

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

OHIO POWER COMPANY

Line No.					Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 137)			\$166,366,835
2	REVENUE CREDITS	(Note A) (Worksheet E)	Total	Allocator	\$ 4,864,700
			4,864,700	DA 1.00000	
3	REVENUE REQUIREMENT For All OPCo Facilities	(In 1 less In 2)			\$ 161,502,135
<b>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.</b>					
4	Revenue Requirement for PJM RTEP Regional Facilities (w/o incentives) (Worksheet J)		894,796	DA 1.00000	\$ 894,796
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)			25.01%
7	Monthly Rate	(In 6 / 12)			2.08%
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)			21.18%
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)			9.38%
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			9,339,810
15	Less: Load Disptach - Scheduling, System Control and Dispatch Services (321.88.b)				3,862,973
16	Less: Load Disptach - Reliability, Planning & Standards Development Services (321.92.b)				670,559
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			4,806,278

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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)	5,315,606,412	NA	-
19	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(32,761,806)	NA	-
20	Transmission	(Worksheet A In 3.C & In 141)	1,109,431,387	DA	1,069,658,956
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	(3,120)	TP	(3,008)
22	Plus: Transmission Plant-in-Service Additions (Worksheet I)		75,138,223	TP	72,444,564
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		-	TP	-
24	Distribution	(Worksheet A In 5.C)	1,472,465,990	NA	-
25	Less: Distribution ARO (Enter Negative)	(Worksheet A In 6.C)	-	NA	-
26	General Plant	(Worksheet A In 7.C)	155,506,043	W/S	11,507,071
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(165,163)	W/S	(12,222)
28	Intangible Plant	(Worksheet A In 9.C)	98,530,477	W/S	7,291,017
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	8,193,748,443		1,160,886,379
30	ACCUMULATED DEPRECIATION AND AMORTIZATION				
31	Production	(Worksheet A In 12.C)	1,851,240,526	NA	-
32	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(13,436,520)	NA	-
33	Transmission	(Worksheet A In 14.C & 28.C)	477,721,183	TP1=	462,197,014
34	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	(2,287)	TP1=	(2,213)
35	Plus: Transmission Plant-in-Service Additions (Worksheet I) In 21		342,467	DA	342,467
36	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		-	DA	-
37	Plus: Additional Transmission Depreciation for 2009 (In 112)		24,142,570	TP1	23,358,026
38	Plus: Additional General & Intangible Depreciation for 2009 (In 114 + In 115)		20,226,076	W/S	1,496,681
39	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		-	DA	-
40	Distribution	(Worksheet A In 16.C)	477,617,000	NA	-
41	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	-	NA	-
42	General Plant	(Worksheet A In 18.C)	52,090,758	W/S	3,854,590
43	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(82,226)	W/S	(6,085)
44	Intangible Plant	(Worksheet A In 20.C)	82,497,302	W/S	6,104,601
45	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	2,972,356,849		497,345,081
46	NET PLANT IN SERVICE				
47	Production	(In 18 + In 19 - In 31 - In 32)	3,445,040,600		-
48	Transmission	(In 20 + In 21 - In 33 - In 34)	631,709,371		607,461,147
49	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		74,795,756		72,102,097
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		-		-
51	Plus: Additional Transmission Depreciation for 2009 (-In 37)		(24,142,570)		(23,358,026)
52	Plus: Additional General & Intangible Depreciation for 2009 (-In 38)		(20,226,076)		(1,496,681)
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		-		-
54	Distribution	(In 24 + In 25 - In 40 - In 41)	994,848,990		-
55	General Plant	(In 26 + In 27 - In 42 - In 43)	103,332,348		7,646,344
56	Intangible Plant	(In 28 - In 44)	16,033,175		1,186,416
57	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	5,221,391,594		663,541,297
58	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
59	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(192,655,821)	NA	-
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(687,189,585)	DA	(83,411,276)
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(190,254,388)	DA	(16,046,373)
62	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	218,198,858	DA	16,611,829
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(2,083,912)	DA	(1,237,047)
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(853,984,848)		(84,082,867)
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.(C) & In 30.(C))	2,667,975	DA	2,205,322
66	CONSTRUCTION WORK IN PROGRESS	(Worksheet A In 31.C)	-	TP	-
67	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
68	WORKING CAPITAL	(Note E)			
69	Cash Working Capital	(1/8 * In 105)	15,033,842		3,973,963
70	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	917,697	TP	884,798
71	A&G Materials & Supplies	(Worksheet C, In 3.(D))	689,216	W/S	51,000
72	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	-
73	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	157,695,433	W/S	11,669,081
74	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	3,080,363	GP(h)	412,977
75	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	-
76	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(150,732,801)	NA	-
77	TOTAL WORKING CAPITAL	(sum Ins 69 to 76)	26,683,750		16,991,819
78	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.(B))	(2,464,505)	DA	(2,464,505)
79	RATE BASE (sum Ins 57, 64, 65, 77, 78)		4,394,293,967		596,191,066

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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	1,926,704,494		
82	Distribution	322.156.b	69,348,959		
83	Customer Related Expense	322 & 323.164,171,178.b	60,036,228		
84	Regional Marketing Expenses	322.131.b	3,356,418		
85	Transmission	321.112.b	61,361,256		
86	TOTAL O&M EXPENSES	(sum Ins 80 to 84)	2,120,807,355		
87	Less: Total Account 561	(Note G) 321.84-92.b	9,339,810		
88	Less: Account 565	(Note H) 321.96.b	15,629,134		
89	Less: Regulatory Deferrals & Amortizations	(Note J) (Worksheet F, In 4.C)	11,074,148		
	Total O&M Allocable to Transmission	(Ins 84 - 86 - 87 - 88)	25,318,164	TP	0.96415
90	Administrative and General	323.197.b (Note K)	95,686,301		
91	Less: Acct. 924, Property Insurance	323.185.b	3,339,677		
92	Acct. 928, Reg. Com. Exp.	323.189.b	284,922		
93	Acct. 930.1, Gen. Advert. Exp.	323.191.b	727,015		
94	Acct. 930.2, Misc. Gen. Exp.	323.192.b	1,383,524		
95	Balance of A & G	(In 90 - sum In 91 to In 94)	89,951,163	W/S	0.07400
96	Plus: Acct. 924, Property Insurance	(In 91)	3,339,677	GP(h)	0.13407
97	Acct. 928 - Transmission Specific	Worksheet F In 16.(E) (Note L)	-	TP	0.96415
98	Acct. 928 - Transmission Allocated	Worksheet F In 16.(F) (Note L)	-	GP(h)	0.13407
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)	0.13407
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 38.(E) (Note L)	166,637	DA	1.00000
102	Acct 930.2 - Misc Gen. Exp. - Allocated	Worksheet F In 38.(F) (Note L)	972,973	W/S	0.07400
103	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet F In 12.(C) (Note L)	(522,124)	W/S	0.07400
104	A & G Subtotal	(sum Ins 95 to 102 less In 103)	94,952,574		7,381,181
105	O & M EXPENSE SUBTOTAL	(In 89 + In 104)	120,270,738		31,791,705
106	Plus: TEA Settlement in Account 565	Company Records (Note M)	13,293,709	DA	1.00000
107	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note M)		1,120,888	DA	1.00000
108	TOTAL O & M EXPENSE	(In 105 + In 106 + In 107)	134,685,335		46,206,302
109	DEPRECIATION AND AMORTIZATION EXPENSE				
110	Production	336.2-6.f	142,380,623	NA	0.00000
111	Distribution	336.8.f	56,454,550	NA	0.00000
112	Transmission	336.7.f	24,142,570	TP	0.96415
113	Plus: Transmission Plant-in-Service Additions (Worksheet I)		342,467	TP	0.96415
114	General	336.10.f	4,199,639	W/S	0.07400
115	Intangible	336.1.f	16,026,437	W/S	0.07400
116	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 110 to 115)	243,546,286		25,103,944
117	TAXES OTHER THAN INCOME	(Note N)			
118	Labor Related				
119	Payroll	Worksheet H In 19 (D)	9,613,905	W/S	0.07400
120	Plant Related				
121	Property	Worksheet H In 19 (C)	80,373,183	DA	22,107,492
122	Gross Receipts/Sales & Use	Worksheet H In 19 (F)	97,657,081	NA	0.00000
123	Other	Worksheet H In 19 (E)	4,246,305	GP(h)	0.13407
124	TOTAL OTHER TAXES	(sum Ins 119 to 123)	191,890,474		23,388,190
125	INCOME TAXES	(Note O)			
126	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\}$		36.71%		
127	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		39.44%		
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)		1.5800		
131	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(439,885)		
132	Income Tax Calculation	(In 127 * In 135)	149,582,282		20,294,414
133	ITC adjustment	(In 130 * In 131)	(695,025)	NP(h)	0.11872
134	TOTAL INCOME TAXES	(sum Ins 132 to 133)	148,887,257		(82,516)
135	RETURN ON RATE BASE (Rate Base*WACC)	(In 79 * In 163)	379,265,993		51,456,502
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)	1,098,275,345		166,366,835

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SUPPORTING CALCULATIONS

In										
<u>No.</u>	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
138	Total transmission plant	(In 20)								1,109,431,387
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)							39,772,431
141	Transmission plant included in PJM Tariff	(In 138 - In 139 - In 140)								<u>1,069,658,956</u>
142	Percent of transmission plant in PJM Tariff	(In 141 / In 138)								<b>TP= 0.96415</b>
143	WAGES & SALARY ALLOCATOR (W/S)	(Note R)								
					Payroll Billed from					
					Direct Payroll	AEP Service Corp.	Total			
144	Production	354.20.b		81,230,374	20,849,042	102,079,416	NA	0.00000		-
145	Transmission	354.21.22.b		6,875,166	5,195,734	12,070,900	TP	0.96415		11,638,166
146	Distribution	354.23.b		24,812,063	2,976,062	27,788,125	NA	0.00000		-
147	Other (Excludes A&G)	354.24.25,26.b		7,916,182	7,423,026	15,339,208	NA	0.00000		-
148	Total	(sum Ins 144 to 147)		<u>120,833,785</u>	<u>36,443,864</u>	<u>157,277,649</u>				<u>11,638,166</u>
149	Transmission related amount									<b>W/S= 0.07400</b>
150	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									<u>\$</u>
151	Long Term Interest	(Worksheet K)								145,888,188
152	Preferred Dividends	(Worksheet K)								732,108
153	<u>Development of Common Stock:</u>									
154	Proprietary Capital	(FF1 p 112, Ln 16.c)								2,438,571,961
155	Less Preferred Stock (In 161)	(Worksheet K)								16,627,400
156	Less Account 216.1	(FF1 p 112, Ln 12c)								-
157	Less Account 219	(FF1 p 112, Ln 15.c)								(133,858,575)
158	Common Stock	(In 154 - In 155 - In 156 - In 157)								<u>2,555,803,136</u>
159								Cost		
								(Note S)	Weighted	
160	Long Term Debt (Note T)	(Worksheet K)		2,709,450,000	51.30%			5.38%		0.0276
161	Preferred Stock	(In 155)		16,627,400	0.31%			4.40%		0.0001
162	Common Stock	(In 158)		2,555,803,136	48.39%			12.10%		0.0585
163	Total	(Sum Ins 160 to 162)		<u>5,281,880,536</u>						<b>WACC= 0.0863</b>

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OHIO POWER COMPANY

**Letter**

**Notes**

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

- A Revenue credits include:  
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 = | 2.63% (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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Line No.				Allocator	Transmission Amount
164	REVENUE REQUIREMENT (w/o incentives)	(In 300)			\$160,350,476
			Total		
165	REVENUE CREDITS	(Note A) (Worksheet E)	4,864,700	DA 1.00000	\$ 4,864,700
166	REVENUE REQUIREMENT For All OPCo Facilities	(In 164 less In 165)			\$ 155,485,776
<b>MEMO: The Carrying Charge Calculations on lines 168 to 174 below is used in calculating project revenue requirements billed on PJM Schedule 12.</b>					
<b>The total non-incentive revenue requirements for these projects shown on line 167 is included in the total on line 166.</b>					
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)			24.02%
170	Monthly Rate	(In 169 / 12)			2.00%
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)			20.19%
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)			9.33%
175	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J)				-
176	<b>REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES</b>				
177	Total Load Dispatch & Scheduling (Account 561)	Line 249 Below			9,339,810
178	Less: Load Disptach - Scheduling, System Control and Dispatch Services (321.88.b)				3,862,973
179	Less: Load Disptach - Reliability, Planning & Standards Development Services (321.92.b)				670,559
180	Total 561 Internally Developed Costs	(Line 177 - Line 178 - Line 179)			4,806,278

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	(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>
181	GROSS PLANT IN SERVICE				
181	Production	(Worksheet A In 1.C)	5,315,606,412	NA	0.00000
182	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	(32,761,806)	NA	0.00000
183	Transmission	(Worksheet A In 3.C & In 141)	1,109,431,387	DA	1,069,658,956
184	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	(3,120)	TP	0.96415
185	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	NA	0.00000
186	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		N/A	NA	0.00000
187	Distribution	(Worksheet A In 5.C)	1,472,465,990	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)	155,506,043	W/S	0.07400
190	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(165,163)	W/S	0.07400
191	Intangible Plant	(Worksheet A In 9.C)	98,530,477	W/S	0.07400
192	TOTAL GROSS PLANT	(sum Ins 181 to 191)	8,118,610,220	GP(h)=	0.134068
				GTD=	0.41429
193	ACCUMULATED DEPRECIATION AND AMORTIZATION				
194	Production	(Worksheet A In 12.C)	1,851,240,526	NA	0.00000
195	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	(13,436,520)	NA	0.00000
196	Transmission	(Worksheet A In 14.C & 28.C)	477,721,183	TP1=	0.96750
197	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	(2,287)	TP1=	0.96750
198	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A	DA	1.00000
199	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
200	Plus: Additional Transmission Depreciation for 2009 (In 275)		N/A	TP1	0.96750
201	Plus: Additional General & Intangible Depreciation for 2009 (In 274 + In 275)		N/A	W/S	0.07400
202	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
203	Distribution	(Worksheet A In 16.C)	477,617,000	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)	52,090,758	W/S	0.07400
206	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(82,226)	W/S	0.07400
207	Intangible Plant	(Worksheet A In 20.C)	82,497,302	W/S	0.07400
208	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 194 to 207)	2,927,645,736		472,147,908
209	NET PLANT IN SERVICE				
210	Production	(In 181 + In 182 - In 194 - In 195)	3,445,040,600		-
211	Transmission	(In 183 + In 184 - In 196 - In 197)	631,709,371		607,461,147
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)	994,848,990		-
218	General Plant	(In 189 + In 190 - In 205 - In 206)	103,332,348		7,646,344
219	Intangible Plant	(In 191 - In 207)	16,033,175		1,186,416
220	TOTAL NET PLANT IN SERVICE	(sum Ins 210 to 219)	5,190,964,484	NP(h)=	0.118724
221	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
222	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	(192,655,821)	NA	-
223	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(687,189,585)	DA	(83,411,276)
224	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(190,254,388)	DA	(16,046,373)
225	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	218,198,858	DA	16,611,829
226	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(2,083,912)	DA	(1,237,047)
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	(853,984,848)		(84,082,867)
228	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.C & In 30.C)	2,667,975	DA	2,205,322
229	CONSTRUCTION WORK IN PROGRESS	(Worksheet A In 31.C)	-	TP	0.96415
230	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
231	WORKING CAPITAL	(Note E)			
232	Cash Working Capital	(1/8 * In 268)	15,033,842		3,973,963
233	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	917,697	TP	0.96415
234	A&G Materials & Supplies	(Worksheet C, In 3.(D))	689,216	W/S	0.07400
235	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.13407
236	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	157,695,433	W/S	0.07400
237	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	3,080,363	GP(h)	0.13407
238	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	1.00000
239	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(150,732,801)	NA	0.00000
240	TOTAL WORKING CAPITAL	(sum Ins 232 to 239)	26,683,750		16,991,819
241	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.(B))	(2,464,505)	DA	1.00000
242	RATE BASE (sum Ins 220, 227, 228, 240, 241)		4,363,866,856		548,943,675

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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				
243	Production	321.80.b	1,926,704,494		
244	Distribution	322.156.b	69,348,959		
245	Customer Related Expense	322 & 323.164,171,178.b	60,036,228		
246	Regional Marketing Expenses	322.131.b	3,356,418		
247	Transmission	321.112.b	61,361,256		
248	TOTAL O&M EXPENSES	(sum Ins 243 to 247)	2,120,807,355		
249	Less: Total Account 561	(Note G) 321.84-92.b	9,339,810		
250	Less: Account 565	(Note H) 321.96.b	15,629,134		
251	Less: Regulatory Deferrals & Amortizations	(Note J) (Worksheet F, In 4.C)	11,074,148		
252	Total O&M Allocable to Transmission	(Ins 247 - 249 - 250 - 251)	25,318,164	TP 0.96415	24,410,524
253	Administrative and General	323.197.b (Note K)	95,686,301		
254	Less: Acct. 924, Property Insurance	323.185.b	3,339,677		
255	Acct. 928, Reg. Com. Exp.	323.189.b	284,922		
256	Acct. 930.1, Gen. Advert. Exp.	323.191.b	727,015		
257	Acct. 930.2, Misc. Gen. Exp.	323.192.b	1,383,524		
258	Balance of A & G	(In 253 - sum In 254 to In 257)	89,951,163	W/S 0.07400	6,656,169
259	Plus: Acct. 924, Property Insurance	(In 254)	3,339,677	GP(h) 0.13407	447,742
260	Acct. 928 - Transmission Specific	Worksheet F In 16.(E) (Note L)	-	TP 0.96415	-
261	Acct. 928 - Transmission Allocated	Worksheet F In 16.(F) (Note L)	-	GP(h) 0.13407	-
262	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 32.(E) (Note L)	-	DA 1.00000	-
263	Acct 930.1 - Only safety related ads - Allocated	Worksheet F In 32.(F) (Note L)	-	GP(h) 0.13407	-
264	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 38.(E) (Note L)	166,637	DA 1.00000	166,637
265	Acct 930.2 - Misc Gen. Exp. - Allocated	Worksheet F In 38.(F) (Note L)	972,973	W/S 0.07400	71,998
266	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet F In 12.(C) (Note L)	(522,124)	W/S 0.07400	(38,636)
267	A & G Subtotal	(sum Ins 258 to 265 less In 266)	94,952,574		7,381,181
268	O & M EXPENSE SUBTOTAL	(In 252 + In 267)	120,270,738		31,791,705
269	Plus: TEA Settlement in Account 565	Company Records (Note M)	13,293,709	DA 1.00000	13,293,709
270	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note M)		1,120,888	DA 1.00000	1,120,888
271	TOTAL O & M EXPENSE	(In 268 + In 269 + In 270)	134,685,335		46,206,302
272	DEPRECIATION AND AMORTIZATION EXPENSE				
273	Production	336.2-6.f	142,380,623	NA 0.00000	-
274	Distribution	336.8.f	56,454,550	NA 0.00000	-
275	Transmission	336.7.f	24,142,570	TP 0.96415	23,277,074
276	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
277	General	336.10.f	4,199,639	W/S 0.07400	310,763
278	Intangible	336.1.f	16,026,437	W/S 0.07400	1,185,918
279	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 273 to 278)	243,203,819		24,773,754
280	TAXES OTHER THAN INCOME	(Note N)			
281	Labor Related				
282	Payroll	Worksheet H In 19 (D)	9,613,905	W/S 0.07400	711,406
283	Plant Related				
284	Property	Worksheet H In 19 (C)	80,373,183	DA 0.00000	22,107,492
285	Gross Receipts/Sales & Use	Worksheet H In 19 (F)	97,657,081	NA 0.00000	-
286	Other	Worksheet H In 19 (E)	4,246,305	GP(h) 0.13407	569,292
287	TOTAL OTHER TAXES	(sum Ins 282 to 286)	191,890,474		23,388,190
288	INCOME TAXES	(Note O)			
289	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		36.71%		
290	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		39.44%		
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)		1.5800		
294	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	(439,885)		
295	Income Tax Calculation	(In 290 * In 298)	148,546,540		18,686,107
296	ITC adjustment	(In 293 * In 294)	(695,025)	NP(h) 0.11872	(82,516)
297	TOTAL INCOME TAXES	(sum Ins 295 to 296)	147,851,515		18,603,591
298	RETURN ON RATE BASE (Rate Base*WACC)	(In 242 * In 326)	376,639,867		47,378,639
299	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet D, In 2.(B))		-	DA 1.00000	-
300	TOTAL REVENUE REQUIREMENT		1,094,271,010		160,350,476
	(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)						1,109,431,387
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)							39,772,431
304	Transmission plant included in PJM Tariff	(In 301 - In 302 - In 303)						1,069,658,956
305	Percent of transmission plant in PJM Tariff	(In 304 / In 301)						<b>TP= 0.96415</b>
306	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total			-
307	Production	354.20.b	81,230,374	20,849,042	102,079,416	NA	0.00000	-
308	Transmission	354.21,22.b	6,875,166	5,195,734	12,070,900	TP	0.96415	11,638,166
309	Distribution	354.23.b	24,812,063	2,976,062	27,788,125	NA	0.00000	-
310	Other (Excludes A&G)	354.24,25,26.b	7,916,182	7,423,026	15,339,208	NA	0.00000	-
311	Total	(sum Ins 307 to 310)	120,833,785	36,443,864	157,277,649			11,638,166
312	Transmission related amount							<b>W/S= 0.07400</b>
313	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
314	Long Term Interest	(Worksheet K)						145,888,188
315	Preferred Dividends	(Worksheet K)						732,108
316	<u>Development of Common Stock:</u>							
317	Proprietary Capital	(FF1 p 112, Ln 16.c)						2,438,571,961
318	Less Preferred Stock (In 324)	(Worksheet K)						16,627,400
319	Less Account 216.1	(FF1 p 112, Ln 12.c)						-
320	Less Account 219	(FF1 p 112, Ln 15.c)						(133,858,575)
321	Common Stock	(In 317 - In 318 - In 319 - In 320)						2,555,803,136
322			\$	%		Cost (Note S)	Weighted	
323	Long Term Debt (Note T)	(Worksheet K)	2,709,450,000	51.30%		5.38%	0.027621	
324	Preferred Stock	(In 318)	16,627,400	0.31%		4.40%	0.000139	
325	Common Stock	(In 321)	2,555,803,136	48.39%		12.10%	0.058550	
326	Total	(Sum Ins 323 to 325)	5,281,880,536				<b>WACC= 0.086309</b>	

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OHIO POWER COMPANY

**Letter**

**Notes**

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

- A Revenue credits include:  
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=	2.63%	(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.				Allocator	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 OPco Facilities	(ln 1 less ln 2)			\$ -
<b>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.</b>					
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	<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.b)				
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			-

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	(1)	(2)	(3)	(4)	(5)
	<b>Data Sources</b>				
	<b>RATE BASE CALCULATION</b>	<b>(See "General Notes")</b>	<b>TO Total</b>	<b>Allocator</b>	<b>Total</b>
Line No.			<b>NOTE C</b>		<b>Transmission</b>
	<b>GROSS PLANT IN SERVICE</b>				
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	<b>TOTAL GROSS PLANT</b>	(sum Ins 18 to 28)	-	<b>GP(h)=</b>	<b>0.00000</b>
				<b>GTD=</b>	<b>0.00000</b>
	<b>ACCUMULATED DEPRECIATION AND AMORTIZATION</b>				
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) In 21		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	TP	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	<b>TOTAL ACCUMULATED DEPRECIATION</b>	(sum Ins 31 to 44)	-		
	<b>NET PLANT IN SERVICE</b>				
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	<b>TOTAL NET PLANT IN SERVICE</b>	(sum Ins 47 to 56)	-	<b>NP(h)=</b>	<b>0.00000</b>
	<b>DEFERRED TAX ADJUSTMENTS TO RATE BASE</b>				
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	(Worksheet B, In 17 & In 20.C)	-	DA	-
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	-
64	<b>TOTAL ADJUSTMENTS</b>	(sum Ins 59 to 63)	-		
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29.(C) & 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	-
	<b>WORKING CAPITAL</b>				
69	Cash Working Capital	(Note E) (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	<b>TOTAL WORKING CAPITAL</b>	(sum Ins 69 to 76)	-		
78	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.(B))	-	DA	1.00000
79	<b>RATE BASE (sum Ins 57, 64, 65, 77, 78)</b>		-		

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

OHIO POWER COMPANY

Line No.	(1) EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	(2) Data Sources (See "General Notes")	(3) TO Total	(4) Allocator	(5) Total Transmission
80	OPERATION & MAINTENANCE EXPENSE				
81	Production	321.80.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)	-		
90	Total O&M Allocable to Transmission	(Ins 84 - 86 - 87 - 88)	-	TP	0.00000
91	Administrative and General	323.197.b (Note K)			
92	Less: Acct. 924, Property Insurance	323.185.b			
93	Acct. 928, Reg. Com. Exp.	323.189.b			
94	Acct. 930.1, Gen. Advert. Exp.	323.191.b			
95	Acct. 930.2, Misc. Gen. Exp.	323.192.b			
96	Balance of A & G	(In 90 - sum In 91 to In 94)	-	W/S	0.00000
97	Plus: Acct. 924, Property Insurance	(In 91)	-	GP(h)	0.00000
98	Acct. 928 - Transmission Specific	Worksheet F In 16.(E) (Note L)	-	TP	0.00000
99	Acct. 928 - Transmission Allocated	Worksheet F In 16.(F) (Note L)	-	GP(h)	0.00000
100	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 32.(E) (Note L)	-	GP(h)	0.00000
101	Acct 930.1 - Only safety related ads - Allocated	Worksheet F In 32.(F) (Note L)	-	DA	1.00000
102	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 38.(E) (Note L)	-	DA	1.00000
103	Acct 930.2 - Misc Gen. Exp. - Allocatcd	Worksheet F In 38.(F) (Note L)	-	W/S	0.00000
104	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet F In 12.(C) (Note L)	-	W/S	0.00000
105	A & G Subtotal	(sum Ins 95 to 102 less In 103)	-		
106	O & M EXPENSE SUBTOTAL	(In 89 + In 104)	-		
107	Plus: TEA Settlement in Account 565	Company Records (Note M)		DA	1.00000
108	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note M)			DA	1.00000
109	TOTAL O & M EXPENSE	(In 105 + In 106 + In 107)	-		
110	DEPRECIATION AND AMORTIZATION EXPENSE				
111	Production	336.2-6.f		NA	0.00000
112	Distribution	336.8.f		NA	0.00000
113	Transmission	336.7.f		TP	0.00000
114	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
115	General	336.10.f		W/S	0.00000
116	Intangible	336.1.f		W/S	0.00000
117	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 110 to 115)	-		
118	TAXES OTHER THAN INCOME	(Note N)			
119	Labor Related				
120	Payroll	Worksheet H In 19 (D)	-	W/S	0.00000
121	Plant Related				
122	Property	Worksheet H In 19 (C)	-	DA	-
123	Gross Receipts/Sales & Use	Worksheet H In 19 (F)	-	NA	0.00000
124	Other	Worksheet H In 19 (E)	-	GP(h)	0.00000
125	TOTAL OTHER TAXES	(sum Ins 119 to 123)	-		
126	INCOME TAXES	(Note O)			
127	$T=1 - \frac{((1 - SIT) * (1 - FIT))}{(1 - SIT * FIT * p)}$		36.71%		
128	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		0.00%		
129	where WCLTD=(In 160) and WACC = (In 163)				
130	and FIT, SIT & p are as given in Note O.				
131	$GRCF=1 / (1 - T) =$ (from In 126)		1.5800		
132	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)			
133	Income Tax Calculation	(In 127 * In 135)	-		
134	ITC adjustment	(In 130 * In 131)	-	NP(h)	0.00000
135	TOTAL INCOME TAXES	(sum Ins 132 to 133)	-		
136	RETURN ON RATE BASE (Rate Base*WACC)	(In 79 * In 163)	-		
137	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet D, In 2. (B))		-	DA	1.00000
138	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

OHIO 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)							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			0.00000		-
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)	(Worksheet K)				-				-
156	Less Account 216.1	(FF1 p 112, Ln 12c)				-				-
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	0.0000
161	Preferred Stock	(In 155)	-	0.00%			0.00%		0.0000	0.0000
162	Common Stock	(In 158)	-	0.00%			12.10%		0.0000	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

OHIO POWER COMPANY

**Letter**

**Notes**

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

- A Revenue credits include:  
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  $p = \frac{\text{FIT}}{\text{FIT} + \text{SIT}}$  "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) (In 131) multiplied by  $(1/1-T)$ . If the applicable tax rates are zero enter 0.
- |                  |       |        |   |
|------------------|-------|--------|---|
| Inputs Required: | FIT = | 35.00% |   |
|                  | SIT=  | 2.63%  | (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 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  
OHIO 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</u>
NOTE: Functional ARO investment and accumulated depreciation balances shown below are included in the total functional balances shown here.					
<u>Plant Investment Balances</u>					
1	Production Plant In Service	FF1, page 204/205, In 46, Col. (b)/(g)	5,315,606,412		-
2	Production Asset Retirement Obligation (ARO)	FF1, page 204/205, Ins 15,24,34,44, Col. (b)/(g)	32,761,806		-
3	Transmission Plant In Service	FF1, page 206/207, In 58, Col. (b)/(g)	1,109,431,387		-
4	Transmission Asset Retirement Obligation	FF1, page 206/207, In 57, Col. (b)/(g)	3,120		-
5	Distribution Plant In Service	FF1, page 206/207, In 75, Col. (b)/(g)	1,472,465,990		-
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)	155,506,043		-
8	General Asset Retirement Obligation	FF1, page 206/207, Ins 98, Col. (b)/(g)	165,163		-
9	Intangible Plant In Service	FF1, page 204/205, In 5, Col. (b)/(g)	98,530,477		-
10	Total Property Investment Balance	(Sum of Lines: 3, 1, 5, 7, 9)	8,151,540,309	-	-
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 2, 6, 8)	32,930,089	-	-
<u>Accumulated Depreciation &amp; Amortization Balances</u>					
12	Production Accumulated Depreciation	FF1, page 219, Ins 20-24, Col. (b)	1,851,240,526		-
13	Production ARO Accumulated Depreciation	Company Records	13,436,520		-
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	477,721,183		-
15	Transmission ARO Accumulated Depreciation	Company Records	2,287		-
16	Distribution Accumulated Depreciation	FF1, page 219, In 26, Col. (b)	477,617,000		-
17	Distribution ARO Accumulated Depreciation	Company Records			-
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	52,090,758		-
19	General ARO Accumulated Depreciation	Company Records	82,226		-
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	82,497,302		-
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 12, 16, 18, 20)	2,941,166,769	-	-
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 13, 17, 19)	13,521,033	-	-
<u>Generation Step-Up Units</u>					
23	GSU Investment Amount	Company Records	39,772,431		-
24	GSU Accumulated Depreciation	Company Records	15,524,169		-
25	GSU Net Balance	(Line 23 - Line 24)	24,248,262	-	-
<u>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</u>					
26	Transmission Accumulated Depreciation	(Line 14 Above)	477,721,183	-	-
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	15,524,169	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	462,197,014	-	-
<u>Plant Held For Future Use</u>					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	2,667,975		-
30	Transmission Plant Held For Future	Company Records	2,205,322		-
31	Construction Work In Progress	Company Records	-		-
<u>Regulatory Assets Approved for Recovery In Ratebase</u>					
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  
OHIO 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, In 8, Col. (k)	192,655,821		-
3	Less: ARO Related Deferrals	Company Records			-
4	Less: Other Excluded Deferrals	Company Records	192,655,821		-
5	Transmission Related Deferrals	Ln 2 - In 3 - In 4	-	-	-
6	<b><u>Account 282</u></b>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, In 5, Col. (k)	687,189,585		-
8	Less: ARO Related Deferrals	Company Records	93,525,218		-
9	Less: Other Excluded Deferrals	Company Records	510,253,091		-
10	Transmission Related Deferrals	Ln 7 - In 8 - In 9	83,411,276	-	-
11	<b><u>Account 283</u></b>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, In 9, Col. (k)	190,254,388		-
13	Less: ARO Related Deferrals	Company Records	0		-
14	Less: Other Excluded Deferrals	Company Records	174,208,015		-
15	Transmission Related Deferrals	Ln 12 - In 13 - In 14	16,046,373	-	-
16	<b><u>Account 190</u></b>				
17	Year End Utility Deferrals	FF1, p. 234, In 8, Col. (c)	218,198,858		-
18	Less: ARO Related Deferrals	Company Records	31,254,802		-
19	Less: Other Excluded Deferrals	Company Records	170,332,227		-
20	Transmission Related Deferrals	Ln 17 - In 18 - In 19	16,611,829	-	-
21	<b><u>Account 255</u></b>				
22	Year End ITC Balances	FF1, p. 266-267, In 8, Col. (h)	2,916,950		-
23	Less: Balances Not Qualified for Ratebase	Company Records	833,038		-
24	ITC Balances Includeable Ratebase	Ln 22 - In 23	2,083,912	-	-
25	Transmission Related Deferrals	Company Records	1,237,047		-

AEP East Companies  
Cost of Service Formula Rate Using 2008 FF1 Balances  
Worksheet Supporting Working Capital Rate Base Adjustments  
OHIO 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)	917,697		-			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c)	689,216		-			
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	10,042,995	(150,732,801)	0	3,080,363	157,695,433	160,775,796
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	3,080,363	-	3,080,363	3,080,363	Plant Related Insurance Policies	
11	1650003	Prepaid Rents	46,896	46,896	-	-	Prepaid Rents Generation	
12	1650004	Prepaid Interest	17,596	17,596	-	-	Prepaid Interest-Generation	
13	1650005	Prepaid Employee Benefits	2,349	-	-	2,349	Prepaid Employee Benefits	
14	1650006	Other Prepayments	0	-	-	-		
15	1650009	Prepaid Carry Cost-Factored AR	202,657	202,657	-	-	AR Factoring - Retail Only	
16	1650010	Prepaid Pension Benefits	157,693,084	-	-	157,693,084	Prepaid Pension Expense	
17	165001206	Prepaid Sales/Use Taxes	0	-	-	-		
18	165001208	Prepaid Sales/Use Taxes	113,254	113,254	-	-	Sales Use Tax	
19	1650013	Gavin JMG ST Prepaid Exp - Aff	5,336,553	5,336,553	-	-	Generation	
20	1650014	FAS 158 Qual Contra Asset	(157,693,084)	(157,693,084)	-	-	FAS 158 Liability	
21	1650016	FAS 112 ASSETS	1,243,327	1,243,327	-	-	FAS 112 Asset	
	<b>Subtotal - Form 1, p 111.57.c</b>		10,042,995	(150,732,801)	0	3,080,363	157,695,433	160,775,796

<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  
OHIO 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 12 (b))	(2,464,505.00)	
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 12(f))	(2,464,505.00)	-
8	Average Balance for Year as Indicated in Column ((ln 1 + ln 7)/2)	(2,464,505.00)	-

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

<u>Line Number</u>	<u>Description</u>	<u>Total Company</u>	<u>Non-Transmission</u>	<u>Transmission</u>
1	Account 450, Forfeited Discounts	1,107,361	1,107,361	-
2	Account 451, Miscellaneous Service Revenues	2,732,594	2,727,467	5,127
3	Account 454, Rent from Electric Property	12,883,329	10,613,724	2,269,605
4	Account 4560015, Associated Business Development	1,230,543	1,078,188	152,355
5	Account 456 - Other Electric Revenues	25,487,624	25,487,624	-
6	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts	2,525,109	87,496	2,437,613
7	<b>Total Other Operating Revenues To Reduce Revenue Requirement</b>	<b>45,966,560</b>	<b>41,101,860</b>	<b>4,864,700</b>

AEP East Companies  
Cost of Service Formula Rate Using 2008 FF1 Balances  
Worksheet Supporting Allocation of Specific O&M or A&G Expenses  
OHIO 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	5660005	Ohio E-TCR Rider UnderRecovery	11,074,148				
2			-				
3							
4		<b>Total</b>	11,074,148				
<b>Account 926</b>							
<u>2007 Base Year OPEB Expense (Note 1)</u>							
5	9260021	Postretirement Benefits - OPEB	14,435,661				
6	9260057	Postret Ben Medicare Subsidy	(5,245,264)				
7		Net 2007 Base Year Expense	9,190,397				
8	<u>2008 Current Year Expense</u>						
9	9260021	Postretirement Benefits - OPEB	14,067,802				
10	9260057	Postret Ben Medicare Subsidy	(5,399,529)				
11		Net 2008 Expense	8,668,273				
12		<b>Net Increase (Decrease) in OPEB Expense</b>	(522,124)	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	19	19	-	-	- Misc Expenditures
14	9280001	Regulatory Commission Exp-Adm	255,425	255,425	-	-	- Cost of Hearings
15	9280002	Regulatory Commission Exp-Case	29,478	29,478	-	-	- Misc Expenditures
16		<b>Total</b>	284,922	284,922	-	-	
<b>Account 930.1</b>							
17	9301000	General Advertising Expenses	11,894	11,894	-	-	
18	9301001	Newspaper Advertising Space	2,132	2,132	-	-	
19	9301002	Radio Station Advertising Time	-	-	-	-	
20	9301003	TV Station Advertising Time	-	-	-	-	
21	9301005	Radio &TV Advertising Prod Exp	-	-	-	-	
22	9301006	Spec Corporate Comm Info Proj	6,141	6,141	-	-	
23	9301007	Special Adv Space & Prod Exp	62,065	62,065	-	-	
24	9301008	Direct Mail and Handouts	3,663	3,663	-	-	
25	9301009	Fairs, Shows, and Exhibits	5,150	5,150	-	-	
26	9301010	Publicity	40,939	40,939	-	-	
27	9301011	Dedications, Tours, & Openings	62	62	-	-	
28	9301012	Public Opinion Surveys	92,587	92,587	-	-	
29	9301013	Movies Slide Films & Speeches	111,368	111,368	-	-	
30	9301014	Video Communications	890	890	-	-	
31	9301015	Other Corporate Comm Exp	390,124	390,124	-	-	
32		<b>Total</b>	727,015	727,015	-	-	
<b>Account 930.2</b>							
33	9302000	Misc General Expenses	760,219			760,219	
34	9302003	Corporate & Fiscal Expenses	212,754			212,754	
35	9302004	Research, Develop&Demonstr Exp	34,727	34,727			
36	9302005	Nucl Fac Ins - Replce Engy Cst	-	-			
37	9302007	Assoc Business Development Exp	375,824	209,187	166,637		
38		<b>Total</b>	1,383,524	243,914	166,637	972,973	

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

West Virginia Corporate Income Tax	8.75%	
Apportionment Factor	13.35%	
Effective State Tax Rate		1.17%
Illinois Corporation Income Tax	7.30%	
Apportionment Factor	0.10%	
Effective State Tax Rate		0.01%
State Income Tax Rate - Ohio	8.50%	
Phase-out Factor	20.00%	
Apportionment Factor	62.66%	
Effective State Tax Rate		1.0652%
Michigan Business Income Tax	6.04%	
Apportionment Factor	0.88%	
Effective State Tax Rate		0.05%
Ohio Municipal Net Income Tax	0.46%	
Apportionment Factor	73.22%	
Effective State Tax Rate		0.3368%
Total Effective State Income Tax Rate		<u>2.63%</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  
OHIO 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	80,544,609				80,544,609
3	<b>Real Estate and Personal Property Taxes</b>					
4	Real and Personal Property - Ohio	70,166,548	70,166,548			
5	Real and Personal Property - West VA.	10,191,239	10,191,239			
6	Real and Personal Property - Other	15,396	15,396			
7	<b>Payroll Taxes</b>					
8	Federal Insurance Contribution (FICA )	9,276,230		9,276,230		
9	Federal Unemployment Tax	108,758		108,758		
10	State Unemployment Insurance	228,917		228,917		
11	<b>Miscellaneous Taxes</b>					
12	State Public Service Commission Fees	2,553,925			2,553,925	
13	State Franchise Taxes	1,646,221			1,646,221	
14	State Lic/Registration Fee	46,159			46,159	
15	Misc. State and Local Tax	-			-	
16	Sales & Use	80,639				80,639
17	Federal Excise Tax	66,708				66,708
18	State B & O Taxes	16,965,125				16,965,125
19	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	191,890,475	80,373,183	9,613,905	4,246,305	97,657,081
<b>Functional Property Tax Allocation</b>						
		<u>Production</u>	<u>Transmission</u>	<u>Distributions</u>	<u>General</u>	<u>Total</u>
20	Functionalized Net Plant (Hist. TCOS, Lns 210 thru 220)	3,445,040,600	631,709,371	994,848,990	103,332,348	5,174,931,309
<b>OHIO JURISDICTION</b>						
21	Percentage of Plant in OHIO JURISDICTION	49.42%	90.46%	99.96%	93.55%	
22	Net Plant in OHIO JURISDICTION (Ln 20 * Ln 21)	1,702,539,065	571,444,297	994,451,050	96,667,412	3,365,101,823
23	Less: Net Value Exempted Generation Plant	559,494,300				
24	Taxable Property Basis (Ln 22 - Ln 23)	1,143,044,765	571,444,297	994,451,050	96,667,412	2,805,607,523
25	Relative Valuation Factor	24%	85%	85%	24%	
26	Weighted Net Plant (Ln 24 * Ln 25)	274,330,743	485,727,652	845,283,393	23,200,179	
27	General Plant Allocator (Ln 26 / (Total - General Plant))	17.09%	30.26%	52.65%	-100.00%	
28	Functionalized General Plant (Ln 27 * General Plant)	3,964,590	7,019,669	12,215,919	(23,200,179)	-
29	Weighted OHIO JURISDICTION Plant (Ln 26 + 28)	278,295,333	492,747,321	857,499,312	(0)	1,628,541,968
30	Functional Percentage (Ln 29/Total Ln 29)	17.09%	30.26%	52.65%		
31	Functionalized Payment in OHIO JURISDICTION	11,990,494	21,230,266	36,945,788		70,166,548
<b>WEST VA. JURISDICTION</b>						
32	Net Plant in WEST VA. JURISDICTION (Ln 20 - Ln 22)	1,742,501,535	60,265,074	397,940	6,664,936	1,809,829,486
33	Less: Net Value Exempted Generation Plant	1,101,569,129				
34	Taxable Property Basis	640,932,406	60,265,074	397,940	6,664,936	708,260,357
35	Relative Valuation Factor	100%	100%	100%	100%	
36	Weighted Net Plant (Ln 34 * Ln 35)	640,932,406	60,265,074	397,940	6,664,936	
37	General Plant Allocator (Ln 36 / (Total - General Plant))	91.35%	8.59%	0.06%	-100.00%	
38	Functionalized General Plant (Ln 38 * General Plant)	6,088,657	572,499	3,780	(6,664,936)	
39	Weighted WEST VA. JURISDICTION Plant (Ln 36 + 38)	647,021,063	60,837,573	401,720	0	708,260,357
40	Functional Percentage (Ln 39/Total Ln 39)	91.35%	8.59%	0.06%		
41	Functionalized Payment in WEST VA. JURISDICTION	9,310,060	875,399	5,780		10,191,239
42	Total Other Jurisdictions: (Line 6 * Net Plant Allocator)		1,828			15,396
43	Total Functionalized Property Taxes (Sum Lns 31, 41, 42)	21,300,554	22,107,492	36,951,569		80,373,183

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

**I. Calculation of Composite Depreciation Rate**

1	Transmission Plant @ Beginning of Historic Period (2008) (P.206, ln 58,(b)):	1,064,829,446
2	Transmission Plant @ End of Historic Period (2008) (P.207, ln 58,(g)):	1,109,431,387
3		<u>2,174,260,833</u>
4	Average Balance of Transmission Investment	1,087,130,417
5	Annual Depreciation Expense, Historic TCOS, ln 275	24,142,570
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	Monthly Depreciation	No. Months Depreciation	First Year Depreciation Expense
9	January	\$ 2,445,406	2.00%	\$ 48,908	\$ 4,076	11	\$ 44,836
10	February	\$ 2,617,491	2.00%	\$ 52,350	\$ 4,362	10	\$ 43,620
11	March	\$ 2,701,383	2.00%	\$ 54,028	\$ 4,502	9	\$ 40,518
12	April	\$ 2,905,707	2.00%	\$ 58,114	\$ 4,843	8	\$ 38,744
13	May	\$ 2,718,840	2.00%	\$ 54,377	\$ 4,531	7	\$ 31,717
14	June	\$ 4,782,809	2.00%	\$ 95,656	\$ 7,971	6	\$ 47,826
15	July	\$ 2,563,341	2.00%	\$ 51,267	\$ 4,272	5	\$ 21,360
16	August	\$ 2,565,279	2.00%	\$ 51,306	\$ 4,275	4	\$ 17,100
17	September	\$ 2,805,285	2.00%	\$ 56,106	\$ 4,675	3	\$ 14,025
18	October	\$ 5,801,055	2.00%	\$ 116,021	\$ 9,668	2	\$ 19,336
19	November	\$ 14,030,722	2.00%	\$ 280,614	\$ 23,385	1	\$ 23,385
20	December	\$ 29,200,906	2.00%	\$ 584,018	\$ 48,668	0	-
21	Investment	<u>\$ 75,138,223</u>				Depreciation Expense	<u>\$ 342,467</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>
25 <u>Major Zonal Projects</u>		
26 000011993 TS/OPCO/RELAY REHAB/REPL	\$8,549	Nov-09
27 000014647 TL/OPC/Cambridge Area Subtrans	\$2,742	Oct-09
28 000015523 TS/OPC/Purchase-Rebuild Maj Eq	\$5,215	Dec-09
29 000015871 TL/OP/Moreland Trans Line Imp	\$2,126	Jun-09
30 000016206 T/OPCO/EHV Metering/CB Upgrade	\$11,129	Dec-09
31	<u>Subtotal</u>	<u>\$29,761</u>
32 <u>PJM Socialized/Beneficiary Allocated Regional Projects</u>		
33	<u>\$0</u>	
34	<u>Subtotal</u>	<u>\$0</u>

**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	51.30%	5.38%	2.762%
Preferred Stock	0.31%	4.40%	0.014%
Common Stock	48.39%	12.10%	5.855%
		R =	8.631%

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	894,796	894,796	\$ -

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

Rate Base (Page 7 of 27, In 242)	548,943,675
R (from A. above)	8.631%
Return (Rate Base x R)	47,378,639

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

Return (from B. above)	47,378,639
Effective Tax Rate (Page 8 of 27, In 290)	39.44%
Income Tax Calculation (Return x CIT)	18,686,107
ITC Adjustment	(82,516)
Income Taxes	18,603,591

**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)	160,350,476
T.E.A. & Lease Payments (Page 8 of 27, Lns 269 & 270)	14,414,597
Return (Page 8 of 27, In 298)	47,378,639
Income Taxes (Page 8 of 27, In 297)	18,603,591
Annual Revenue Requirement, Less T.E.A., Leases, Return Taxes	79,953,649

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

Annual Revenue Requirement, Less T.E.A., Leases, Return Taxes	79,953,649
Return (from I.B. above)	47,378,639
Income Taxes (from I.C. above)	18,603,591
Annual Revenue Requirement, with Basis Point ROE increase	145,935,879
Depreciation (Page 8 of 27, In 275)	23,277,074
Annual Rev. Req. w/ Basis Point ROE increase, less Depreciation	122,658,805

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

Net Transmission Plant (Page 7 of 27, In 211)	607,461,147
Annual Revenue Requirement, with Basis Point ROE increase	145,935,879
FCR with Basis Point increase in ROE	24.02%

Annual Rev. Req. w/ Basis Point ROE increase, less Dep.	122,658,805
FCR with Basis Point ROE increase, less Depreciation	20.19%
FCR less Depreciation (Page 8 of 27, In 172)	20.19%
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)):	1,064,829,446
Transmission Plant @ End of Historic Period (P.207, In 58,(g)):	1,109,431,387
Subtotal	2,174,260,833
Average Transmission Plant Balance for 2008	1,087,130,417
Annual Depreciation Rate (Page 8 of 27, In 275)	24,142,570
Composite Depreciation Rate	2.22%
Depreciable Life for Composite Depreciation Rate	45.03
Round to nearest whole year	45

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

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

A. Base Plan Facilities

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

Project Description: 765 kV circuit breaker installations at Hanging Rock

Details							TRUE UP OF PROJECT REVENUE REQUIREMENT FOR PRIOR YEAR: PROJECT'S 2008 HISTORIC YEAR REV. REQ. PER THIS TCOS FILING LESS: PROJECTS 2008 PROJECTED REV. REQ. PER PRIOR PERIOD TCOS				
Investment	5,455,688	Current Year				2009					
Service Year (yyyy)	2009	ROE increase accepted by FERC (Basis Points)				-					
Service Month (1-12)	4	FCR w/o incentives, less depreciation				20.19%					
Useful life	45	FCR w/incentives approved for these facilities, less dep.				0.00%					
CIAC (Yes or No)	No	Annual Depreciation Expense				121,238					
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 **
2009	5,455,688	80,825	5,374,863	894,796	894,796	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010	5,374,863	121,238	5,253,625	1,182,052	1,182,052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011	5,253,625	121,238	5,132,388	1,157,571	1,157,571	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	5,132,388	121,238	5,011,150	1,133,091	1,133,091	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2013	5,011,150	121,238	4,889,913	1,108,611	1,108,611	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	4,889,913	121,238	4,768,675	1,084,130	1,084,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	4,768,675	121,238	4,647,438	1,059,650	1,059,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	4,647,438	121,238	4,526,200	1,035,170	1,035,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	4,526,200	121,238	4,404,963	1,010,689	1,010,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	4,404,963	121,238	4,283,725	986,209	986,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	4,283,725	121,238	4,162,488	961,729	961,729	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	4,162,488	121,238	4,041,250	937,248	937,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	4,041,250	121,238	3,920,013	912,768	912,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	3,920,013	121,238	3,798,775	888,288	888,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	3,798,775	121,238	3,677,538	863,807	863,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2024	3,677,538	121,238	3,556,300	839,327	839,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2025	3,556,300	121,238	3,435,063	814,847	814,847	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2026	3,435,063	121,238	3,313,825	790,366	790,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2027	3,313,825	121,238	3,192,588	765,886	765,886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2028	3,192,588	121,238	3,071,350	741,406	741,406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2029	3,071,350	121,238	2,950,113	716,925	716,925	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2030	2,950,113	121,238	2,828,875	692,445	692,445	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2031	2,828,875	121,238	2,707,638	667,965	667,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2032	2,707,638	121,238	2,586,400	643,485	643,485	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2033	2,586,400	121,238	2,465,163	619,004	619,004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2034	2,465,163	121,238	2,343,925	594,524	594,524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2035	2,343,925	121,238	2,222,688	570,044	570,044	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2036	2,222,688	121,238	2,101,450	545,563	545,563	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2037	2,101,450	121,238	1,980,213	521,083	521,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2038	1,980,213	121,238	1,858,975	496,603	496,603	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2039	1,858,975	121,238	1,737,738	472,122	472,122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2040	1,737,738	121,238	1,616,500	447,642	447,642	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2041	1,616,500	121,238	1,495,263	423,162	423,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2042	1,495,263	121,238	1,374,025	398,681	398,681	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2043	1,374,025	121,238	1,252,788	374,201	374,201	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2044	1,252,788	121,238	1,131,550	349,721	349,721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2045	1,131,550	121,238	1,010,313	325,240	325,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2046	1,010,313	121,238	889,075	300,760	300,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2047	889,075	121,238	767,838	276,280	276,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2048	767,838	121,238	646,600	251,799	251,799	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2049	646,600	121,238	525,363	227,319	227,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2050	525,363	121,238	404,125	202,839	202,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2051	404,125	121,238	282,888	178,358	178,358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2052	282,888	121,238	161,650	153,878	153,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2053	161,650	121,238	40,413	129,398	129,398	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2054	40,413	40,413	-	40,413	40,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2055	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2056	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2057	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2058	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2059	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2060	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2061	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2062	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2063	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2064	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2065	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2066	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2067	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2068	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Totals	5,455,688	5,455,688	29,787,094	29,787,094	-	-	-	-	-	-	-

\*\* 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  
OHIO 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>Long Term Debt (FF1.p. 256-257.h)</b>				
Fixed Rate Prom. Notes Payable to Parent	200,000,000	5.250%	10,500,000	
Reacquired Bonds: IPC 04/2022	(35,000,000)	4.250%	(1,487,500)	
Reacquired Bonds: IPC 06/2022	(50,000,000)	3.700%	(1,850,000)	
Reacquired Bonds: IPC 04/2022	35,000,000	4.250%	1,487,500	
Reacquired Bonds: IPC 06/2022	50,000,000	3.700%	1,850,000	
Air Quality Bonds 05/2026	50,000,000	5.150%	2,575,000	
Air Quality Bonds 06/2037	65,000,000	4.900%	3,185,000	
Air Quality Bonds 06/2041	79,450,000	7.125%	5,660,813	
WVEDA - Mitchell - 2007 Series A	65,000,000	0.850%	552,500	
WVEDA - Kammer - 2007 Series B	50,000,000	1.000%	500,000	
WVEDA - Sporn - 2007 Series C	50,000,000	1.050%	525,000	
Unsecured Medium Term Notes due 02/2013	250,000,000	5.500%	13,750,000	
Unsecured Medium Term Notes due 02/2033	250,000,000	6.600%	16,500,000	
Unsecured Medium Term Notes due 01/2014	225,000,000	4.850%	10,912,500	
Unsecured Medium Term Notes due 07/2033	225,000,000	6.375%	14,343,750	
Unsecured Medium Term Notes due 11/2010	200,000,000	5.300%	10,600,000	
Unsecured Medium Term Notes due 06/2016	350,000,000	6.000%	21,000,000	
Unsecured Medium Term Notes due 04/2010	400,000,000	4.388%	17,552,000	
Unsecured Medium Term Notes due 09/2013	250,000,000	5.750%	14,375,000	
<b>Issuance Discount, Premium, &amp; Expenses:</b>				
Financial Hedges & Auction Fees	FF1.p. 256 & 257.Lines Described as Hedges or Fees		(472,882)	
Amort of Debt Discount and Expenses	FF1.p. 117.63.c		2,211,243	
Amor of Debt Premiums (Enter Negative)	FF1.p. 117.65.c		-	
<b>Reacquired Debt:</b>				
Amortization of Loss	FF1.p. 117.64.c		1,618,264	
Amortization of Gain	FF1.p. 117.66.c		-	
<b>Total Interest on Long Term Debt</b>	2,709,450,000	5.384%	145,888,188	
<b>Preferred Stock (FF1.p. 250-251)</b>				
	<b>Preferred Shares Outstanding</b>			
4.08% Series - \$103	1,459,500	4.08%	59,548	
4.20% Series - \$103.20	2,282,400	4.20%	95,861	
4.40% Series - \$104	3,148,200	4.40%	138,521	
4.50% Series - \$110	9,737,300	4.50%	438,179	
<b>Dividends on Preferred Stock</b>	16,627,400	4.403%	732,108	

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

Long Term Debt @ December 31, 2008	2,709,450,000
Long Term Debt @ December 31, 2009	(FF1, p.257.33.h)
Average Balance During 2009	2,709,450,000

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

	<u>Balance</u>	<u>Dividend</u>	
Preferred Stock @ December 31, 2008	16,627,400		(FF1 p 112, Ln 3.c)
Preferred Stock @ December 31, 2009			(FF1 p 112, Ln 3.c)
Average Balance During 2009	16,627,400		(FF1 p. 118. Ln 29.c)