

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

COLUMBUS SOUTHERN POWER COMPANY

Line No.				Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 137)		\$147,936,234
2	REVENUE CREDITS	(Note A) (Worksheet E)	<u>Total</u> 8,057,824	
3	REVENUE REQUIREMENT For All CSP Facilities	(ln 1 less ln 2)	<u>Allocator</u> DA 1.00000	\$ 8,057,824
				<u>\$ 139,878,410</u>
MEMO: The Carrying Charge Calculations on lines 5 to 11 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 4 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 ADBACK (w/o incentives)	(Note B)		
6	Annual Rate	((ln 1 - ln 106 - ln 107) / ln 48 x 100)		27.03%
7	Monthly Rate	(ln 6 / 12)		2.25%
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)		23.57%
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)		10.46%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's	(Note B) (Worksheet J)		-
13	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES			
14	Total Load Dispatch & Scheduling (Account 561)	Line 86 Below		5,167,007
15	Less: Load Disptach - Scheduling, System Control and Dispatch Services (321.88.b)			3,266,714
16	Less: Load Disptach - Reliability, Planning & Standards Development Services (321.92.b)			565,696
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)		<u>1,334,597</u>

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	(1)	(2)	(3)	(4)	(5)
Line No.	<u>RATE BASE CALCULATION</u>	<u>Data Sources (See "General Notes")</u>	<u>TO Total NOTE C</u>	<u>Allocator</u>	<u>Total Transmission</u>
18	GROSS PLANT IN SERVICE				
18	Production	(Worksheet A In 1.C)	2,406,507,374	NA 0.00000	-
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(8,312,951)	NA 0.00000	-
20	Transmission	(Worksheet A In 3.C & In 141)	570,478,232	DA	564,811,237
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 0.99007	-
22	Plus: Transmission Plant-in-Service Additions (Worksheet I)		73,868,967	TP 0.99007	73,135,170
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		-	TP 0.99007	-
24	Distribution	(Worksheet A In 5.C)	1,622,867,778	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)	90,511,381	W/S 0.04093	3,704,274
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(144,371)	W/S 0.04093	(5,909)
28	Intangible Plant	(Worksheet A In 9.C)	74,217,518	W/S 0.04093	3,037,431
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	4,829,993,928		644,682,204
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.C)	987,822,780	NA 0.00000	-
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(6,175,545)	NA 0.00000	-
33	Transmission	(Worksheet A In 14.C & 28.C)	223,182,154	TP1= 0.99450	221,953,559
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 0.99450	-
35	Plus: Transmission Plant-in-Service Additions (Worksheet I)		508,784	DA 1.00000	508,784
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		-	DA 1.00000	-
37	Plus: Additional Transmission Depreciation for 2009 (In 112)		11,975,224	TP1 0.99450	11,909,302
38	Plus: Additional General & Intangible Depreciation for 2009 (In 114 + In 115)		14,239,686	W/S 0.04093	582,774
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		-	DA 1.00000	-
40	Distribution	(Worksheet A In 16.C)	682,685,851	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)	38,651,270	W/S 0.04093	1,581,844
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(75,034)	W/S 0.04093	(3,071)
44	Intangible Plant	(Worksheet A In 20.C)	57,129,263	W/S 0.04093	2,338,076
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	2,009,944,433		238,871,268
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	1,416,547,188		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	347,296,078		342,857,678
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		73,360,183		72,626,386
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		-		-
51	Plus: Additional Transmission Depreciation for 2009 (-In 37)		(11,975,224)		(11,909,302)
52	Plus: Additional General & Intangible Depreciation for 2009 (-In 38)		(14,239,686)		(582,774)
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		-		-
54	Distribution	(In 24 + In 25 - In 40 - In 41)	940,181,927		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	51,790,774		2,119,592
56	Intangible Plant	(In 28 - In 44)	17,088,255		699,355
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	2,820,049,495		405,810,936
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(7,434,999)	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(447,874,446)	DA	(44,542,221)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(120,255,756)	DA	(7,987,135)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	117,968,638	DA	11,716,861
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	-
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(457,596,563)		(40,812,495)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29 & In 30.C)	11,545,468	DA	3,539,697
66	CONSTRUCTION WORK IN PROGRESS	(Worksheet A In 31.C)	-	TP 0.99007	-
67	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
68	WORKING CAPITAL	(Note E)			
69	Cash Working Capital	(1/8 * In 105)	9,282,865		1,983,838
70	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	206,487	TP 0.99007	204,436
71	A&G Materials & Supplies	(Worksheet C, In 3.(D))	174,333	W/S 0.04093	7,135
72	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h) 0.12017	-
73	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	135,488,406	W/S 0.04093	5,545,007
74	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	1,489,606	GP(h) 0.12017	179,007
75	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA 1.00000	-
76	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(115,940,836)	NA 0.00000	-
77	TOTAL WORKING CAPITAL	(sum Ins 69 to 76)	30,700,861		7,919,422
78	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.(B))	-	DA 1.00000	-
79	RATE BASE (sum Ins 57, 64, 65, 77, 78)		2,404,699,261		376,457,560

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COLUMBUS SOUTHERN 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				
80	Production	322.80.b	1,198,445,118		
81	Distribution	322.156.b	62,565,867		
82	Customer Related Expense	322 & 323.164,171,178.b	59,490,694		
83	Regional Marketing Expenses	322.131.b	2,831,132		
84	Transmission	321.112.b	91,437,572		
85	TOTAL O&M EXPENSES	(sum Ins 80 to 84)	1,414,770,383		
86	Less: Total Account 561	(Note G) 321.84-92.b	5,167,007		
87	Less: Account 565	(Note H) 321.96.b	56,288,246		
88	Less: Regulatory Deferrals & Amortizations	(Note J) (Worksheet F, In 4.C)	16,719,423		
89	Total O&M Allocable to Transmission	(Ins 84 - 86 - 87 - 88)	13,262,896	TP 0.99007	13,131,145
90	Administrative and General	323.197.b (Note K)	61,906,638		
91	Less: Acct. 924, Property Insurance	323.185.b	2,054,623		
92	Acct. 928, Reg. Com. Exp.	322.189.b	123,136		
93	Acct. 930.1, Gen. Advert. Exp.	322.191.b	781,462		
94	Acct. 930.2, Misc. Gen. Exp.	322.192.b	1,034,429		
95	Balance of A & G	(In 90 - sum In 91 to In 94)	57,912,988	W/S 0.04093	2,370,151
96	Plus: Acct. 924, Property Insurance	(In 91)	2,054,623	GP(h) 0.12017	246,906
97	Acct. 928 - Transmission Specific	Worksheet F In 16.(E) (Note L)	-	TP 0.99007	-
98	Acct. 928 - Transmission Allocated	Worksheet F In 16.(F) (Note L)	-	GP(h) 0.12017	-
99	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 32.(E) (Note L)	-	DA 1.00000	-
100	Acct 930.1 - Only safety related ads - Allocated.	Worksheet F In 32.(F) (Note L)	-	GP(h) 0.12017	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 37.(E) (Note L)	83,674	DA 1.00000	83,674
102	Acct 930.2 - Misc Gen. Exp. - Allocated	Worksheet F In 37.(F) (Note L)	674,964	W/S 0.04093	27,624
103	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet F In 12.(C) (Note L)	(273,776)	W/S 0.04093	(11,205)
104	A & G Subtotal	(sum Ins 95 to 102 less In 103)	61,000,025		2,739,558
105	O & M EXPENSE SUBTOTAL	(In 89 + In 104)	74,262,921		15,870,703
106	Plus: TEA Settlement in Account 565	Company Records (Note M)	55,273,023	DA 1.00000	55,273,023
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)	129,535,944		71,143,726
109	DEPRECIATION AND AMORTIZATION EXPENSE				
110	Production	336.2-6.f	66,016,939	NA 0.00000	-
111	Distribution	336.8.f	55,749,808	NA 0.00000	-
112	Transmission	336.7.f	11,975,224	TP 0.99007	11,856,265
113	Plus: Transmission Plant-in-Service Additions (Worksheet I) In 21		508,784	TP 0.99007	503,730
114	General	336.10.f	3,680,182	W/S 0.04093	150,615
115	Intangible	336.1.f	10,559,504	W/S 0.04093	432,159
116	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 110 to 115)	148,490,441		12,942,769
117	TAXES OTHER THAN INCOME	(Note N)			
118	Labor Related				
119	Payroll	Worksheet H In 20 (D)	5,720,240	W/S 0.04093	234,107
120	Plant Related				
121	Property	Worksheet H In 20(C) & In 32(C)	83,442,801	DA	18,367,546
122	Gross Receipts/Sales & Use	Worksheet H In 20 (F)	75,834,414	NA 0.00000	-
123	Other	Worksheet H In 20 (E)	2,633,813	GP(h) 0.12017	316,507
124	TOTAL OTHER TAXES	(sum Ins 119 to 123)	167,631,268		18,918,160
125	INCOME TAXES	(Note O)			
126	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		36.51%		
127	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		37.30%		
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)		1.5751		
131	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(1,953,960)		
132	Income Tax Calculation	(In 127 * In 135)	78,639,127		12,311,017
133	ITC adjustment	(In 130 * In 131)	(3,077,651)	NP(h) 0.12466	(383,667)
134	TOTAL INCOME TAXES	(sum Ins 132 to 133)	75,561,476		11,927,350
135	RETURN ON RATE BASE (Rate Base*WACC)	(In 79 * In 163)	210,821,224		33,004,228
136	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet D, In 2.(B))		-	DA 1.00000	-
137	TOTAL REVENUE REQUIREMENT		732,040,353		147,936,234
	(sum Ins 108, 116, 124, 134, 135, 136)				

AEP East Companies
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COLUMBUS SOUTHERN POWER COMPANY

SUPPORTING CALCULATIONS

In										
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
138	Total transmission plant	(In 20)								570,478,232
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)									5,666,995
141	Transmission plant included in PJM Tariff	(In 138 - In 139 - In 140)								<u>564,811,237</u>
142	Percent of transmission plant in PJM Tariff	(In 141 / In 138)							TP=	0.99007
143	WAGES & SALARY ALLOCATOR (W/S)	(Note R)								
				Payroll Billed from						
				AEP Service Corp.	Total					
144	Production	354.20.b	23,627,249	9,179,563	32,806,812	NA	0.00000			-
145	Transmission	354.21,22.b	1,629,790	1,640,357	3,270,147	TP	0.99007			3,237,662
146	Distribution	354.23.b	25,383,211	2,576,525	27,959,736	NA	0.00000			-
147	Other (Excludes A&G)	354.24,25,26.b	6,751,374	8,321,965	15,073,339	NA	0.00000			-
148	Total	(sum Ins 144 to 147)	<u>57,391,624</u>	<u>21,718,410</u>	<u>79,110,034</u>					<u>3,237,662</u>
149	Transmission related amount								W/S=	0.04093
150	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									<u>\$</u>
151	Long Term Interest	(Worksheet K)								84,301,408
152	Preferred Dividends	(Worksheet K)								-
153	<u>Development of Common Stock:</u>									
154	Proprietary Capital	(FF1 p 112, Ln 16.c)								1,249,439,875
155	Less Preferred Stock (In 161)	(FF1 p 112, Ln 3.c)								-
156	Less Account 216.1	(FF1 p 112, Ln 12.c)								10,201,991
157	Less Account 219	(FF1 p 112, Ln 15.c)								<u>(46,850,860)</u>
158	Common Stock	(In 154 - In 155 - In 156 - In 157)								<u>1,286,088,744</u>
159								Cost		
								(Note S)	Weighted	
160	Long Term Debt (Note T)	(Worksheet K)		1,450,500,000	53.00%			5.81%		0.0308
161	Preferred Stock	(In 155)		-	0.00%			0.00%		0.0000
162	Common Stock	(In 158)		<u>1,286,088,744</u>	47.00%			12.10%		<u>0.0569</u>
163	Total	(Sum Ins 160 to 162)		<u>2,736,588,744</u>					WACC=	0.0877

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COLUMBUS SOUTHERN 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 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= | 2.3251% (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
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Utilizing Historic Cost Data for 2008 with Year-End Rate Base Balances

COLUMBUS SOUTHERN POWER COMPANY

Line No.					Transmission Amount
164	REVENUE REQUIREMENT (w/o incentives)	(In 300)			\$140,193,969
165	REVENUE CREDITS	(Note A) (Worksheet E)	<u>Total</u> 8,057,824	<u>Allocator</u> DA 1.00000	\$ 8,057,824
166	REVENUE REQUIREMENT For All CSP Facilities	(In 164 less In 165)			<u>\$ 132,136,145</u>
MEMO: The Carrying Charge Calculations on lines 168 to 174 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 167 is included in the total on line 166.					
167	Revenue Requirement for PJM RTEP Regional Facilities (w/o incentives) (Worksheet J)		-	DA 1.00000	\$ -
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)			24.77%
170	Monthly Rate	(In 169 / 12)			2.06%
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)			21.31%
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)			10.32%
175	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J)				-
176	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES				
177	Total Load Dispatch & Scheduling (Account 561)	Line 249 Below			5,167,007
178	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				3,266,714
179	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				565,696
180	Total 561 Internally Developed Costs	(Line 177 - Line 178 - Line 179)			<u>1,334,597</u>

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COLUMBUS SOUTHERN POWER COMPANY

Line No.	(1)	(2)	(3)	(4)	(5)
	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total NOTE C	Allocator	Total Transmission
181	GROSS PLANT IN SERVICE				
181	Production	(Worksheet A In 1.C)	2,406,507,374	NA 0.00000	-
182	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(8,312,951)	NA 0.00000	-
183	Transmission	(Worksheet A In 3.C & In 304)	570,478,232	DA	564,811,237
184	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP 0.99007	-
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)	1,622,867,778	NA 0.00000	-
188	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	-	NA 0.00000	-
189	General Plant	(Worksheet A In 7.C)	90,511,381	W/S 0.04093	3,704,274
190	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(144,371)	W/S 0.04093	(5,909)
191	Intangible Plant	(Worksheet A In 9.C)	74,217,518	W/S 0.04093	3,037,431
192	TOTAL GROSS PLANT	(sum Ins 181 to 191)	4,756,124,961	GP(h)= 0.120171 GTD= 0.25751	571,547,034
193	ACCUMULATED DEPRECIATION AND AMORTIZATION				
194	Production	(Worksheet A In 12.C)	987,822,780	NA 0.00000	-
195	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(6,175,545)	NA 0.00000	-
196	Transmission	(Worksheet A In 14.C & 28.C)	223,182,154	TP1= 0.99450	221,953,559
197	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1= 0.99450	-
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 0.99450	N/A
201	Plus: Additional General & Intangible Depreciation for 2009 (In 274 + In 275)		N/A	W/S 0.04093	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)	682,685,851	NA 0.00000	-
204	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	-	NA 0.00000	-
205	General Plant	(Worksheet A In 18.C)	38,651,270	W/S 0.04093	1,581,844
206	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(75,034)	W/S 0.04093	(3,071)
207	Intangible Plant	(Worksheet A In 20.C)	57,129,263	W/S 0.04093	2,338,076
208	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 194 to 207)	1,983,220,739		225,870,408
209	NET PLANT IN SERVICE				
210	Production	(In 181 + In 182 - In 194 - In 195)	1,416,547,188		-
211	Transmission	(In 183 + In 184 - In 196 - In 197)	347,296,078		342,857,678
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)	940,181,927		-
218	General Plant	(In 189 + In 190 - In 205 - In 206)	51,790,774		2,119,592
219	Intangible Plant	(In 191 - In 207)	17,088,255		699,355
220	TOTAL NET PLANT IN SERVICE	(sum Ins 210 to 219)	2,772,904,222	NP(h)= 0.124662	345,676,625
221	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
222	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(7,434,999)	NA	-
223	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(447,874,446)	DA	(44,542,221)
224	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(120,255,756)	DA	(7,987,135)
225	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	117,968,638	DA	11,716,861
226	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	-
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	(457,596,563)		(40,812,495)
228	PLANT HELD FOR FUTURE USE	(Worksheet A In 29 & In 30.(C))	11,545,468	DA	3,539,697
229	CONSTRUCTION WORK IN PROGRESS	(Worksheet A In 31.C)	-	TP 0.99007	-
230	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
231	WORKING CAPITAL	(Note E)			
232	Cash Working Capital	(1/8 * In 268)	9,282,865		1,983,838
233	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	206,487	TP 0.99007	204,436
234	A&G Materials & Supplies	(Worksheet C, In 3.(D))	174,333	W/S 0.04093	7,135
235	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h) 0.12017	-
236	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	135,488,406	W/S 0.04093	5,545,007
237	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	1,489,606	GP(h) 0.12017	179,007
238	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA 1.00000	-
239	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(115,940,836)	NA 0.00000	-
240	TOTAL WORKING CAPITAL	(sum Ins 232 to 239)	30,700,861		7,919,422
241	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.(B))	-	DA 1.00000	-
242	RATE BASE (sum Ins 220, 227, 228, 240, 241)		2,357,553,988		316,323,250

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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
243	OPERATION & MAINTENANCE EXPENSE				
244	Production	321.80.b	1,198,445,118		
245	Distribution	322.156.b	62,565,867		
246	Customer Related Expense	322 & 323.164,171,178.b	59,490,694		
247	Regional Marketing Expenses	322.131.b	2,831,132		
248	Transmission	321.112.b	91,437,572		
249	TOTAL O&M EXPENSES	(sum Ins 243 to 247)	1,414,770,383		
250	Less: Total Account 561	(Note G) 321.84-92.b	5,167,007		
251	Less: Account 565	(Note H) 321.96.b	56,288,246		
252	Less: Regulatory Deferrals & Amortizations	(Note J) (Worksheet F, In 4. (C))	16,719,423		
253	Total O&M Allocable to Transmission	(Ins 247 - 249 - 250 - 251)	13,262,896	TP 0.99007	13,131,145
254	Administrative and General	323.197.b (Note K)	61,906,638		
255	Less: Acct. 924, Property Insurance	323.185.b	2,054,623		
256	Acct. 928, Reg. Com. Exp.	322.189.b	123,136		
257	Acct. 930.1, Gen. Advert. Exp.	322.191.b	781,462		
258	Acct. 930.2, Misc. Gen. Exp.	322.192.b	1,034,429		
259	Balance of A & G	(In 253 - sum In 254 to In 257)	57,912,988	W/S 0.04093	2,370,151
260	Plus: Acct. 924, Property Insurance	(In 254)	2,054,623	GP(h) 0.12017	246,906
261	Acct. 928 - Transmission Specific	Worksheet F In 16.(E) (Note L)	-	TP 0.99007	-
262	Acct. 928 - Transmission Allocated	Worksheet F In 16.(F) (Note L)	-	GP(h) 0.12017	-
263	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 32.(E) (Note L)	-	DA 1.00000	-
264	Acct 930.1 - Only safety related ads - Allocated.	Worksheet F In 32.(F) (Note L)	-	GP(h) 0.12017	-
265	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 37.(E) (Note L)	83,674	DA 1.00000	83,674
266	Acct 930.2 - Misc Gen. Exp. - Allocated	Worksheet F In 37.(F) (Note L)	674,964	W/S 0.04093	27,624
267	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet F In 12.(C) (Note L)	(273,776)	W/S 0.04093	(11,205)
268	A & G Subtotal	(sum Ins 258 to 265 less In 266)	61,000,025		2,739,558
269	O & M EXPENSE SUBTOTAL	(In 252 + In 267)	74,262,921		15,870,703
270	Plus: TEA Settlement in Account 565	Company Records (Note M)	55,273,023	DA 1.00000	55,273,023
271	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note M)			DA 1.00000	-
272	TOTAL O & M EXPENSE	(In 268 + In 269 + In 270)	129,535,944		71,143,726
273	DEPRECIATION AND AMORTIZATION EXPENSE				
274	Production	336.2-6.f	66,016,939	NA 0.00000	-
275	Distribution	336.8.f	55,749,808	NA 0.00000	-
276	Transmission	336.7.f	11,975,224	TP 0.99007	11,856,265
277	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
278	General	336.10.f	3,680,182	W/S 0.04093	150,615
279	Intangible	336.1.f	10,559,504	W/S 0.04093	432,159
280	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 273 to 278)	147,981,657		12,439,039
281	TAXES OTHER THAN INCOME	(Note N)			
282	Labor Related				
283	Payroll	Worksheet H In 20 (D)	5,720,240	W/S 0.04093	234,107
284	Plant Related				
285	Property	Worksheet H In 20(C) & In 32(C)	83,442,801	DA	18,367,546
286	Gross Receipts/Sales & Use	Worksheet H In 20 (F)	75,834,414	NA 0.00000	-
287	Other	Worksheet H In 20 (E)	2,633,813	GP(h) 0.12017	316,507
288	TOTAL OTHER TAXES	(sum Ins 282 to 286)	167,631,268		18,918,160
289	INCOME TAXES	(Note O)			
290	T=1 - (((1 - SIT) * (1 - FIT)) / (1 - SIT * FIT * p)) :		36.51%		
291	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =		37.30%		
292	where WCLTD=(In 323) and WACC = (In 326)				
293	and FIT, SIT & p are as given in Note O				
294	GRCF=1 / (1 - T) = (from In 289)		1.5751		
295	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(1,953,960)		
296	Income Tax Calculation	(In 290 * In 298)	77,097,370		10,344,489
297	ITC adjustment	(In 293 * In 294)	(3,077,651)	NP(h) 0.12466	(383,667)
298	TOTAL INCOME TAXES	(sum Ins 295 to 296)	74,019,719		9,960,822
299	RETURN ON RATE BASE (Rate Base*WACC)	(In 242 * In 326)	206,687,974		27,732,222
300	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet D, In 2. (B))		-	DA 1.00000	-
301	TOTAL REVENUE REQUIREMENT		725,856,561		140,193,969
	(sum Ins 271, 279, 287, 297, 298, 299)				

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SUPPORTING CALCULATIONS

In											
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN PJM TARIFF										
301	Total transmission plant	(In 183)								570,478,232	
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)								5,666,995	
304	Transmission plant included in PJM Tariff	(In 301 - In 302 - In 303)								<u>564,811,237</u>	
305	Percent of transmission plant in PJM Tariff	(In 304 / In 301)							TP=	0.99007	
306	WAGES & SALARY ALLOCATOR (W/S)	(Note R)									
				Payroll Billed from							
			Direct Payroll	AEP Service Corp.	Total						
307	Production	354.20.b	23,627,249	9,179,563	32,806,812	NA	0.00000			-	
308	Transmission	354.21.22.b	1,629,790	1,640,357	3,270,147	TP	0.99007			3,237,662	
309	Distribution	354.23.b	25,383,211	2,576,525	27,959,736	NA	0.00000			-	
310	Other (Excludes A&G)	354.24.25,26.b	6,751,374	8,321,965	15,073,339	NA	0.00000			-	
311	Total	(sum Ins 307 to 310)	<u>57,391,624</u>	<u>21,718,410</u>	<u>79,110,034</u>					<u>3,237,662</u>	
312	Transmission related amount								W/S=	0.04093	
313	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									\$	
314	Long Term Interest	(Worksheet K)								<u>84,301,408</u>	
315	Preferred Dividends	(Worksheet K)								-	
316	<u>Development of Common Stock:</u>										
317	Proprietary Capital	(FF1 p 112, Ln 16.c)								1,249,439,875	
318	Less Preferred Stock (In 324)	(FF1 p 112, Ln 3.c)								-	
319	Less Account 216.1	(FF1 p 112, Ln 12.c)								10,201,991	
320	Less Account 219	(FF1 p 112, Ln 15.c)								(46,850,860)	
321	Common Stock	(In 317 - In 318 - In 319 - In 320)								<u>1,286,088,744</u>	
322								Cost		Weighted	
323	Long Term Debt (Note T)	(Worksheet K)						(Note S)			
324	Preferred Stock	(In 318)							5.81%	0.0308	
325	Common Stock	(In 321)							0.00%	0.0000	
326	Total	(Sum Ins 323 to 325)							12.10%	0.0569	
			<u>1,450,500,000</u>	<u>-</u>	<u>1,286,088,744</u>	<u>53.00%</u>	<u>47.00%</u>			WACC=	0.0877
			2,736,588,744								

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COLUMBUS SOUTHERN 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 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 $p = \frac{\text{FIT}}{\text{FIT} + \text{SIT}}$ "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 294) multiplied by $(1/1-T)$. If the applicable tax rates are zero enter 0.
- | | | | |
|------------------|-------|---------|---|
| Inputs Required: | FIT = | 35.00% | |
| | SIT= | 2.3251% | (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 314) / long term debt (ln 323). Preferred Stock cost rate = preferred dividends (ln 315) / preferred outstanding (ln 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.				Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 137)		\$0
			Total	
2	REVENUE CREDITS	(Note A) (Worksheet E)	-	DA 1.00000
3	REVENUE REQUIREMENT For All CSP Facilities	(ln 1 less ln 2)		\$ -
MEMO: The Carrying Charge Calculations on lines 5 to 11 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 4 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	((ln 1 - ln 106 - ln 107) / ln 48 x 100)		0.00%
7	Monthly Rate	(ln 6 / 12)		0.00%
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)		0.00%
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)		0.00%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J)			-
13	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES			
14	Total Load Dispatch & Scheduling (Account 561)	Line 86 Below		-
15	Less: Load Disptach - Scheduling, System Control and Dispatch Services (321.88.b)			-
16	Less: Load Disptach - Reliability, Planning & Standards Development Services (321.92.6)			-
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)		-

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COLUMBUS SOUTHERN POWER COMPANY

	(1)	(2)	(3)	(4)	(5)
Line No.	<u>RATE BASE CALCULATION</u>	<u>Data Sources</u> <u>(See "General Notes")</u>	<u>TO Total</u> <u>NOTE C</u>	<u>Allocator</u>	<u>Total</u> <u>Transmission</u>
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 & In 141)	-	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
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	0.00000
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 & 28.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
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
37	Plus: Additional Transmission Depreciation for 2009 (In 112)		N/A	TP1	0.00000
38	Plus: Additional General & Intangible Depreciation for 2009 (In 114 + In 115)		N/A	W/S	0.00000
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
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 21 - 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.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)	-	DA	-
62	Account No. 190.1 (enter negative)	(Worksheet B, In 17 & In 20.C)	-	DA	-
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	-
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	-		
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29 & In 30.C)	-	DA	-
66	CONSTRUCTION WORK IN PROGRESS	(Worksheet A In 31.C)	-	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 4.(D))	-	GP(h)	0.00000
73	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	-	W/S	0.00000
74	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	-	GP(h)	0.00000
75	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	1.00000
76	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	-	NA	0.00000
77	TOTAL WORKING CAPITAL	(sum Ins 69 to 76)	-		
78	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.(B))	-	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

COLUMBUS SOUTHERN POWER COMPANY

	(1)	(2)	(3)	(4)	(5)
Line No.	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocater	Total Transmission
80	OPERATION & MAINTENANCE EXPENSE				
81	Production	322.80.b			
82	Distribution	322.156.b			
83	Customer Related Expense	322 & 323.164,171,178.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) 321.84-92.b			
88	Less: Account 565	(Note H) 321.96.b			
89	Less: Regulatory Deferrals & Amortizations	(Note J) (Worksheet F, In 4.C)			
89	Total O&M Allocable to Transmission	(Ins 84 - 86 - 87 - 88)	-	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 16.(E) (Note L)	-	TP	0.00000
98	Acct. 928 - Transmission Allocated	Worksheet F In 16.(F) (Note L)	-	GP(h)	0.00000
99	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 32.(E) (Note L)	-	GP(h)	0.00000
100	Acct 930.1 - Only safety related ads - Allocated.	Worksheet F In 32.(F) (Note L)	-	DA	1.00000
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 37.(E) (Note L)	-	DA	1.00000
102	Acct 930.2 - Misc Gen. Exp. - Allocat	Worksheet F In 37.(F) (Note L)	-	W/S	0.00000
103	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet F In 12.(C) (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)	-		
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)	-		
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) In 21		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 In 20 (D)	-	W/S	0.00000
120	Plant Related				
121	Property	Worksheet H In 20(C) & In 32(C)	-	DA	
122	Gross Receipts/Sales & Use	Worksheet H In 20 (F)	-	NA	0.00000
123	Other	Worksheet H In 20 (E)	-	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.(B))		-	DA	1.00000
137	TOTAL REVENUE REQUIREMENT	(sum Ins 108, 116, 124, 134, 135, 136)	-		

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

COLUMBUS SOUTHERN POWER COMPANY

SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
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)					TP=	0.00000
143	WAGES & SALARY ALLOCATOR (W/S)	(Note R)						
144	Production	354.20.b	Direct Payroll	Payroll Billed from AEP Service Corp.	Total			-
145	Transmission	354.21,22.b				-	NA	0.00000
146	Distribution	354.23.b				-	TP	0.00000
147	Other (Excludes A&G)	354.24,25,26.b				-	NA	0.00000
148	Total	(sum Ins 144 to 147)	0	0	0			-
149	Transmission related amount						W/S=	0.00000
150	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
151	Long Term Interest	(Worksheet K)						-
152	Preferred Dividends	(Worksheet K)						-
153	<u>Development of Common Stock:</u>					12/31/2008	12/31/2009	Average
154	Proprietary Capital	(FF1 p 112, Ln 16.c)				-	-	-
155	Less Preferred Stock (In 161)	(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)						-
159			Average \$	%			Cost (Note S)	Weighted
160	Long Term Debt (Note T)	(Worksheet K)	-	0.00%			0.00%	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)	-				WACC=	0.0000

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

COLUMBUS SOUTHERN 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) (In 131) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.
Inputs Required: FIT =
SIT= (State Income Tax Rate or Composite SIT. Worksheet G)
p = (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 151) / long term debt (In 160). Preferred Stock cost rate = preferred dividends (In 152) / preferred outstanding (In 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
COLUMBUS SOUTHERN POWER COMPANY

Line Number	(A) Rate Base Item & Supporting Balance	(B) Source of Data	(C) Balances @ 12/31/2008	(D) Balances For Update Use	(E) Average Balance for 2009
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
Plant Investment Balances					
1	Production Plant In Service	FF1, page 204/205, In 46, Col. (b)/(g)	2,406,507,374	-	-
2	Production Asset Retirement Obligation (ARO)	FF1, page 204/205, Ins 15,24,34,44, Col. (b)/(g)	8,312,951	-	-
3	Transmission Plant In Service	FF1, page 206/207, In 58, Col. (b)/(g)	570,478,232	-	-
4	Transmission Asset Retirement Obligation	FF1, page 206/207, In 57, Col. (b)/(g)	-	-	-
5	Distribution Plant In Service	FF1, page 206/207, In 75, Col. (b)/(g)	1,622,867,778	-	-
6	Distribution Asset Retirement Obligation	FF1, page 206/207, In 74, Col. (b)/(g)	-	-	-
7	General Plant In Service	FF1, page 206/207, In 99, Col. (b)/(g)	90,511,381	-	-
8	General Asset Retirement Obligation	FF1, page 206/207, Ins 98, Col. (b)/(g)	144,371	-	-
9	Intangible Plant In Service	FF1, page 204/205, In 5, Col. (b)/(g)	74,217,518	-	-
10	Total Property Investment Balance	(Sum of Lines: 3, 1, 5, 7, 9)	4,764,582,283	-	-
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 2, 6, 8)	8,457,322	-	-
Accumulated Depreciation & Amortization Balances					
12	Production Accumulated Depreciation	FF1, page 219, Ins 20-24, Col. (b)	987,822,780	-	-
13	Production ARO Accumulated Depreciation	Company Records	6,175,545	-	-
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	223,182,154	-	-
15	Transmission ARO Accumulated Depreciation	Company Records	-	-	-
16	Distribution Accumulated Depreciation	FF1, page 219, In 26, Col. (b)	682,685,851	-	-
17	Distribution ARO Accumulated Depreciation	Company Records	-	-	-
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	38,651,270	-	-
19	General ARO Accumulated Depreciation	Company Records	75,034	-	-
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	57,129,263	-	-
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 12, 16, 18, 20)	1,989,471,318	-	-
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 13, 17, 19)	6,250,579	-	-
Generation Step-Up Units					
23	GSU Investment Amount	Company Records	5,666,995	-	-
24	GSU Accumulated Depreciation	Company Records	1,228,595	-	-
25	GSU Net Balance	(Line 23 - Line 24)	4,438,400	-	-
Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation					
26	Transmission Accumulated Depreciation	(Line 14 Above)	223,182,154	-	-
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	1,228,595	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	221,953,559	-	-
Plant Held For Future Use					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	11,545,468	-	-
30	Transmission Plant Held For Future	Company Records	3,539,697	-	-
31	Construction Work In Progress	Company Records	-	-	-
Regulatory Assets Approved for Recovery In Ratebase					
31					
32					
33					
34					
35					
36	Total Regulatory Deferrals Included in Ratebase				

AEP East Companies
Cost of Service Formula Rate Using 2008 FF1 Balances
Worksheet Supporting ADIT and ITC Balances
COLUMBUS SOUTHERN 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	<u>Account 281</u>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, In 8, Col. (k)	7,434,999		-
3	Less: ARO Related Deferrals	Company Records	0		-
4	Less: Other Excluded Deferrals	Company Records	7,434,999		-
5	Transmission Related Deferrals	Ln 2 - In 3 - In 4	-	-	-
6	<u>Account 282</u>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, In 5, Col. (k)	447,874,446		-
8	Less: ARO Related Deferrals	Company Records	19,974,552		-
9	Less: Other Excluded Deferrals	Company Records	383,357,673		-
10	Transmission Related Deferrals	Ln 7 - In 8 - In 9	44,542,221	-	-
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, In 9, Col. (k)	120,255,756		-
13	Less: ARO Related Deferrals	Company Records	0		-
14	Less: Other Excluded Deferrals	Company Records	112,268,621		-
15	Transmission Related Deferrals	Ln 12 - In 13 - In 14	7,987,135	-	-
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, In 8, Col. (c)	117,968,638		-
18	Less: ARO Related Deferrals	Company Records	4,807,929		-
19	Less: Other Excluded Deferrals	Company Records	101,443,848		-
20	Transmission Related Deferrals	Ln 17 - In 18 - In 19	11,716,861	-	-
21	<u>Account 255</u>				
22	Year End ITC Balances	FF1, p. 266-267, In 8, Col. (h)	18,813,083.00		-
23	Less: Balances Not Qualified for Ratebase	Company Records	18,813,083.00		-
24	ITC Balances Includeable Ratebase	Ln 22 - In 23	-	-	-
25	Transmission Related Deferrals	Company Records	-		-

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
<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, In 8, Col. (c)	206,487		-			
3	General Materials & Supplies	FF1, p. 227, In 11, Col. (c)	174,333		-			
4	Stores Expense (Undistributed)	FF1, p. 227, In 16, Col. (c)	0		-			
Prepayment Balance Summary								
		<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	21,037,176	(115,940,836)	0	1,489,606	135,488,406	136,978,012	
7	Totals as of December 31, 2009							
8	Average Balance							

Prepayments Account 165 - Balance @ 12/31/2008								
9	<u>Acc. No.</u>	<u>Description</u>	<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>
10	1650001	Prepaid Insurance	1,406,130	-		1,406,130		1,406,130
11	165000207	Prepaid Taxes	83,476	-		83,476		83,476
12	1650003	Prepaid Rents	0	-				-
13	1650004	Prepaid Interest	10,264	10,264				-
14	1650005	Prepaid Employee Benefits	4,267,936	-			4,267,936	4,267,936
15	1650006	Other Prepayments	20,570	20,570				-
16	1650009	Prepaid Carry Cost-Factored AR	230,077	230,077				-
17	1650010	Prepaid Pension Benefits	131,220,470	-			131,220,470	131,220,470
18	1650014	FAS 158 Qual Contra Asset	(130,042,694)	(130,042,694)				-
19	1650016	FAS 112 ASSETS	590,947	590,947				-
20	1650017	Prepayment - Coal	13,250,000	13,250,000				-
		Subtotal - Form 1, p 111.57.c	21,037,176	(115,940,836)	0	1,489,606	135,488,406	136,978,012

Prepayments Account 165 - Balance For Update Use								
1	<u>Acc. No.</u>	<u>Description</u>	<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>
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
		Subtotal - Form 1, p 111.57.c						

AEP East Companies
Cost of Service Formula Rate Using 2008 FF1 Balances
Worksheet Supporting IPP Credits
COLUMBUS SOUTHERN 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 8 (b))	-	
2	Interest Accrual	-	
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 8(f))	-	-
8	Average Balance for Year as Indicated in Column ((ln 1 + ln 7)/2)	-	-

AEP East Companies
Cost of Service Formula Rate Using 2008 FF1 Balances
Worksheet Supporting Revenue Credits
COLUMBUS SOUTHERN 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	2,879,798	2,879,798	-
2	Account 451, Miscellaneous Service Revenues	2,392,680	2,277,950	114,730
3	Account 454, Rent from Electric Property	16,331,184	10,480,950	5,850,234
4	Account 4560015, Associated Business Development	801,911	759,286	42,625
5	Account 456 - Other Electric Revenues	18,766,517	18,766,517	
6	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts	2,123,760	73,525	2,050,235
7	Total Other Operating Revenues To Reduce Revenue Requirement	43,295,850	35,238,026	8,057,824

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

(A)	(B)	(C)	(D)	(E)	(F)	(G)	
<u>Line</u> <u>Number</u>	<u>Item No.</u>	<u>Description</u>	<u>2008</u> <u>Expense</u>	<u>100%</u> <u>Non-Transmission</u>	<u>100%</u> <u>Transmission</u> <u>Specific</u>	<u>Transmission</u> <u>Allocated</u>	<u>Explanation</u>
Regulatory Deferrals & Amortizations							
1	5660005	Ohio E-TCR Rider UnderRecovery	16,719,423				
2			-				
3							
4		Total	16,719,423				
Account 926							
<u>2007 Base Year OPEB Expense (Note 1)</u>							
5	9260021	Postretirement Benefits - OPEB	7,902,120				
6	9260057	Postret Ben Medicare Subsidy	(2,680,000)				
7		Net 2007 Base Year Expense	5,222,120				
8	<u>2008 Current Year Expense</u>						
9	9260021	Postretirement Benefits - OPEB	7,712,838				
10	9260057	Postret Ben Medicare Subsidy	(2,764,494)				
11		Net 2008 Expense	4,948,344				
12		Net Increase (Decrease) in OPEB Expense	(273,776)	This Amount Is Allocated on Wages & Salaries			
Note 1: Absent a 205 Filing with FERC, this base amount will not change in subsequent years.							
Account 928							
13	9280000	Regulatory Commission Exp	10	10	-	-	- Misc Expenditures
14	9280001	Regulatory Commission Exp-Adm	109,334	109,334	-	-	- Hearing & Review of Long-term Forecast
15	9280002	Regulatory Commission Exp	13,792	13,792	-	-	- Misc Expenditures
16		Total	123,136	123,136	-	-	
Account 930.1							
17	9301000	General Advertising Expenses	117,356	117,356	-	-	
18	9301001	Newspaper Advertising Space	2,273	2,273	-	-	
19	9301002	Radio Station Advertising Time	24,675	24,675	-	-	
20	9301003	TV Station Advertising Time	-	-	-	-	
21	9301005	Radio &TV Advertising Prod Exp	-	-	-	-	
22	9301006	Spec Corporate Comm Info Proj	6	6	-	-	
23	9301007	Special Adv Space & Prod Exp	122,355	122,355	-	-	
24	9301008	Direct Mail and Handouts	2,220	2,220	-	-	
25	9301009	Fairs, Shows, and Exhibits	2,535	2,535	-	-	
26	9301010	Publicity	25,329	25,329	-	-	
27	9301011	Dedications, Tours, & Openings	24	24	-	-	
28	9301012	Public Opinion Surveys	97,350	97,350	-	-	
29	9301013	Movies Slide Films & Speeches	111,367	111,367	-	-	
30	9301014	Video Communications	483	483	-	-	
31	9301015	Other Corporate Comm Exp	275,489	275,489	-	-	
32		Total	781,462	781,462	-	-	
Account 930.2							
33	9302000	Misc General Expenses	579,649			579,649	
34	9302003	Corporate & Fiscal Expenses	95,315			95,315	
35	9302004	Research, Develop&Demonstr Exp	25,429	25,429			
36	9302007	Assoc Business Development Exp	334,036	250,362	83,674		
37		Total	1,034,429	275,791	83,674	674,964	

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

State Income Tax Rate - Ohio	8.50%	
Phase-out Factor (Note 1)	20.00%	
Apportionment Factor	80.46%	
Effective Ohio State Income Tax Rate		1.3677%
Ohio Municipal Income Tax	0.80%	
Apportionment Factor	90.29%	
Effective Indiana State Income Tax Rate		0.7223%
West Virginia Corporate Income Tax	8.75%	
Apportionment Factor	1.77%	
Effective West Virginia State Income Tax Rate		0.1548%
Michigan Business Income Tax	6.04%	
Apportionment Factor	0.08%	
Effective Michigan State Income Tax Rate		0.0048%
Kentucky Corporation Income Tax	6.00%	
Apportionment Factor	1.26%	
Effective Kentucky State Income Tax Rate		0.0755%
Total Effective State Income Tax Rate		<u><u>2.3251%</u></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
COLUMBUS SOUTHERN POWER COMPANY

Line No.	(A) Account	(B) Total Company	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
1	Revenue Taxes					
2	Gross Receipts Tax	3,921,020				3,921,020
3	KWH State Excise Tax	71,878,000				71,878,000
4	Real Estate and Personal Property Taxes					
5	Real and Personal Property - Ohio	83,402,247	83,402,247			
6	Real and Personal Property - Other	40,554	40,554			
7	Payroll Taxes					
8	Federal Insurance Contribution (FICA)	4,633,352		4,633,352		
9	Federal Unemployment Tax	63,205		63,205		
10	State Unemployment Insurance	130,527		130,527		
11	Payroll Taxes	893,156		893,156		
12	Miscellaneous Taxes					
13	State Public Service Commission Fees	2,502,378			2,502,378	
14	State Franchise Taxes	114,522			114,522	
15	State Lic/Registration Fee	16,788			16,788	
16	Misc. State and Local Tax	125			125	
17	Sales & Use	23,482				23,482
18	Federal Excise Tax	11,912				11,912
19	Michigan Single Business Tax	-				-
20	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	<u>167,631,268</u>	<u>83,442,801</u>	<u>5,720,240</u>	<u>2,633,813</u>	<u>75,834,414</u>

Functional Property Tax Allocation

	Production	Transmission	Distributions	General	Total
OHIO JURISDICTION					
21 Functionalized Net Plant (Hist. TCOS, Lns 210 thru 220)	1,416,547,188	347,296,078	940,181,927	51,790,774	2,755,815,967
22 Less: Net Value Exempted Generation Plant	389,685,808				
23 Taxable Property Basis (Ln 21 - Ln 22)	1,026,861,380	347,296,078	940,181,927	51,790,774	2,366,130,159
24 Relative Valuation Factor	24%	85%	85%	24%	
25 Weighted Net Plant (Ln 23 * Ln 24)	246,446,731	295,201,666	799,154,638	12,429,786	
26 General Plant Allocator (Ln 25 / (Total - General Plant))	18.38%	22.02%	59.60%	-100.00%	
27 Functionalized General Plant (Ln 26 * General Plant)	2,284,661	2,736,639	7,408,486	(12,429,786)	-
28 Weighted OHIO JURISDICTION Plant (Ln 25 + 27)	248,731,392	297,938,305	806,563,124	(0)	1,353,232,821
29 Functional Percentage (Ln 28/Total Ln 28)	18.38%	22.02%	59.60%		
30 Functionalized Payment in OHIO JURISDICTION	<u>15,329,777</u>	<u>18,362,490</u>	<u>49,709,980</u>		<u>83,402,247</u>
31 Total Other Jurisdictions: (Line 6 * Net Plant Allocator)		5,056			<u>40,554</u>
32 Total Functionalized Property Taxes (Sum Lns 30 & 32)	<u>15,329,777</u>	<u>18,367,546</u>	<u>49,709,980</u>		<u>83,442,801</u>

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

I. Calculation of Composite Depreciation Rate

1	Transmission Plant @ Beginning of Historic Period (2008) (P.206, In 58,(b)):	508,847,647
2	Transmission Plant @ End of Historic Period (2008) (P.207, In 58,(g)):	570,478,232
3		1,079,325,879
4	Average Balance of Transmission Investment	539,662,940
5	Annual Depreciation Expense, Historic TCOS, In 275	11,975,224
6	Composite Depreciation Rate	2.22%
7	Round to 2% to Reflect a Composite Life of 50 Years	2.00%

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 n	Monthly Depreciation	No. Months Depreciation	First Year Depreciation Expense
9	January	\$ 2,638,249	2.00%	\$ 52,765	\$ 4,397	11 \$	48,367
10	February	\$ 2,691,786	2.00%	\$ 53,836	\$ 4,486	10 \$	44,860
11	March	\$ 2,681,136	2.00%	\$ 53,623	\$ 4,469	9 \$	40,221
12	April	\$ 3,377,369	2.00%	\$ 67,547	\$ 5,629	8 \$	45,032
13	May	\$ 17,156,795	2.00%	\$ 343,136	\$ 28,595	7 \$	200,165
14	June	\$ 2,963,297	2.00%	\$ 59,266	\$ 4,939	6 \$	29,634
15	July	\$ 5,990,034	2.00%	\$ 119,801	\$ 9,983	5 \$	49,915
16	August	\$ 3,012,715	2.00%	\$ 60,254	\$ 5,021	4 \$	20,084
17	September	\$ 3,003,902	2.00%	\$ 60,078	\$ 5,007	3 \$	15,021
18	October	\$ 3,069,514	2.00%	\$ 61,390	\$ 5,116	2 \$	10,232
19	November	\$ 3,151,685	2.00%	\$ 63,034	\$ 5,253	1 \$	5,253
20	December	\$ 24,132,485	2.00%	\$ 482,650	\$ 40,221	0 \$	-
21	Investment	<u>\$ 73,868,967</u>				Depreciation Expense	<u>\$ 508,784</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> <u>(000's)</u>	<u>Month in</u> <u>Service</u>
Major Zonal Projects		
25 000012507 TS CSP Conesville St 138kV Reb	\$14,994	May-09
26 000014471 TS/CSP/Lincoln - Berrywood	\$2,606	Jul-09
27	Subtotal	\$17,600
28 PJM Socialized/Beneficiary Allocated Regional Projects		
29 N/A	-	
30	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, In 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, Ins 323 through 325)				
	%	Cost	Weighted cost	
Long Term Debt	53.00%	5.81%	3.081%	
Preferred Stock	0.00%	0.00%	0.000%	
Common Stock	47.00%	12.10%	5.687%	
			R =	8.767%

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

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

Rate Base (Page 7 of 27, In 242)	316,323,250
R (from A. above)	8.767%
Return (Rate Base x R)	27,732,222

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

Return (from B. above)	27,732,222
Effective Tax Rate (Page 8 of 27, In 290)	37.30%
Income Tax Calculation (Return x CIT)	10,344,489
ITC Adjustment	(383,667)
Income Taxes	9,960,822

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, In 164)	140,193,969
T.E.A. & Lease Payments (Page 8 of 27, Lns 269 & 270)	55,273,023
Return (Page 8 of 27, In 298)	27,732,222
Income Taxes (Page 8 of 27, In 297)	9,960,822
Annual Revenue Requirement, Less TEA Charges, Return and Tax	47,227,902

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

Annual Revenue Requirement, Less TEA Charges, Return and Tax	47,227,902
Return (from I.B. above)	27,732,222
Income Taxes (from I.C. above)	9,960,822
Annual Revenue Requirement, with Basis Point ROE increase	84,920,946
Depreciation (Page 8 of 27, In 275)	11,856,265
Annual Rev. Req. w/ Basis Point ROE increase, less Depreciation	73,064,681

C. Determine FCR with hypothetical basis point ROE increase.

Net Transmission Plant (Page 7 of 27, In 211)	342,857,678
Annual Revenue Requirement, with Basis Point ROE increase	84,920,946
FCR with Basis Point increase in ROE	24.77%
Annual Rev. Req. w/ Basis Point ROE increase, less Dep.	73,064,681
FCR with Basis Point ROE increase, less Depreciation	21.31%
FCR less Depreciation (Page 8 of 27, In 172)	21.31%
Incremental FCR with 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)):	508,847,647
Transmission Plant @ End of Historic Period (P.207, In 58,(g)):	570,478,232
Subtotal	1,079,325,879
Average Transmission Plant Balance for 2008	539,662,940
Annual Depreciation Rate (Page 8 of 27, In 275)	11,975,224
Composite Depreciation Rate	2.22%
Depreciable Life for Composite Depreciation Rate	45.06
Round to nearest whole year	45

AEP East Companies
Cost of Service Formula Rate Using 2008 FF1 Balances
Worksheet Supporting Cost of Debt
COLUMBUS SOUTHERN 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>
<u>Long Term Debt (FF1.p. 256-257.h)</u>				
Notes Payable Affiliates	100,000,000	4.64%	4,640,000	
Ohio Rev Bonds Series C	(43,695,000)	2.15%	(939,443)	
Ohio Rev Bonds Series D	(48,550,000)	2.35%	(1,140,925)	
Ohio Rev Bonds Series C	43,695,000	2.15%	939,443	
Ohio Rev Bonds Series D	48,550,000	2.35%	1,140,925	
Ohio Rev Bonds Series 2007A	44,500,000	4.85%	2,158,250	
Ohio Rev Bonds Series 2008A	56,000,000	5.10%	2,856,000	
			-	
Unsecured Medium - Due 2013	250,000,000	5.50%	13,750,000	
Unsecured Medium - Due 2033	250,000,000	6.60%	16,500,000	
Unsecured Medium - Due 2010	150,000,000	4.40%	6,600,000	
Unsecured Medium - Due 2035	250,000,000	5.85%	14,625,000	
Unsecured Medium - Due 2018	350,000,000	6.05%	21,175,000	
<u>Issuance Discount, Premium, & Expenses:</u>				
Financial Hedges & Auction Fees	FF1.p. 256 & 257.Lines Described as Hedges or Fees		153,582	
Amort of Debt Discount and Expenses	FF1.p. 117.63.c		1,086,137	
Amor of Debt Premimums (Enter Negative)	FF1.p. 117.65.c		-	
<u>Reacquired Debt:</u>				
Amortization of Loss	FF1.p. 117.64.c		757,439	
Amortization of Gain	FF1.p. 117.66.c		-	
Total Interest on Long Term Debt	1,450,500,000	5.81%	84,301,408	
<u>Preferred Stock (FF1.p. 250-251)</u>				
	<u>Preferred Shares Outstanding</u>			
	-	0.00%	-	
	-	0.00%	-	
	-	0.00%	-	
Dividends on Preferred Stock	-	0.00%	-	

Calculation of Average Debt Balance in Calendar Year

Long Term Debt @ December 31, 2008	1,450,500,000
Long Term Debt @ December 31, 2009	(FF1, p.257.33.h)
Average Balance During 2009	1,450,500,000

Calculation of Average Preferred Stock Balance in Calendar Year

	<u>Balance</u>	<u>Dividend</u>
Preferred Stock @ December 31, 2008	-	-
Preferred Stock @ December 31, 2009	-	-
Average Balance During 2009	-	(FF1 p. 118.29.c)