T/(1-T)) * (1-(WCLTD/WACC))$		0.00%		
128	where WCLTD=(In 160) and WACC = (In 163)				
129	and FIT, SIT & p are as given in Note O.				
130	$GRCF=1 / (1 - T)$ = (from In 126)		-		
131	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
132	Income Tax Calculation	(In 127 * In 135)	-		-
133	ITC adjustment	(In 130 * In 131)	-	NP(h) 0.00000	-
134	TOTAL INCOME TAXES	(sum Ins 132 to 133)	-		-
135	RETURN ON RATE BASE (Rate Base*WACC)	(In 79 * In 163)	-		-
136	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet D, In 2.(C))		-	DA 1.00000	-
137	TOTAL REVENUE REQUIREMENT	(sum Ins 108, 116, 124, 134, 135, 136)	(1,977,445)		-

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

APPALACHIAN POWER COMPANY

SUPPORTING CALCULATIONS

In	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
No.										
138	Total transmission plant	(In 20)								-
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)									-
141	Transmission plant included in PJM Tariff	(In 138 - In 139 - In 140)								-
142	Percent of transmission plant in PJM Tariff	(In 141 / In 138)							<b>TP=</b>	<b>0.00000</b>
143	WAGES & SALARY ALLOCATOR (W/S)	(Note R)								
144	Production	354.20.b	Direct Payroll	Payroll Billed from	Total					
145	Transmission	354.21,22.b	0	AEP Service Corp.	0	-	NA	0.00000		-
146	Distribution	354.23.b	0		0	-	TP	0.00000		-
147	Other (Excludes A&G)	354.24,25,26.b	0		0	-	NA	0.00000		-
148	Total	(sum Ins 144 to 147)	0		0	0		0.00000		-
149	Transmission related amount								<b>W/S=</b>	<b>0.00000</b>
150	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$
151	Long Term Interest	(FF1 p. 257, In 33.i; p. 112, Lns 63-66.c)								-
152	Preferred Dividends	(Worksheet K)								-
153	<u>Development of Common Stock:</u>					12/31/2007	12/31/2008		Average	
154	Proprietary Capital	(FF1 p 112, Ln 16.c,d.)				-	-			-
155	Less Preferred Stock (In 161)	(FF1 p 112, Ln 3.c,d.)				-	-			-
156	Less Account 216.1	(FF1 p 112, Ln 13.c,d.)				-	-			-
157	Less Account 219	(FF1 p 112, Ln 15.c,d.)				-	-			-
158	Common Stock	(In 154 - In 155 - In 156 - In 157)								-
159								Cost	Weighted	
160	Long Term Debt (Note T)	(Worksheet K)	Average \$	%				(Note S)		0.0000
161	Preferred Stock	(In 155)	-	0.00%				0.00%		0.0000
162	Common Stock	(In 158)	-	0.00%				12.10%		0.0000
163	Total	(Sum Ins 160 to 162)	-						<b>WACC=</b>	<b>0.0000</b>

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

APPALACHIAN POWER COMPANY

**Letter**

**Notes**

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

- A Revenue credits include:  
a) revenues for grandfathered PTP contracts included in the load divisor  
b) revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.  
c) rental revenues earned on assets included in the rate base.  
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 No true-up.
- 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 Allocations are shown on WS B.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, excluding AEP transmission equalization transfers, as shown on line 105.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 78 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 136.
- G Removes the expense booked to transmission accounts included in the development of OATT ancillary services rates, including all of Account No. 561.
- H Removes cost of transmission service provided by others. To the extent such service is incurred to provide the PJM service at issue, e.g. transmission equalization agreement, such cost is added back after cash working capital is computed from line 124.
- I Per Note H above, this line is an adjustment to addback the activity in account 565 related to the PJM service at issue in this filing. The amount identified in column is used to remove the impact of this adjustment from the FCR rate calculated on line 11.
- J Removes the impact of regulatory deferrals or their amortization applicable only for state regulatory purposes.
- K General Plant and Administrative & General expenses may be functionalized based on allocators other than the W/S allocator. Full documentation must be provided.
- L Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. Worksheet F allocates these expense items. 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.
- M Addback of activity recorded in 565 that represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts tax 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". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (ln 131) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
- |                  |       |   |
|------------------|-------|---|
| Inputs Required: | FIT = | 35.00%  |
|                  | SIT=  | 6.37% (State Income Tax Rate or Composite SIT. Worksheet G))        |
|                  | p =   | 0.00% (percent of federal income tax deductible for state purposes) |
- P Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- Q Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
- R Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S Long Term Debt cost rate = long-term interest (ln 151) / long term debt (ln 160). Preferred Stock cost rate = preferred dividends (ln 152) / preferred outstanding (ln 161). Common Stock cost rate (ROE) = 12.1%, the rate accepted by FERC in Docket No. ER08-XXX. It includes an additional 50 basis points for remaining a member of the PJM RTO.
- T This note only applies to Indiana Michigan Power Company.

AEP East Companies  
Cost of Service Formula Rate Using 2008 FF1 Balances  
Worksheet Supporting Plant Balances  
APPALACHIAN POWER COMPANY

<u>Line Number</u>	<u>(A) Rate Base Item &amp; Supporting Balance</u>	<u>(B) Source of Data</u>	<u>(C) Balances @ 12/31/2008</u>	<u>(D) Balances For Update Use</u>	<u>(E) Average Balance for 2009</u>
<b>NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.</b>					
<b><u>Plant Investment Balances</u></b>					
1	Production Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 46	3,707,764,769		-
2	Production Asset Retirement Obligation (ARO)	FF1, page 205&204, Col.(g)&(b), Ins 15,24,34,44	26,360,439		-
3	Transmission Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58	1,752,450,105		-
4	Transmission Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57	-		-
5	Distribution Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 75	2,499,383,288		-
6	Distribution Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 74	3,069		-
7	General Plant In Service	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 99	177,041,949		-
8	General Asset Retirement Obligation	FF1, page 207 Col.(g) & pg. 206 Col. (b), In 98	561,160		-
9	Intangible Plant In Service	FF1, page 205 Col.(g) & pg. 204 Col. (b), In 5	128,237,789		-
10	<b>Total Property Investment Balance</b>	(Sum of Lines: 3, 1, 5, 7, 9)	8,264,877,900	-	-
11	<b>Total ARO Balance (included in total on line 10)</b>	(Sum of Lines: 4, 2, 6, 8)	26,924,668	-	-
<b><u>Accumulated Depreciation &amp; Amortization Balances</u></b>					
12	Production Accumulated Depreciation	FF1, page 219, Ins 20-24, Col. (b)	1,676,210,832		-
13	Production ARO Accumulated Depreciation	Company Records	8,784,073		-
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	545,988,866		-
15	Transmission ARO Accumulated Depreciation	Company Records			-
16	Distribution Accumulated Depreciation	FF1, page 219, In 26, Col. (b)	721,508,664		-
17	Distribution ARO Accumulated Depreciation	Company Records	1,242		-
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	56,014,129		-
19	General ARO Accumulated Depreciation	Company Records	255,092		-
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	91,068,992		-
21	<b>Total Accumulated Depreciation or Amortization</b>	(Sum of Lines: 14, 12, 16, 18, 20)	3,090,791,483	-	-
22	<b>Total ARO Balance (included in total on line 21)</b>	(Sum of Lines: 15, 13, 17, 19)	9,040,407	-	-
<b><u>Generation Step-Up Units</u></b>					
23	GSU Investment Amount	Company Records	28,536,370		-
24	GSU Accumulated Depreciation	Company Records	10,256,868		-
25	<b>GSU Net Balance</b>	(Line 23 - Line 24)	18,279,502	-	-
<b><u>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</u></b>					
26	Transmission Accumulated Depreciation	(Line 14 Above)	545,988,866	-	-
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	10,256,868	-	-
28	<b>Subtotal of Transmission Net of GSU</b>	(Line 26 - Line 27)	535,731,998	-	-
<b><u>Plant Held For Future Use</u></b>					
29	<u>Plant Held For Future Use</u>	FF1, page 214, In 47, Col. (d)	3,453,520		-
30	<u>Transmission Plant Held For Future</u>	Company Records	1,742,167		-
31	<u>Construction Work In Progress</u>	Company Records	-		-
<b><u>Regulatory Assets Approved for Recovery In Ratebase</u></b>					
31					-
32					-
33					-
34					-
35					-
36	<b>Total Regulatory Deferrals Included in Ratebase</b>		-	-	-

AEP East Companies  
Cost of Service Formula Rate Using 2008 FF1 Balances  
Worksheet Supporting ADIT and ITC Balances  
APPALACHIAN POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) Source</u>	<u>(C) Balance @ December 31, 2008</u>	<u>(D) Balances For Update Use</u>	<u>(E) Average Balance</u>
1	<b><u>Account 281</u></b>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, ln 8, Col. (k)	76,241,472		-
3	Less: ARO Related Deferrals	Company Records	-		-
4	Less: Other Excluded Deferrals	Company Records	76,241,472		-
5	Transmission Related Deferrals	Ln 2 - ln 3 - ln 4	-	-	-
6	<b><u>Account 282</u></b>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, ln 5, Col. (k)	681,230,291		-
8	Less: ARO Related Deferrals	Company Records	2,444,597		-
9	Less: Other Excluded Deferrals	Company Records	499,890,906		-
10	Transmission Related Deferrals	Ln 7 - ln 8 - ln 9	178,894,788	-	-
11	<b><u>Account 283</u></b>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, ln 9, Col. (k)	314,452,711		-
13	Less: ARO Related Deferrals	Company Records	5,820,634		-
14	Less: Other Excluded Deferrals	Company Records	288,342,858		-
15	Transmission Related Deferrals	Ln 12 - ln 13 - ln 14	20,289,220	-	-
16	<b><u>Account 190</u></b>				
17	Year End Utility Deferrals	FF1, p. 234, ln 8, Col. (c)	296,937,817		-
18	Less: ARO Related Deferrals	Company Records	17,771,705		-
19	Less: Other Excluded Deferrals	Company Records	236,169,395		-
20	Transmission Related Deferrals	Ln 17 - ln 18 - ln 19	42,996,717	-	-
21	<b><u>Account 255</u></b>				
22	Year End ITC Balances	FF1, p. 266-267, ln 8, Col. (h)	15,075,280		-
23	Less: Balances Not Qualified for Ratebase	Company Records	5,826,450		-
24	ITC Balances Includeable Ratebase	Ln 22 - ln 23	9,248,830	-	-
25	Transmission Related Deferrals	Company Records	2,510,711		-

AEP East Companies  
Cost of Service Formula Rate Using 2008 FF1 Balances  
Worksheet Supporting Working Capital Rate Base Adjustments  
APPALACHIAN POWER COMPANY

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
<b>Materials &amp; Supplies</b>								
<u>Line Number</u>		<u>Source</u>	<u>Balance @ December 31, 2008</u>	<u>Balance For Update Use</u>	<u>Average Balance for Rate Year 2008</u>			
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c)	572,305		-			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c)	912,406		-			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 16, Col. (c)	0		-			
<b>Prepayment Balance Summary</b>								
		<u>Average of YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Transmission Plant Related</u>	<u>Transmission Labor Related</u>	<u>Total Included in Ratebase (E)+(F)+(G)</u>	
5								
6	Totals as of December 31, 2008	6,444,681	(137,982,867)	0	4,654,385	139,773,163	144,427,548	
7	Totals as of December 31, 2009							
8	<b>Average Balance</b>							

<b>Prepayments Account 165 - Balance @ 12/31/2008</b>								
	<u>2008 YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Transmission Plant Related</u>	<u>Transmission Labor Related</u>	<u>Total Included in Ratebase (E)+(F)+(G)</u>		
9	<u>Acc. No.</u>	<u>Description</u>						
10	1650001	Prepaid Insurance	3,011,157	-	3,011,157	3,011,157	Plant Related Insurance Policies	
11	165000208	Prepaid Taxes	1,643,228	-	1,643,228	1,643,228	Prepaid PSC Fees	
12	1650003	Prepaid Rents	36,334	36,334	-	-	Prepaid Distribution Rent Expense	
13	1650004	Prepaid Interest	41,066	41,066	-	-		
14	1650005	Prepaid Employee Benefits	0	-	-	-		
15	1650006	Other Prepayments	107,923	107,923	-	-		
16	1650009	Prepaid Carry Cost-Factored AR	167,014	167,014	-	-	AR Factoring - Retail Only	
17	1650010	Prepaid Pension Benefits	139,773,163	-	-	139,773,163	Prefunded Pension Expense	
18	1650014	FAS 158 Qual Contra Asset	(139,773,163)	(139,773,163)	-	-		
19	1650016	FAS 112 ASSETS	1,437,959	1,437,959	-	-	SFAS 112 Overfunding Asset	
	<b>Subtotal - Form 1, p 111.57.c</b>		6,444,681	(137,982,867)	0	4,654,385	139,773,163	144,427,548

<b>Prepayments Account 165 - Balance For Update Use</b>							
	<u>For Update Use YE Balance</u>	<u>Excludable Balances</u>	<u>100% Transmission Related</u>	<u>Transmission Plant Related</u>	<u>Transmission Labor Related</u>	<u>Total Included in Ratebase (E)+(F)+(G)</u>	
1	<u>Acc. No.</u>	<u>Description</u>					
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
	<b>Subtotal - Form 1, p 111.57.c</b>						

AEP East Companies  
Cost of Service Formula Rate Using 2008 FF1 Balances  
Worksheet Supporting IPP Credits  
APPALACHIAN POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2008</u>	<u>(C) For Update Use</u>
1	Net Funds from IPP Customers 12/31/2007 (FORM 1, P269, line 24 (b))	(2,015,487)	
2	Interest Accrual	(128,989)	
3	Revenue Credits to Generators	-	
4	<u>Other Adjustments</u>		
5	Accounting Adjustment	-	
6		-	
7	Net Funds from IPP Customers 12/31/2008 (FORM 1, P269, line 24(f))	(2,144,476)	-
8	Average Balance for Year as Indicated in Column ((ln 1 + ln 7)/2)	(2,079,981)	-

AEP East Companies  
Cost of Service Formula Rate Using 2008 FF1 Balances  
Worksheet Supporting Revenue Credits  
APPALACHIAN POWER COMPANY

<u>Line Number</u>	<u>Description</u>	<u>Total Company</u>	<u>Non-Transmission</u>	<u>Transmission</u>
1	Account 450, Forfeited Discounts	3,539,305	3,539,305	-
2	Account 451, Miscellaneous Service Revenues	2,289,555	1,871,354	418,201
3	Account 454, Rent from Electric Property	23,875,585	22,157,125	1,718,460
4	Account 4560015, Associated Business Development	14,397,258	6,968,686	7,428,573
5	Account 456 - Other Electric Revenues	18,293,736	18,293,736	-
6	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts	3,637,774	126,085	3,511,689
7	<b>Total Other Operating Revenues To Reduce Revenue Requirement</b>	<b>66,033,213</b>	<b>52,956,290</b>	<b>13,076,923</b>

AEP East Companies  
Cost of Service Formula Rate Using 2008 FF1 Balances  
Worksheet Supporting Allocation of Specific O&M or A&G Expenses  
APPALACHIAN POWER COMPANY

<u>Line</u> <u>Number</u>	<u>(A)</u> <u>Item No.</u>	<u>(B)</u> <u>Description</u>	<u>(C)</u> <u>2008</u> <u>Expense</u>	<u>(D)</u> <u>100%</u> <u>Non-Transmission</u>	<u>(E)</u> <u>100%</u> <u>Transmission</u> <u>Specific</u>	<u>(F)</u> <u>Transmission</u> <u>Allocated</u>	<u>(G)</u> <u>Explanation</u>
<b>Regulatory Deferrals &amp; Amortizations</b>							
1	5700005	Maint Station-Reliability-Df	1,977,445				
2			-				
3							
4	<b>Total</b>		1,977,445				
<b>Account 926</b>							
<u>2007 Base Year OPEB Expense (Note 1)</u>							
5	* 9260021	Postretirement Benefits - OPEB	13,401,648				
6	9260057	Postret Ben Medicare Subsidy	(5,287,594)				
7		Net 2007 Base Year Expense	8,114,054				
8	<u>2008 Current Year Expense</u>						
9	* 9260021	Postretirement Benefits - OPEB	12,936,235				
10	9260057	Postret Ben Medicare Subsidy	(5,342,472)				
11		Net 2008 Expense	7,593,763				
12		<b>Net Increase (Decrease) in OPEB Expense</b>	(520,291)	This Amount Is Allocated on Wages & Salaries			
Note 1: Absent a 205 Filing with FERC, this base amount will not change in subsequent years.							
<b>Account 928</b>							
13	9280000	Regulatory Commission Exp	13,498	13,498	-	-	- Misc Expenditures
14	9280001	Regulatory Commission Exp-Adm	1,411,089	1,411,089	-	-	- Federal Water Power Act
15	9280002	Regulatory Commission Exp-Case	502,020	502,020	-	-	- Virginia Rate Case
16	9280002	Regulatory Commission Exp-Case	9,071	9,071	-	-	- VA IGCC Filing
17	9280002	Regulatory Commission Exp-Case	8,137	8,137	-	-	- Energy and Reliability Case
18	<b>Total</b>		1,943,815	1,943,815	-	-	
<b>Account 930.1</b>							
19	9301000	General Advertising Expenses	79,442	79,442	-	-	
20	9301001	Newspaper Advertising Space	11,903	11,903	-	-	
21	9301002	Radio Station Advertising Time	4,243	4,243	-	-	
22	9301003	TV Station Advertising Time	5,500	5,500	-	-	
23	9301004	Newspaper Advertising Prod Exp	565	565	-	-	
24	9301005	Radio &TV Advertising Prod Exp	608	608	-	-	
25	9301006	Spec Corporate Comm Info Proj	38,094	38,094	-	-	
26	9301007	Special Adv Space & Prod Exp	-	-	-	-	
27	9301008	Direct Mail and Handouts	3,608	3,608	-	-	
28	9301009	Fairs, Shows, and Exhibits	10,941	10,941	-	-	
29	9301010	Publicity	402,176	402,176	-	-	
30	9301011	Dedications, Tours, & Openings	35	35	-	-	
31	9301012	Public Opinion Surveys	124,478	124,478	-	-	
32	9301013	Movies Slide Films & Speeches	144,022	144,022	-	-	
33	9301014	Video Communications	875	875	-	-	
34	9301015	Other Corporate Comm Exp	375,220	375,220	-	-	
35	<b>Total</b>		1,201,710	1,201,710	-	-	
<b>Account 930.2</b>							
36	9302000	Misc General Expenses	793,609			793,609	
37	9302003	Corporate & Fiscal Expenses	254,562			254,562	
38	9302004	Research, Develop&Demonstr Exp	36,064	36,064			
39	9302005	Nucl Fac Ins - Replce Engy Cst	0	0			
40	9302007	Assoc Business Development Exp	10,239,245	5,088,402	5,150,844		
41	<b>Total</b>		11,323,480	5,124,466	5,150,844	1,048,171	

\* APCo has recorded these costs in account 9260039 instead of 9260021.

AEP East Companies  
Cost of Service Formula Rate Using 2008 FF1 Balances  
Worksheet Supporting - Development of Composite State Income Tax Rate  
APPALACHIAN POWER COMPANY

Tennessee Excise Tax Rate	6.50%	
Apportionment Factor	1.52%	
Effective State Tax Rate		0.10%
West Virginia Net Income Tax Rate	8.75%	
Apportionment Factor	46.61%	
Effective State Tax Rate		4.08%
Virginia Income Tax Rate	6.00%	
Apportionment Factor	34.12%	
Effective State Tax Rate		2.05%
Michigan Business Income Tax Rate	6.04%	
Apportionment Factor	0.59%	
Effective State Tax Rate		0.04%
Ohio Franchise Tax Rate	8.50%	
Phase-out Factor	20.00%	
Apportionment Factor	5.92%	
Effective State Tax Rate		0.10%
Total Effective State Income Tax Rate		<u>6.37%</u>

Note 1 The Ohio State Income Tax is being phased-out over a 5 year period and is being replaced with a Commercial Activities Tax. The taxable portion of income is 20% in 2008.

AEP East Companies  
Cost of Service Formula Rate Using 2008 FF1 Balances  
Worksheet Supporting Taxes Other than Income  
APPALACHIAN POWER COMPANY

Line No.	(A) Account	(B) Total Company	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
1	<b>Revenue Taxes</b>					
2	Gross Receipts Tax	9,843,976				9,843,976
3	<b>Real Estate and Personal Property Taxes</b>					
4	Real and Personal Property - West Virginia	30,072,683	30,072,683			
5	Real and Personal Property - Virginia	12,717,160	12,717,160			
6	Real and Personal Property - Tennessee	855,977	855,977			
7	Real and Personal Property - Other Jurisdictions	904	904			
8	<b>Payroll Taxes</b>					
9	Federal Insurance Contribution (FICA )	9,547,967		9,547,967		
10	Federal Unemployment Tax	100,022		100,022		
11	State Unemployment Insurance	158,796		158,796		
12	<b>Production Taxes</b>					
13	State Severance Taxes	-				-
14	Federal Excise Taxes	66,708				66,708
15	<b>Miscellaneous Taxes</b>					
16	State Business & Occupation Tax	26,925,395				26,925,395
17	State Public Service Commission Fees	4,216,106			4,216,106	
18	State Franchise Taxes	6,349,226			6,349,226	
19	State Lic/Registration Fee	2,381			2,381	
20	Misc. State and Local Tax	681			681	
21	Sales & Use	129,983				129,983
22	Federal Excise Tax	-				-
23	Michigan Single Business Tax	-				-
24	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	100,987,964	43,646,724	9,806,785	10,568,394	36,966,062

**Functional Property Tax Allocation**

	Production	Transmission	Distributions	General	Total	
25	Functionalized Net Plant (Hist. TCOS, Lns 210 thru 220)	2,013,977,571	1,206,461,239	1,777,872,797	120,721,752	5,119,033,360
	<b>VIRGINIA JURISDICTION</b>					
26	Percentage of Plant in VIRGINIA JURISDICTION	17.19%	46.04%	55.87%	73.71%	
27	Net Plant in VIRGINIA JURISDICTION (Ln 25 * Ln 26)	346,202,744	555,454,755	993,297,532	88,984,003	1,983,939,034
28	Less: Net Value Exempted Generation Plant	16,718,067				
29	Taxable Property Basis (Ln 27 - Ln 28)	329,484,677	555,454,755	993,297,532	88,984,003	1,967,220,967
30	Relative Valuation Factor	100%	100%	100%	100%	
31	Weighted Net Plant (Ln 29 * Ln 30)	329,484,677	555,454,755	993,297,532	88,984,003	
32	General Plant Allocator (Ln 31 / (Total - General Plant))	17.54%	29.57%	52.88%	-100.00%	
33	Functionalized General Plant (Ln 32 * General Plant)	15,609,780	26,315,416	47,058,807	(88,984,003)	-
34	Weighted VIRGINIA JURISDICTION Plant (Ln 31 + 33)	345,094,457	581,770,171	1,040,356,339	0	1,967,220,967
35	Functional Percentage (Ln 34/Total Ln 34)	17.54%	29.57%	52.88%		
36	Functionalized Payment in VIRGINIA JURISDICTION	2,230,874	3,760,871	6,725,415		12,717,160
	<b>WEST VA JURISDICTION</b>					
37	Percentage of Plant in WEST VA JURISDICTION	82.81%	50.45%	44.13%	26.19%	
38	Net Plant in WEST VA JURISDICTION (Ln 25 * Ln 37)	1,667,774,827	608,659,695	784,575,265	31,617,027	3,092,626,814
39	Less: Net Value Exempted Generation Plant	944,505,249				
40	Taxable Property Basis (Ln 38 - Ln 39)	723,269,578	608,659,695	784,575,265	31,617,027	2,148,121,565
41	Relative Valuation Factor	100%	100%	100%	100%	
42	Weighted Net Plant (Ln 40 * Ln 41)	723,269,578	608,659,695	784,575,265	31,617,027	
43	General Plant Allocator (Ln 42 / (Total - General Plant))	34.17%	28.76%	37.07%	-100.00%	
44	Functionalized General Plant (Ln 43 * General Plant)	10,804,434	9,092,355	11,720,238	(31,617,027)	-
45	Weighted WEST VA JURISDICTION Plant (Ln 42 + 44)	734,074,012	617,752,050	796,295,503	(0)	2,148,121,565
46	Functional Percentage (Ln 45/Total Ln 45)	34.17%	28.76%	37.07%		
47	Functionalized Payment in WEST VA JURISDICTION	10,276,688	8,648,236	11,147,759		30,072,683
	<b>TENNESSEE JURISDICTION</b>					
48	Net Plant in TENNESSEE JURISDICTION (Ln 25 - Ln 27 - L	-	42,346,789	-	120,722	42,467,511
49	Less: Net Value Exempted Generation Plant	-				
50	Taxable Property Basis	-	42,346,789	-	120,722	42,467,511
51	Relative Valuation Factor	100%	100%	100%	100%	
52	Weighted Net Plant (Ln 50 * Ln 51)	-	42,346,789	-	120,722	
53	General Plant Allocator (Ln 52 / (Total - General Plant)	0.00%	100.00%	0.00%	-100.00%	
54	Functionalized General Plant (Ln 54 * General Plant)	-	120,722	-	(120,722)	
55	Weighted TENNESSEE JURISDICTION Plant (Ln 52 + 54)	-	42,467,511	-	(0)	42,467,511
56	Functional Percentage (Ln 55/Total Ln 55)	0.00%	100.00%	0.00%		
57	Functionalized Payment in TENNESSEE JURISDICTION	-	855,977	-		855,977
58	Total Other Jurisdictions: (Line 7 * Net Plant Allocator)		210			904
59	Total Func. Property Taxes (Sum Lns 36, 47 57, 58)	12,507,562	13,265,294	17,873,175		43,646,724

**AEP East Companies**  
**Cost of Service Formula Rate Using 2008 FF1 Balances**  
**Worksheet Supporting Transmission Plant in Service Additions**  
**APPALACHIAN POWER COMPANY**

**I. Calculation of Composite Depreciation Rate**

1	Transmission Plant @ Beginning of Historic Period (2008) (P.206, In 58,(b)):	1,673,183,244
2	Transmission Plant @ End of Historic Period (2008) (P.207, In 58,(g)):	1,752,450,105
3		3,425,633,349
4	Average Balance of Transmission Investment	1,712,816,675
5	Annual Depreciation Expense, Historic TCOS, In 275	26,074,469
6	Composite Depreciation Rate	1.52%
7	Round to 1.5% to Reflect a Composite Life of 67 Years	1.50%

**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	\$ 2,211,674	1.50%	\$ 33,175	\$ 2,765	11	\$ 30,415
10	February	\$ 4,718,711	1.50%	\$ 70,781	\$ 5,898	10	\$ 58,980
11	March	\$ 4,763,709	1.50%	\$ 71,456	\$ 5,955	9	\$ 53,595
12	April	\$ 4,896,817	1.50%	\$ 73,452	\$ 6,121	8	\$ 48,968
13	May	\$ 4,770,728	1.50%	\$ 71,561	\$ 5,963	7	\$ 41,741
14	June	\$ 5,869,643	1.50%	\$ 88,045	\$ 7,337	6	\$ 44,022
15	July	\$ 4,680,094	1.50%	\$ 70,201	\$ 5,850	5	\$ 29,250
16	August	\$ 15,204,512	1.50%	\$ 228,068	\$ 19,006	4	\$ 76,024
17	September	\$ 15,660,855	1.50%	\$ 234,913	\$ 19,576	3	\$ 58,728
18	October	\$ 5,174,922	1.50%	\$ 77,624	\$ 6,469	2	\$ 12,938
19	November	\$ 9,622,855	1.50%	\$ 144,343	\$ 12,029	1	\$ 12,029
20	December	\$ 23,962,083	1.50%	\$ 359,431	\$ 29,953	0	\$ -
21	Investment	\$ 101,536,604				Depreciation Expense	\$ 466,690

**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> <u>(000's)</u>	<u>Month in</u> <u>Service</u>
25 <u>Major Zonal Projects</u>		
26 000013241 TS/AP/VA/Morgans Cut 75MVA Tra	\$4,438	Nov-09
27 000013247 TS/AP/VA/N. Claytor -Claytor R	\$9,756	Sep-09
28 000013902 TS/AP/MVA Transform Matt Funk	\$2,139	Jun-09
29 000014562 TL/APCO Penhook Westlake	\$10,920	Aug-09
30 000016198 TS/APCO/Sporn Install	\$8,180	Dec-09
31	Subtotal	
	\$35,433	
32 <u>PJM Socialized/Beneficiary Allocated Regional Projects</u>		
33	\$0	
34	Subtotal	
	\$0	

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

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

ROE w/o incentives (Page 9 of 27, ln 325)			12.10%
Project ROE Incentive Adder			
ROE with additional basis point incentive			12.10%
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from Attachment H, lns 323 through 325)			
	%	Cost	Weighted cost
Long Term Debt	56.59%	6.02%	3.404%
Preferred Stock	0.31%	4.50%	0.014%
Common Stock	43.09%	12.10%	5.214%
		R =	8.632%

SUMMARY OF ANNUAL PJM RTEP APPROVED REGIONAL REVENUE REQUIREMENTS				
HISTORIC YEAR	2008	Rev Require		Incentive Amounts
		As Projected in Prior Year	Actual after True-up	
		\$ -	\$ 2,251,918	\$ -
		\$ -	\$ 2,251,918	\$ -
		Incremental Revenue Requirement		-
		2,251,918	2,251,918	-
PROJECTED YEAR	2009	2,251,918	2,251,918	\$ -

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

Rate Base (Page 7 of 27, ln 242)	1,055,464,179
R (from A. above)	8.632%
Return (Rate Base x R)	91,111,750

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

Return (from B. above)	91,111,750
Effective Tax Rate (Page 8 of 27, ln 290)	38.95%
Income Tax Calculation (Return x CIT)	35,488,571
ITC Adjustment	(878,794)
Income Taxes	34,609,777

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

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

Annual Revenue Requirement (Page 6 of 27, ln 164)	177,493,655
T.E.A. & Lease Payments (Page 8 of 27, lns 269 & 270)	(29,145,683)
Return (Page 8 of 27, ln 298)	91,111,750
Income Taxes (Page 8 of 27, ln 297)	34,609,777
Annual Revenue Requirement, Less TEA Charges, Return and Taxes:	80,917,811

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

Annual Revenue Requirement, Less TEA Charges, Return and Taxes:	80,917,811
Return (from I.B. above)	91,111,750
Income Taxes (from I.C. above)	34,609,777
Annual Revenue Requirement, with Basis Point ROE increase	206,639,338
Depreciation (Page 8 of 27, ln 275)	25,649,880
Annual Rev. Req. w/ Basis Point ROE increase, less Depreciation	180,989,458

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

Net Transmission Plant (Page 7 of 27, ln 211)	1,188,181,737
Annual Revenue Requirement, with Basis Point ROE increase	206,639,338
FCR with Basis Point increase in ROE	17.39%
Annual Rev. Req. w/ Basis Point ROE increase, less Dep.	180,989,458
FCR with Basis Point ROE increase, less Depreciation	15.23%
FCR less Depreciation (Page 6 of 27, ln 172)	15.23%
Incremental FCR with Basis Point ROE increase, less Depreciation	0.00%

**III. Calculation of Composite Depreciation Rate**

Transmission Plant @ Beginning of Historic Period (2008) (P.206, ln 58,(b)):	1,673,183,244
Transmission Plant @ End of Historic Period (2008) (P.207, ln 58,(g)):	1,752,450,105
Subtotal	3,425,633,349
Average Transmission Plant Balance for 2008	1,712,816,675
Annual Depreciation Rate (Page 8 of 27, ln 275)	26,074,469
Composite Depreciation Rate	1.52%
Depreciable Life for Composite Depreciation Rate	65.69
Round to nearest whole year	66

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

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

A. Base Plan Facilities

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

Project Description: Amos 765/138 kV Transformer

Details		2009
Investment	13,713,929	Current Year
Service Year (yyyy)*	2008	ROE increase accepted by FERC (Basis Points)
Service Month (1-12)*	7	FCR w/o incentives, less depreciation
Useful life	66	FCR w/incentives approved for these facilities, less dep.
CIAC (Yes or No)	No	Annual Depreciation Expense
		207,787

TRUE UP OF PROJECT REVENUE REQUIREMENT FOR PRIOR YEAR:  
PROJECT'S 2008 HISTORIC YEAR REV. REQ. PER THIS TCOS FILING  
LESS: PROJECT'S 2008 PROJECTED REV. REQ. PER PRIOR PERIOD TCOS

Investment Year	Beginning Balance	Depreciation Expense	Ending Balance	BPU Rev. Req't. w/o Incentives	BPU Rev. Req't. with Incentives **	Incentive Rev. Requirement ##	BPU Rev. Req't. From Prior Year Template w/o Incentives	BPU Rev Req't True-up w/o Incentives	BPU Rev. Req't. From Prior Year Template with Incentives **	BPU Rev Req't True-up with Incentives **	True-up of Incentive with Incentives **
2008	13,713,929	86,578	13,627,351	1,124,469	1,124,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009	13,627,351	207,787	13,419,564	2,251,918	2,251,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010	13,419,564	207,787	13,211,778	2,220,267	2,220,267	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011	13,211,778	207,787	13,003,991	2,188,616	2,188,616	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	13,003,991	207,787	12,796,204	2,156,965	2,156,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2013	12,796,204	207,787	12,588,417	2,125,314	2,125,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	12,588,417	207,787	12,380,630	2,093,663	2,093,663	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	12,380,630	207,787	12,172,844	2,062,012	2,062,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	12,172,844	207,787	11,965,057	2,030,361	2,030,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	11,965,057	207,787	11,757,270	1,998,710	1,998,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	11,757,270	207,787	11,549,483	1,967,059	1,967,059	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	11,549,483	207,787	11,341,696	1,935,408	1,935,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	11,341,696	207,787	11,133,910	1,903,757	1,903,757	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	11,133,910	207,787	10,926,123	1,872,105	1,872,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	10,926,123	207,787	10,718,336	1,840,454	1,840,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	10,718,336	207,787	10,510,549	1,808,803	1,808,803	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2024	10,510,549	207,787	10,302,762	1,777,152	1,777,152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2025	10,302,762	207,787	10,094,976	1,745,501	1,745,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2026	10,094,976	207,787	9,887,189	1,713,850	1,713,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2027	9,887,189	207,787	9,679,402	1,682,199	1,682,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2028	9,679,402	207,787	9,471,615	1,650,548	1,650,548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2029	9,471,615	207,787	9,263,828	1,618,897	1,618,897	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2030	9,263,828	207,787	9,056,041	1,587,246	1,587,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2031	9,056,041	207,787	8,848,255	1,555,595	1,555,595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2032	8,848,255	207,787	8,640,468	1,523,944	1,523,944	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2033	8,640,468	207,787	8,432,681	1,492,293	1,492,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2034	8,432,681	207,787	8,224,894	1,460,642	1,460,642	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2035	8,224,894	207,787	8,017,107	1,428,991	1,428,991	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2036	8,017,107	207,787	7,809,321	1,397,339	1,397,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2037	7,809,321	207,787	7,601,534	1,365,688	1,365,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2038	7,601,534	207,787	7,393,747	1,334,037	1,334,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2039	7,393,747	207,787	7,185,960	1,302,386	1,302,386	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2040	7,185,960	207,787	6,978,173	1,270,735	1,270,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2041	6,978,173	207,787	6,770,387	1,239,084	1,239,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2042	6,770,387	207,787	6,562,600	1,207,433	1,207,433	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2043	6,562,600	207,787	6,354,813	1,175,782	1,175,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2044	6,354,813	207,787	6,147,026	1,144,131	1,144,131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2045	6,147,026	207,787	5,939,239	1,112,480	1,112,480	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2046	5,939,239	207,787	5,731,453	1,080,829	1,080,829	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2047	5,731,453	207,787	5,523,666	1,049,178	1,049,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2048	5,523,666	207,787	5,315,879	1,017,527	1,017,527	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2049	5,315,879	207,787	5,108,092	985,876	985,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2050	5,108,092	207,787	4,900,305	954,224	954,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2051	4,900,305	207,787	4,692,519	922,573	922,573	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2052	4,692,519	207,787	4,484,732	890,922	890,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2053	4,484,732	207,787	4,276,945	859,271	859,271	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2054	4,276,945	207,787	4,069,158	827,620	827,620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2055	4,069,158	207,787	3,861,371	795,969	795,969	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2056	3,861,371	207,787	3,653,585	764,318	764,318	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2057	3,653,585	207,787	3,445,798	732,667	732,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2058	3,445,798	207,787	3,238,011	701,016	701,016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2059	3,238,011	207,787	3,030,224	669,365	669,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2060	3,030,224	207,787	2,822,437	637,714	637,714	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2061	2,822,437	207,787	2,614,651	606,063	606,063	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2062	2,614,651	207,787	2,406,864	574,412	574,412	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2063	2,406,864	207,787	2,199,077	542,761	542,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2064	2,199,077	207,787	1,991,290	511,110	511,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2065	1,991,290	207,787	1,783,503	479,459	479,459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2066	1,783,503	207,787	1,575,717	447,807	447,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2067	1,575,717	207,787	1,367,930	416,156	416,156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Totals	13,713,929			80,992,230	80,992,230	-					

\* PJM Required in service date: June 1, 2010.  
\*\* This is the total amount that needs to be reported to PJM for billing to all regions.

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

AEP East Companies  
Cost of Service Formula Rate Using 2008 FF1 Balances  
Worksheet Supporting Cost of Debt  
APPALACHIAN POWER COMPANY

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

(A)	(B)	(C)	(D)	(E)
<u>Issuance</u>	<u>Principle Amount</u>	<u>Interest Rate</u>	<u>Annual Expense</u>	<u>Notes</u>
<b><u>Long Term Debt (FF1.p. 256-257.h)</u></b>				
Advances From Associated Co.	100,000,000	4.708%	4,708,000	
<b><u>Instalment Purchase Contracts (FF1.p. 256-257.h, a, &amp; i)</u></b>				
IPC Russell Series H	19,500,000	5.000%	975,000	
IPC Mason Series L	100,000,000	5.500%	5,500,000	
IPC Mason Series K	30,000,000	6.050%	1,815,000	
IPC Putnam Series C	30,000,000	4.850%	1,455,000	
IPC Putnam Series D	40,000,000	4.850%	1,940,000	
IPC Russell Series J	(17,500,000)	4.250%	(743,750)	
IPC Russell Series J	17,500,000	4.250%	743,750	
IPC WV. - Series 2008E	50,000,000	7.125%	3,562,500	
IPC WV. - Series 2008A	75,000,000	1.000%	750,000	
IPC WV. - Series 2008B	50,275,000	1.250%	628,438	
Senior Unsecured Notes - Series J	150,000,000	4.400%	6,600,000	
Senior Unsecured Notes - Series I	200,000,000	4.950%	9,900,000	
Senior Unsecured Notes - Series K	250,000,000	5.000%	12,500,000	
Senior Unsecured Notes - Series M	250,000,000	5.550%	13,875,000	
Senior Unsecured Notes - Series O	250,000,000	5.650%	14,125,000	
Senior Unsecured Notes - Series L	250,000,000	5.800%	14,500,000	
Senior Unsecured Notes - Series H	200,000,000	5.950%	11,900,000	
Senior Unsecured Notes - Series N	250,000,000	6.375%	15,937,500	
Senior Unsecured Notes	150,000,000	6.600%	9,900,000	
Senior Unsecured Notes - Series P	250,000,000	6.700%	16,750,000	
Senior Unsecured Notes - Series Q	500,000,000	7.000%	35,000,000	
Sale/Leaseback	2,465,790	13.607%	335,511	
<b><u>Issuance Discount, Premium, &amp; Expenses:</u></b>				
Financial Hedges & Auction Fees	FF1.p. 256 & 257.Lines Described as Hedges or Fees		5,681,183	
Amort of Debt Discount and Expenses	FF1.p. 117.63.c		2,539,613	
Amort of Debt Premiums (Enter Negative)	FF1.p. 117.65.c		-	
<b><u>Reacquired Debt:</u></b>				
Amortization of Loss	FF1.p. 117.64.c		1,440,062	
Amortization of Gain	FF1.p. 117.66.c		-	
<b>Total Interest on Long Term Debt</b>	3,197,240,790	6.02%	192,317,807	
<b><u>Preferred Stock (FF1.p. 250-251)</u></b>				
<b><u>Preferred Shares Outstanding</u></b>				
4.5% Series - \$100 - 177,520 Shares O/S	17,752,000	4.50%	798,840	
			-	
			-	
<b>Dividends on Preferred Stock</b>	17,752,000	4.50%	798,840	

**Calculation of Average Debt Balance in Calendar Year**

Long Term Debt @ December 31, 2008	3,197,240,790
Long Term Debt @ December 31, 2009	(FF1, p.257.33.h)
Average Balance During 2009	3,197,240,790

**Calculation of Average Preferred Stock Balance in Calendar Year**

	<u>Balance</u>	<u>Dividend</u>
Preferred Stock @ December 31, 2008	17,752,000	
Preferred Stock @ December 31, 2009		
Average Balance During 2009	17,752,000	798,839 (FF1 p. 118.29.c)