

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

WHEELING POWER COMPANY

Line No.				Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(In 137)		\$2,894,955
2	REVENUE CREDITS	(Note A) (Worksheet E)	Total 1,175,667	
3	REVENUE REQUIREMENT For All WPCo Facilities	(In 1 less In 2)	Allocator DA 1.00000	\$ 1,175,667
				<u>\$ 1,719,288</u>
MEMO: The Carrying Charge Calculations on lines 4 to 12 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	((In 1 - In 106 - In 107) / In 48 x 100)		34.32%
7	Monthly Rate	(In 6 / 12)		2.86%
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)		26.14%
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)		11.57%
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		68,242
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)		<u>68,242</u>

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	(1)	(2)	(3)	(4)	(5)
Line No.	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total NOTE C	Allocator	Total Transmission
	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 & Ln 141)	25,887,202	DA	25,887,202
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	1.00000
22	Plus: Transmission Plant-in-Service Additions (Worksheet I)		999,028	TP	1.00000
23	Plus: Additional Trans Plant on Transferred Assets (Worksheet I)		-	TP	1.00000
24	Distribution	(Worksheet A In 5.C)	108,338,774	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)	4,827,543	W/S	0.02893
27	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(34,819)	W/S	0.02893
28	Intangible Plant	(Worksheet A In 9.C)	2,825,840	W/S	0.02893
29	TOTAL GROSS PLANT	(sum Ins 18 to 28)	142,843,568		27,106,664
	ACCUMULATED DEPRECIATION AND AMORTIZATION				
30	Production	(Worksheet A In 12.C)	-	NA	0.00000
31	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	-	NA	0.00000
32	Transmission	(Worksheet A In 14.C & 28.C)	17,452,691	TP1=	1.00000
33	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1=	1.00000
34	Plus: Transmission Plant-in-Service Additions (Worksheet I)		9,233	DA	1.00000
35	Plus: Additional Projected Deprec on Transferred Assets (Worksheet I)		-	DA	1.00000
36	Plus: Additional Transmission Depreciation for 2009 (In 112)		690,399	TP1	1.00000
37	Plus: Additional General & Intangible Depreciation for 2009 (In 114 + In 115)		557,785	W/S	0.02893
38	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		-	DA	1.00000
39	Distribution	(Worksheet A In 16.C)	33,778,935	NA	0.00000
40	Less: Distribution ARO (Enter Negative)	(Worksheet A In 17.C)	-	NA	0.00000
41	General Plant	(Worksheet A In 18.C)	2,208,046	W/S	0.02893
42	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(15,053)	W/S	0.02893
43	Intangible Plant	(Worksheet A In 20.C)	2,560,329	W/S	0.02893
44	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 31 to 44)	57,242,365		18,305,994
	NET PLANT IN SERVICE				
45	Production	(In 18 + In 19 - In 31 - In 32)	-		-
46	Transmission	(In 20 + In 21 - In 33 - In 34)	8,434,511		8,434,511
47	Plus: Transmission Plant-in-Service Additions (In 22 - In 35)		989,795		989,795
48	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		-		-
49	Plus: Additional Transmission Depreciation for 2009 (-In 37)		(690,399)		(690,399)
50	Plus: Additional General & Intangible Depreciation for 2009 (-In 38)		(557,785)		(16,139)
51	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		-		-
52	Distribution	(In 24 + In 25 - In 40 - In 41)	74,559,839		-
53	General Plant	(In 26 + In 27 - In 42 - In 43)	2,599,731		75,220
54	Intangible Plant	(In 28 - In 44)	265,511		7,682
55	TOTAL NET PLANT IN SERVICE	(sum Ins 47 to 56)	85,601,203		8,800,670
	DEFERRED TAX ADJUSTMENTS TO RATE BASE				
56	Account No. 281.1 (enter negative)	(Note D) (Worksheet B, In 2 & In 5.C)	-	NA	-
57	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(11,195,877)	DA	(1,665,468)
58	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(2,335,446)	DA	(262,176)
59	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	4,105,618	DA	1,257,074
60	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(147,446)	DA	(48,279)
61	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	(9,573,151)		(718,849)
62	PLANT HELD FOR FUTURE USE	(Worksheet A In 29 & In 30)	-	DA	-
63	CONSTRUCTION WORK IN PROGRESS	(Worksheet A In 31.C)	-	TP	1.00000
64	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	-
	WORKING CAPITAL				
65	Cash Working Capital	(Note E) (1/8 * In 105)	361,570		86,463
66	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	4,142	TP	1.00000
67	A&G Materials & Supplies	(Worksheet C, In 3.(D))	2,439	W/S	0.02893
68	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.18406
69	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	6,814,368	W/S	0.02893
70	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	240,185	GP(h)	0.18406
71	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	1.00000
72	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(6,793,972)	NA	0.00000
73	TOTAL WORKING CAPITAL	(sum Ins 69 to 76)	628,732		332,049
74	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 7.(B))	-	DA	1.00000
75	RATE BASE (sum Ins 57, 64, 65, 77, 78)		76,656,784		8,413,871

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WHEELING 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	321.80.b	49,218,270		
81	Distribution	322.156.b	5,769,126		
82	Customer Related Expense	322.164 & 323.171,178.b	2,231,100		
83	Regional Marketing Expenses	322.131.b	-		
84	Transmission	321.112.b	690,127		
85	TOTAL O&M EXPENSES	(sum Ins 80 to 84)	57,908,623		
86	Less: Total Account 561	(Note G) 321.84-92.b	68,242		
87	Less: Account 565	(Note H) 321.96.b	-		
88	Less: Regulatory Deferrals & Amortizations	(Note J) (Worksheet F, In 4)	-		
89	Total O&M Allocable to Transmission	(Ins 84 - 86 - 87 - 88)	621,885	TP 1.00000	621,885
90	Administrative and General	323.197.b (Note K)	2,298,059		
91	Less: Acct. 924, Property Insurance	323.185.b	20,927		
92	Acct. 928, Reg. Com. Exp.	322.189.b	258		
93	Acct. 930.1, Gen. Advert. Exp.	322.191.b	34,151		
94	Acct. 930.2, Misc. Gen. Exp.	322.192.b	39,877		
95	Balance of A & G	(In 90 - sum In 91 to In 94)	2,202,846	W/S 0.02893	63,737
96	Plus: Acct. 924, Property Insurance	(In 91)	20,927	GP(h) 0.18406	3,852
97	Acct. 928 - Transmission Specific	Worksheet F In 16.(E) (Note L)	-	TP 1.00000	-
98	Acct. 928 - Transmission Allocated	Worksheet F In 16.(F) (Note L)	-	GP(h) 0.18406	-
99	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 29.(E) (Note L)	-	DA 1.00000	-
100	Acct 930.1 - Only safety related ads - Allocated.	Worksheet F In 29.(F) (Note L)	-	GP(h) 0.18406	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 35.(E) (Note L)	901	DA 1.00000	901
102	Acct 930.2 - Misc Gen. Exp. - Allocated	Worksheet F In 35.(F) (Note L)	28,594	W/S 0.02893	827
103	Less: PBOP Expense In Acct. 926 Adjustment	Worksheet F In 12.(C) (Note L)	(17,407)	W/S 0.02893	(504)
104	A & G Subtotal	(sum Ins 95 to 102 less In 103)	2,270,675		69,820
105	O & M EXPENSE SUBTOTAL	(In 89 + In 104)	2,892,560		691,705
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)	2,892,560		691,705
109	DEPRECIATION AND AMORTIZATION EXPENSE				
110	Production	336.2-6.f	-	NA 0.00000	-
111	Distribution	336.8.f	3,543,975	NA 0.00000	-
112	Transmission	336.7.f	690,399	TP 1.00000	690,399
113	Plus: Transmission Plant-in-Service Additions (Worksheet I)		9,233	TP 1.00000	9,233
114	General	336.10.f	150,525	W/S 0.02893	4,355
115	Intangible	336.1.f	407,260	W/S 0.02893	11,784
116	TOTAL DEPRECIATION AND AMORTIZATION	(sum Ins 110 to 115)	4,801,392		715,771
117	TAXES OTHER THAN INCOME	(Note N)			
118	Labor Related				
119	Payroll	Worksheet H In 18.(D)	189,589	W/S 0.02893	5,486
120	Plant Related				
121	Property	Worksheet H In 18.(C), 30.(C)	1,212,337	DA 1.00000	123,207
122	Gross Receipts/Sales & Use	Worksheet H In 18.(F)	4,388,167	NA 0.00000	-
123	Other	Worksheet H In 18.(E)	704,812	GP(h) 0.18406	129,726
124	TOTAL OTHER TAXES	(sum Ins 119 to 123)	6,494,905		258,419
125	INCOME TAXES	(Note O)			
126	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$		40.67%		
127	$EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$		54.05%		
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)		1.6856		
131	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)	-		
132	Income Tax Calculation	(In 127 * In 135)	3,929,002		431,248
133	ITC adjustment	(In 130 * In 131)	-	NP(h) 0.09920	-
134	TOTAL INCOME TAXES	(sum Ins 132 to 133)	3,929,002		431,248
135	RETURN ON RATE BASE (Rate Base*WACC)	(In 79 * In 163)	7,268,674		797,812
136	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet D, In 2)		-	DA 1.00000	-
137	TOTAL REVENUE REQUIREMENT (sum Ins 108, 116, 124, 134, 135, 136)		25,386,532		2,894,955

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SUPPORTING CALCULATIONS

In									
No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF								
138	Total transmission plant	(In 20)						25,887,202	
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)						25,887,202	
142	Percent of transmission plant in PJM Tariff	(In 141 / In 138)					TP=	1.0000	
143	WAGES & SALARY ALLOCATOR (W/S)	(Note R)	Direct Payroll	Payroll Billed from AEP Service Corp.	Total				
144	Production	354.20.b	0	0	-	NA	0.00000	-	
145	Transmission	354.21,22.b	1,139	79,250	80,389	TP	1.00000	80,389	
146	Distribution	354.23.b	1,786,318	181,680	1,967,998	NA	0.00000	-	
147	Other (Excludes A&G)	354.24,25,26.b	367,878	362,111	729,989	NA	0.00000	-	
148	Total	(sum Ins 144 to 147)	2,155,335	623,041	2,778,376			80,389	
149	Transmission related amount						W/S=	0.02893	
150	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$	
151	Long Term Interest	(Worksheet K)						1,312,500	
152	Preferred Dividends	(Worksheet K)						-	
153	<u>Development of Common Stock:</u>								
154	Proprietary Capital	(FF1 p 112, Ln 16.c)						37,950,872	
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)						(2,464,181)	
158	Common Stock	(In 154 - In 155 - In 156 - In 157)						40,415,053	
159			\$	%			Cost (Note S)	Weighted	
160	Long Term Debt (Note T)	(Worksheet K)	25,000,000	38.22%			5.25%	0.0201	
161	Preferred Stock	(In 155)	-	0.00%			0.00%	0.0000	
162	Common Stock	(In 158)	40,415,053	61.78%			12.10%	0.0748	
163	Total	(Sum Ins 160 to 162)	65,415,053				WACC=	0.0948	

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WHEELING 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) (In 131) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
- | | | |
|------------------|-------|---|
| Inputs Required: | FIT = | 35.00% |
| | SIT= | 8.73% (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
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Utilizing Historic Cost Data for 2008 with Year-End Rate Base Balances

WHEELING POWER COMPANY

Line No.			Total	Allocator	Transmission Amount
164	REVENUE REQUIREMENT (w/o incentives)	(In 300)			\$2,844,345
165	REVENUE CREDITS	(Note A) (Worksheet E)	1,175,667	DA 1.00000	\$ 1,175,667
166	REVENUE REQUIREMENT For All WPCo Facilities	(In 164 less In 165)			<u>\$ 1,668,678</u>
MEMO: The Carrying Charge Calculations on lines 167 to 175 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 217 x 100)			33.72%
170	Monthly Rate	(In 169 / 12)			2.81%
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)			25.54%
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)			11.46%
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			68,242
178	Less: Load Disptach - Scheduling, System Control and Dispatch Services (321.88.b)				-
179	Less: Load Disptach - Reliability, Planning & Standards Development Services (321.92.b)				-
180	Total 561 Internally Developed Costs	(Line 177 - Line 178 - Line 179)			<u>68,242</u>

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	(1)	(2)	(3)	(4)	(5)
	RATE BASE CALCULATION	Data Sources (See "General Notes")	TO Total NOTE C	Allocator	Total Transmission
Line No.	GROSS PLANT IN SERVICE				
181	Production	(Worksheet A In 1.C)	-	NA	0.00000
182	Less: Production ARO (Enter Negative)	(Worksheet A In 2.C)	-	NA	0.00000
183	Transmission	(Worksheet A In 3.C & Ln 305)	25,887,202	DA	
184	Less: Transmission ARO (Enter Negative)	(Worksheet A In 4.C)	-	TP	1.00000
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)	108,338,774	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)	4,827,543	W/S	0.02893
190	Less: General Plant ARO (Enter Negative)	(Worksheet A In 8.C)	(34,819)	W/S	0.02893
191	Intangible Plant	(Worksheet A In 9.C)	2,825,840	W/S	0.02893
192	TOTAL GROSS PLANT	(sum Ins 181 to 191)	141,844,540	GP(h)=	0.184058
				GTD=	0.192886
193	ACCUMULATED DEPRECIATION AND AMORTIZATION				
194	Production	(Worksheet A In 12.C)	-	NA	0.00000
195	Less: Production ARO (Enter Negative)	(Worksheet A In 13.C)	-	NA	0.00000
196	Transmission	(Worksheet A In 14.C & 28.C)	17,452,691	TP1	1.00000
197	Less: Transmission ARO (Enter Negative)	(Worksheet A In 15.C)	-	TP1	1.00000
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	1.00000
201	Plus: Additional General & Intangible Depreciation for 2009 (In 274 + In 275)		N/A	W/S	0.02893
202	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I)		N/A	DA	1.00000
203	Distribution	(Worksheet A In 16.C)	33,778,935	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)	2,208,046	W/S	0.02893
206	Less: General Plant ARO (Enter Negative)	(Worksheet A In 19.C)	(15,053)	W/S	0.02893
207	Intangible Plant	(Worksheet A In 20.C)	2,560,329	W/S	0.02893
208	TOTAL ACCUMULATED DEPRECIATION	(sum Ins 194 to 207)	55,984,948		
209	NET PLANT IN SERVICE				
210	Production	(In 181 + In 182 - In 194 - In 195)	-		
211	Transmission	(In 183 + In 184 - In 196 - In 197)	8,434,511		
212	Plus: Transmission Plant-in-Service Additions (In 185 - In 198)		N/A		
213	Plus: Additional Trans Plant on Transferred Assets (In 186 - In 199)		N/A		
214	Plus: Additional Transmission Depreciation for 2009 (-In 200)		N/A		
215	Plus: Additional General & Intangible Depreciation for 2009 (-In 201)		N/A		
216	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 202)		N/A		
217	Distribution	(In 187 + In 188 - In 203 - In 204)	74,559,839		
218	General Plant	(In 189 + In 190 - In 205 - In 206)	2,599,731		
219	Intangible Plant	(In 191 - In 207)	265,511		
220	TOTAL NET PLANT IN SERVICE	(sum Ins 210 to 219)	85,859,592	NP(h)=	0.099202
221	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)			
222	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.C)	-	NA	
223	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	(11,195,877)	DA	
224	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	(2,335,446)	DA	
225	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	4,105,618	DA	
226	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	(147,446)	DA	
227	TOTAL ADJUSTMENTS	(sum Ins 222 to 226)	(9,573,151)		
228	PLANT HELD FOR FUTURE USE	(Worksheet A In 29 & In 30)	-	DA	
229	CONSTRUCTION WORK IN PROGRESS	(Worksheet A In 31.C)	-	TP	1.00000
230	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	
231	WORKING CAPITAL	(Note E)			
232	Cash Working Capital	(1/8 * In 268)	361,570		
233	Transmission Materials & Supplies	(Worksheet C, In 2.(D))	4,142	TP	1.00000
234	A&G Materials & Supplies	(Worksheet C, In 3.(D))	2,439	W/S	0.02893
235	Stores Expense	(Worksheet C, In 4.(D))	-	GP(h)	0.18406
236	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 6.G)	6,814,368	W/S	0.02893
237	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 6.F)	240,185	GP(h)	0.18406
238	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 6.E)	-	DA	1.00000
239	Prepayments (Account 165) - Unallocable	(Worksheet C, In 6.D)	(6,793,972)	NA	0.00000
240	TOTAL WORKING CAPITAL	(sum Ins 232 to 239)	628,732		
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)		76,915,173		8,130,614

AEP East Companies
Transmission Cost of Service Formula Rate
Utilizing Historic Cost Data for 2008 with Year-End Rate Base Balances

WHEELING POWER COMPANY

	(1)	(2)	(3)	(4)	(5)
Line No.	EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION	Data Sources (See "General Notes")	TO Total	Allocator	Total Transmission
243	OPERATION & MAINTENANCE EXPENSE				
243	Production	321.80.b	49,218,270		
244	Distribution	322.156.b	5,769,126		
245	Customer Related Expense	322 & 323.164,171,178.b	2,231,100		
246	Regional Marketing Expenses	322.131.b	-		
247	Transmission	321.112.b	690,127		
248	TOTAL O&M EXPENSES	(sum lns 243 to 247)	57,908,623		
249	Less: Total Account 561	(Note G) 321.84-92.b	68,242		
250	Less: Account 565	(Note H) 321.96.b	-		
251	Less: Regulatory Deferrals & Amortizations	(Note J) (Worksheet F, In 4)	-		
252	Total O&M Allocable to Transmission	(lns 247 - 249 - 250 - 251)	621,885	TP 1.00000	621,885
253	Administrative and General	323.197.b (Note K)	2,298,059		
254	Less: Acct. 924, Property Insurance	323.185.b	20,927		
255	Acct. 928, Reg. Com. Exp.	323.189.b	258		
256	Acct. 930.1, Gen. Advert. Exp.	323.191.b	34,151		
257	Acct. 930.2, Misc. Gen. Exp.	323.192.b	39,877		
258	Balance of A & G	(ln 253 - sum ln 254 to ln 257)	2,202,846	W/S 0.02893	63,737
259	Plus: Acct. 924, Property Insurance	(ln 254)	20,927	GP(h) 0.18406	3,852
260	Acct. 928 - Transmission Specific	Worksheet F In 16.(E) (Note L)	-	TP 1.00000	-
261	Acct. 928 - Transmission Allocated	Worksheet F In 16.(F) (Note L)	-	GP(h) 0.18406	-
262	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 29.(E) (Note L)	-	GP(h) 0.18406	-
263	Acct 930.1 - Only safety related ads - Allocated.	Worksheet F In 29.(F) (Note L)	-	DA 1.00000	-
264	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 35.(E) (Note L)	901	DA 1.00000	901
265	Acct 930.2 - Misc Gen. Exp. - Allocated	Worksheet F In 35.(F) (Note L)	28,594	W/S 0.02893	827
266	Less: PBOP Expense ln Acct. 926 Adjustment	Worksheet F In 12.(C) (Note L)	(17,407)	W/S 0.02893	(504)
267	A & G Subtotal	(sum lns 258 to 265 less ln 266)	2,270,675		69,820
268	O & M EXPENSE SUBTOTAL	(ln 252 + ln 267)	2,892,560		691,705
269	Plus: TEA Settlement in Account 565	Company Records (Note M)	-	DA 1.00000	-
270	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note M)		-	DA 1.00000	-
271	TOTAL O & M EXPENSE	(ln 268 + ln 269 + ln 270)	2,892,560		691,705
272	DEPRECIATION AND AMORTIZATION EXPENSE				
273	Production	336.2-6.f	-	NA 0.00000	-
274	Distribution	336.8.f	3,543,975	NA 0.00000	-
275	Transmission	336.7.f	690,399	TP 1.00000	690,399
276	Plus: Transmission Plant-in-Service Additions (Worksheet I)		N/A		N/A
277	General	336.10.f	150,525	W/S 0.02893	4,355
278	Intangible	336.1.f	407,260	W/S 0.02893	11,784
279	TOTAL DEPRECIATION AND AMORTIZATION	(sum lns 273 to 278)	4,792,159		706,538
280	TAXES OTHER THAN INCOME	(Note N)			
281	Labor Related				
282	Payroll	Worksheet H In 18.(D)	189,589	W/S 0.02893	5,486
283	Plant Related				
284	Property	Worksheet H In 18.(C), 30.(C)	1,212,337	DA	123,207
285	Gross Receipts/Sales & Use	Worksheet H In 18.(F)	4,388,167	NA 0.00000	-
286	Other	Worksheet H In 18.(E)	704,812	GP(h) 0.18406	129,726
287	TOTAL OTHER TAXES	(sum lns 282 to 286)	6,494,905		258,419
288	INCOME TAXES	(Note O)			
289	$T = 1 - \frac{((1 - \text{SIT}) * (1 - \text{FIT})) / (1 - \text{SIT} * \text{FIT} * p)}{}$		40.67%		
290	$\text{EIT} = \frac{T}{(1 - T)} * (1 - (\text{WCLTD} / \text{WACC})) =$		54.05%		
291	where $\text{WCLTD} = (\ln 323)$ and $\text{WACC} = (\ln 326)$				
292	and FIT, SIT & p are as given in Note O.				
293	$\text{GRCF} = 1 / (1 - T) =$ (from ln 289)		1.6856		
294	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, ln 19.c)	-		
295	Income Tax Calculation	(ln 290 * ln 298)	3,942,245		416,730
296	ITC adjustment	(ln 293 * ln 294)	-	NP(h) 0.09920	-
297	TOTAL INCOME TAXES	(sum lns 295 to 296)	3,942,245		416,730
298	RETURN ON RATE BASE (Rate Base*WACC)	(ln 242 * ln 326)	7,293,174		770,953
299	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note E) (Worksheet D, ln 2)		-	DA 1.00000	-
300	TOTAL REVENUE REQUIREMENT	(sum lns 271, 279, 287, 297, 298, 299)	25,415,043		2,844,345

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SUPPORTING CALCULATIONS

In No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF							
301	Total transmission plant	(In 183)						25,887,202
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)							-
304	Transmission plant included in PJM Tariff	(In 301 - In 302 - In 303)						25,887,202
305	Percent of transmission plant in PJM Tariff	(In 304 / In 301)						TP= 1.00000
306	WAGES & SALARY ALLOCATOR (W/S)	(Note R)						
			Direct Payroll	Payroll Billed from AEP Service Corp.	Total			
307	Production	354.20.b	0	0	-	NA	0.00000	-
308	Transmission	354.21,22.b	1,139	79,250	80,389	TP	1.00000	80,389
309	Distribution	354.23.b	1,786,318	181,680	1,967,998	NA	0.00000	-
310	Other (Excludes A&G)	354.24,25,26.b	367,878	362,111	729,989	NA	0.00000	-
311	Total	(sum Ins 307 to 310)	2,155,335	623,041	2,778,376			80,389
312	Transmission related amount							W/S= 0.02893
313	WEIGHTED AVERAGE COST OF CAPITAL (WACC)							\$
314	Long Term Interest	(Worksheet K)						1,312,500
315	Preferred Dividends	(Worksheet K)						-
316	<u>Development of Common Stock:</u>							
317	Proprietary Capital	(FF1 p 112, Ln 16.c)						37,950,872
318	Less Preferred Stock (In 324)	(FF1 p 112, Ln 3.c)						-
319	Less Account 216.1	(FF1 p 112, Ln 12.c)						-
320	Less Account 219	(FF1 p 112, Ln 15.c)						(2,464,181)
321	Common Stock	(In 317 - In 318 - In 319 - In 320)						40,415,053
322								
			\$	%		Cost (Note S)		Weighted
323	Long Term Debt (Note T)	(Worksheet K)	25,000,000	38.22%		5.25%		0.0201
324	Preferred Stock	(In 318)	-	0.00%		0.00%		0.0000
325	Common Stock	(In 321)	40,415,053	61.78%		12.10%		0.0748
326	Total	(Sum Ins 323 to 325)	65,415,053					WACC= 0.0948

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WHEELING 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= | 8.73% | (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)	(In 137)			\$0
			Total		
2	REVENUE CREDITS	(Note A) (Worksheet E)	-	DA 1.00000	\$ -
3	REVENUE REQUIREMENT For All WPCo Facilities	(In 1 less In 2)			\$ -
MEMO: The Carrying Charge Calculations on lines 4 to 12 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	(In 1 - In 106 - In 107) / In 54 x 100)			0.00%
7	Monthly Rate	(In 6 / 12)			0.00%
8	NET PLANT CARRYING CHARGE ON LINE 6 , W/O DEPRECIATION (w/o incentives) (Note B)				
9	Annual Rate	(In 1 - In 106 - In 107 - In 112) / In 48 x 100)			0.00%
10	NET PLANT CARRYING CHARGE ON LINE 8, W/O INCOME TAXES, RETURN (Note B)				
11	Annual Rate	(In 1 - In 106 - In 107 - In 112 - In 134 - In 135) / In 48 x 100)			0.00%
12	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J)				
12					
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.b)				
17	Total 561 Internally Developed Costs	(Line 14 - Line 15 - Line 16)			-

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WHEELING POWER COMPANY

	(1)	(2)	(3)	(4)	(5)
	Data Sources		TO Total	Allocator	Total
Line No.	RATE BASE CALCULATION	(See "General Notes")	NOTE C		Transmission
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 & Ln 141)	-	DA	0.00000
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		
50	Plus: Additional Trans Plant on Transferred Assets (In 23 - In 36)		N/A		
51	Plus: Additional Transmission Depreciation for 2009 (-In 37)		N/A		
52	Plus: Additional General & Intangible Depreciation for 2009 (-In 38)		N/A		
53	Plus: Additional Accum Deprec on Transferred Assets (Worksheet I) (-In 39)		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	0.00000
60	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.C)	-	DA	0.00000
61	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.C)	-	DA	0.00000
62	Account No. 190.1	(Worksheet B, In 17 & In 20.C)	-	DA	0.00000
63	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.C)	-	DA	0.00000
64	TOTAL ADJUSTMENTS	(sum Ins 59 to 63)	-		
65	PLANT HELD FOR FUTURE USE	(Worksheet A In 29 & In 30)	-	DA	0.00000
66	CONSTRUCTION WORK IN PROGRESS	(Worksheet A In 31.C)	-	TP	0.00000
67	REGULATORY ASSETS	(Worksheet A In 36. (C))	-	DA	0.00000
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)		-		

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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			
82	Distribution	322.156.b			
83	Customer Related Expense	322.164 & 323.171,178.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)	-		
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 29.(E) (Note L)	-	GP(h) 0.00000	-
100	Acct 930.1 - Only safety related ads - Allocated.	Worksheet F In 29.(F) (Note L)	-	DA 1.00000	-
101	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 35.(E) (Note L)	-	DA 1.00000	-
102	Acct 930.2 - Misc Gen. Exp. - Allocated	Worksheet F In 35.(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)		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 18.(D)	-	W/S 0.00000	-
120	Plant Related				
121	Property	Worksheet H In 18.(C), 30.(C)	-	DA	-
122	Gross Receipts/Sales & Use	Worksheet H In 18.(F)	-	NA 0.00000	-
123	Other	Worksheet H In 18.(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)		-	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

WHEELING 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
WAGES & SALARY ALLOCATOR (W/S)									
143	Production	354.20.b	Direct Payroll	Payroll Billed from AEP Service Corp.	Total				
144	Transmission	354.21,22.b				-	NA	0.00000	-
145	Distribution	354.23.b				-	TP	0.00000	-
146	Other (Excludes A&G)	354.24,25,26.b				-	NA	0.00000	-
147	Total	(sum Ins 144 to 147)	0	0	0				-
148	Transmission related amount							W/S=	0.00000
WEIGHTED AVERAGE COST OF CAPITAL (WACC)									
150	Long Term Interest	(Worksheet K)							\$ -
151	Preferred Dividends	(Worksheet K)							-
152	<u>Development of Common Stock:</u>					12/31/2007	12/31/2008	Average	
153	Proprietary Capital	(FF1 p 112, Ln 16.c)				-			-
154	Less Preferred Stock (In 161)	(FF1 p 112, Ln 3.c)				-			-
155	Less Account 216.1	(FF1 p 112, Ln 12.c)				-			-
156	Less Account 219	(FF1 p 112, Ln 15.c)				-			-
157	Common Stock	(In 154 - In 155 - In 156 - In 157)							-
158									
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

WHEELING 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 = [redacted] (State Income Tax Rate or Composite SIT. Worksheet G))
SIT= [redacted]
p = [redacted] (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.

Cost of Service Formula Rate Using 2008 FF1 Balances
Worksheet Supporting Plant Balances
WHEELING POWER COMPANY

<u>Line Number</u>	<u>(A) Rate Base Item & Supporting Balance</u>	<u>(B) Source of Data</u>	<u>(C) Balances @ December 31, 2008</u>	<u>(D) Balances @ December 31, 2009</u>	<u>(E) Average Balance for 2009</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)	-	-	-
2	Production Asset Retirement Obligation (ARO)	FF1, page 204/205, Ins 15,24,34,44, Col. (b)/(g)	-	-	-
3	Transmission Plant In Service	FF1, page 206/207, In 58, Col. (b)/(g)	25,887,202	-	-
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)	108,338,774	-	-
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)	4,827,543	-	-
8	General Asset Retirement Obligation	FF1, page 206/207, Ins 98, Col. (b)/(g)	34,819	-	-
9	Intangible Plant In Service	FF1, page 204/205, In 5, Col. (b)/(g)	2,825,840	-	-
10	Total Property Investment Balance	(Sum of Lines: 3, 1, 5, 7, 9)	141,879,359	-	-
11	Total ARO Balance (included in total on line 10)	(Sum of Lines: 4, 2, 6, 8)	34,819	-	-
<u>Accumulated Depreciation & Amortization Balances</u>					
12	Production Accumulated Depreciation	FF1, page 219, Ins 20-24, Col. (b)	-	-	-
13	Production ARO Accumulated Depreciation	Company Records	-	-	-
14	Transmission Accumulated Depreciation	FF1, page 219, In 25, Col. (b)	17,452,691	-	-
15	Transmission ARO Accumulated Depreciation	Company Records	-	-	-
16	Distribution Accumulated Depreciation	FF1, page 219, In 26, Col. (b)	33,778,935	-	-
17	Distribution ARO Accumulated Depreciation	Company Records	-	-	-
18	General Accumulated Depreciation	FF1, page 219, In 28, Col. (b)	2,208,046	-	-
19	General ARO Accumulated Depreciation	Company Records	15,053	-	-
20	Intangible Accumulated Amortization	FF1, page 200, In 21, Col. (b)	2,560,329	-	-
21	Total Accumulated Depreciation or Amortization	(Sum of Lines: 14, 12, 16, 18, 20)	56,000,001	-	-
22	Total ARO Balance (included in total on line 21)	(Sum of Lines: 15, 13, 17, 19)	15,053	-	-
<u>Generation Step-Up Units</u>					
23	GSU Investment Amount	Company Records	-	-	-
24	GSU Accumulated Depreciation	Company Records	-	-	-
25	GSU Net Balance	(Line 23 - Line 24)	-	-	-
<u>Transmission Accumulated Depreciation Net of GSU Accumulated Depreciation</u>					
26	Transmission Accumulated Depreciation	(Line 14 Above)	17,452,691	-	-
27	Less: GSU Accumulated Depreciation	(Line 24 Above)	-	-	-
28	Subtotal of Transmission Net of GSU	(Line 26 - Line 27)	17,452,691	-	-
<u>Plant Held For Future Use</u>					
29	Plant Held For Future Use	FF1, page 214, In 47, Col. (d)	-	-	-
30	Transmission Plant Held For Future	Company Records	-	-	-
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
WHEELING POWER COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) Source</u>	<u>(C) Balance @ December 31, 2008</u>	<u>(D) Balance @ December 31, 2009</u>	<u>(E) Average Balance</u>
1	<u>Account 281</u>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, ln 8, Col. (k)			-
3	Less: ARO Related Deferrals	Company Records			-
4	Less: Other Excluded Deferrals	Company Records			-
5	Transmission Related Deferrals	Ln 2 - ln 3 - ln 4	-	-	-
6	<u>Account 282</u>				
7	Year End Utility Deferrals	FF1, p. 274 - 275, ln 5, Col. (k)	11,195,877		-
8	Less: ARO Related Deferrals	Company Records	175		-
9	Less: Other Excluded Deferrals	Company Records	9,530,234		-
10	Transmission Related Deferrals	Ln 7 - ln 8 - ln 9	1,665,468	-	-
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, ln 9, Col. (k)	2,335,446		-
13	Less: ARO Related Deferrals	Company Records	(23,185)		-
14	Less: Other Excluded Deferrals	Company Records	2,096,455		-
15	Transmission Related Deferrals	Ln 12 - ln 13 - ln 14	262,176	-	-
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, ln 8, Col. (c)	4,105,618		-
18	Less: ARO Related Deferrals	Company Records	6,313		-
19	Less: Other Excluded Deferrals	Company Records	2,842,231		-
20	Transmission Related Deferrals	Ln 17 - ln 18 - ln 19	1,257,074	-	-
21	<u>Account 255</u>				
22	Year End ITC Balances	FF1, p. 266-267, ln 8, Col. (h)	147,446		-
23	Less: Balances Not Qualified for Ratebase	Company Records	0		-
24	ITC Balances Includeable Ratebase	Ln 22 - ln 23	147,446	-	-
25	Transmission Related Deferrals	Company Records	48,279		-

AEP East Companies
Cost of Service Formula Rate Using 2008 FF1 Balances
Worksheet Supporting Working Capital Rate Base Adjustments
WHEELING 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 @ December 31, 2009</u>	<u>Average Balance for Rate Year 2008</u>			
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c)	4,142		-			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c)	2,439		-			
4	Stores Expense (Undistributed)	FF1, p. 227, ln 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	260,581	(6,793,972)	0	240,185	6,814,368
7	Totals as of December 31, 2007					7,054,553
8	Average Balance	-	-	-	-	-

Prepayments Account 165 - Balance @ 12/31/2008								
	<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	48,858		48,858	48,858	Plant Related Insurance Policies	
11	165000208	Prepaid Taxes	191,327		191,327	191,327	Prepaid PSC Fees	
12	1650010	Prepaid Pension Benefits	6,814,368			6,814,368	Prefunded Pension Expense	
13	1650014	FAS 158 Qual Contra Asset	(6,814,368)	(6,814,368)		-	SFAS 158 Offset	
14	1650016	FAS 112 ASSETS	20,396	20,396		-	Prefunded Pension Expense	
15	Subtotal - Form 1, p 111.57.c		260,581	(6,793,972)	0	240,185	6,814,368	7,054,553

Prepayments Account 165 - Balance @ 12/31/2009							
	<u>2009 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>	
16	<u>Acc. No.</u>	<u>Description</u>					
17						-	
18						-	
19						-	
20						-	
21						-	
22						-	
23						-	
24						-	
25						-	
26						-	
	Subtotal - Form 1, p 111.57.c						

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

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2008</u>	<u>(C) 2009</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
WHEELING 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	100,629	100,629	-
2	Account 451, Miscellaneous Service Revenues	3,674	3,674	-
3	Account 454, Rent from Electric Property	1,468,095	1,413,316	54,779
4	Account 4560015, Associated Business Development	8,853	8,853	-
5	Account 456 - Other Electric Revenues	1,120,888	-	1,120,888
6	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts	-	-	-
7	Total Other Operating Revenues To Reduce Revenue Requirement	2,702,139	1,526,472	1,175,667

AEP East Companies
Cost of Service Formula Rate Using 2008 FF1 Balances
Worksheet Supporting Allocation of Specific O&M or A&G Expenses
WHEELING 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>
Regulatory Deferrals & Amortizations							
1		No Applicable Charges for WPCo	-				
2			-				
3							
4		Total	0				
Account 926							
<u>2007 Base Year OPEB Expense (Note 1)</u>							
5	9260021	Postretirement Benefits - OPEB	520,476				
6	9260057	Postret Ben Medicare Subsidy	(179,523)				
7		Net 2007 Base Year Expense	340,953				
8	<u>2008 Current Year Expense</u>						
9	9260021	Postretirement Benefits - OPEB	497,179				
10	9260057	Postret Ben Medicare Subsidy	(173,633)				
11		Net 2007 Expense	323,546				
12		Net Increase (Decrease) in OPEB Expense	(17,407)	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	-	-	-	-	
14	9280001	Regulatory Commission Exp-Adm	2	2	-	-	- Regulatory Commission Exp-Case
15	9280002	Regulatory Commission Exp-Case	256	256	-	-	- Regulatory Commission Exp-Case
16		Total	258	258	-	-	
Account 930.1							
17	9301000	General Advertising Expenses	13	13	-	-	
18	9301001	Newspaper Advertising Space	-	-	-	-	
19	9301002	Radio Station Advertising Time	-	-	-	-	
20	9301006	Spec Corporate Comm Info Proj	3,868	3,868	-	-	
21	9301007	Special Adv Space & Prod Exp	165	165	-	-	
22	9301008	Direct Mail and Handouts	84	84	-	-	
23	9301009	Fairs, Shows, and Exhibits	308	308	-	-	
24	9301010	Publicity	281	281	-	-	
25	9301012	Public Opinion Surveys	5,380	5,380	-	-	
26	9301013	Movies Slide Films & Speeches	9,979	9,979	-	-	
27	9301014	Video Communications	20	20	-	-	
28	9301015	Other Corporate Comm Exp	14,052	14,052	-	-	
29		Total	34,151	34,151	-	-	
Account 930.2							
30	9302000	Misc General Expenses	26,950			26,950	
31	9302003	Corporate & Fiscal Expenses	1,644			1,644	
32	9302004	Research, Develop&Demonstr Exp	1,255	1,255			
33	9302007	Assoc Business Development Exp	10,028	9,127	901	0	
34							
35		Total	39,877	10,382	901	28,594	

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

West Virginia Corporate Income Tax	8.75%	
Apportionment Factor	99.80%	
Effective West Virginia State Income Tax Rate	8.73%	8.73%
State Income Tax Rate - Ohio	8.50%	
Phase-out Factor	20.00%	
Apportionment Factor	0.00%	
Effective Ohio State Income Tax Rate	0.00%	0.00%
Total Effective State Income Tax Rate	8.73%	

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
WHEELING 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	4,385,519				4,385,519
3	Real Estate and Personal Property Taxes					
4	Real and Personal Property - West Virginia	1,212,337	1,212,337			
5	Real and Personal Property - Other					
6	Payroll Taxes					
7	Federal Insurance Contribution (FICA)	182,456		182,456		
8	Federal Unemployment Tax	2,225		2,225		
9	State Unemployment Insurance	4,908		4,908		
10	Miscellaneous Taxes					
11	State Public Service Commission Fees	397,275			397,275	-
12	State Franchise Taxes	307,236			307,236	
13	State Lic/Registration Fee	230			230	
14	Misc. State and Local Tax	71			71	
15	Sales & Use	2,648				2,648
16	Federal Excise Tax	-				-
17	Michigan Single Business Tax	-				-
18	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	6,494,905	1,212,337	189,589	704,812	4,388,167

Functional Property Tax Allocation

	Production	Transmission	Distributions	General	Total	
19	Functionalized Net Plant (Hist. TCOS, Lns 210 thru 220)	-	8,434,511	74,559,839	2,599,731	85,594,081
20	Less: Net Value Exempted Generation Plant					
21	Taxable Property Basis (Ln 19 - Ln 20)	-	8,434,511	74,559,839	2,599,731	85,594,081
22	Relative Valuation Factor		100%	100%	100%	
23	Weighted Net Plant (Ln 21 * Ln 22)	-	8,434,511	74,559,839	2,599,731	
24	General Plant Allocator (Ln 23 / (Total - General Plant))	0.00%	10.16%	89.84%	-100.00%	
25	Functionalized General Plant (Ln 24 * General Plant)	-	264,204	2,335,527	(2,599,731)	-
26	Weighted WEST VA. JURISDICTION Plant (Ln 23 + 25)	-	8,698,715	76,895,366	-	85,594,081
27	Functional Percentage (Ln 26/Total Ln 26)	0.00%	10.16%	89.84%		
28	Functionalized Payment in WEST VA. JURISDICTION	-	123,207	1,089,130		1,212,337
29	Total Other Jurisdictions: (Line 5 * Net Plant Allocator)		-			-
30	Total Functionalized Property Taxes (Sum Lns 28 & 29)	-	123,207	1,089,130		1,212,337

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

I. Calculation of Composite Depreciation Rate

1	Transmission Plant @ Beginning of Historic Period (2008) (P.206, In 58,(b)):	25,623,654
2	Transmission Plant @ End of Historic Period (2008) (P.207, In 58,(g)):	25,887,202
3		<u>51,510,856</u>
4	Average Balance of Transmission Investment	25,755,428
5	Annual Depreciation Expense, Historic TCOS, In 275	690,399
6	Composite Depreciation Rate	2.68%
7	Round to 3% to Reflect a Composite Life of 33 Years	3.00%

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	\$ 92,506	3.00%	\$ 2,775	\$ 231	11	\$ 2,541
10	February	\$ 35,939	3.00%	\$ 1,078	\$ 90	10	\$ 900
11	March	\$ 56,303	3.00%	\$ 1,689	\$ 141	9	\$ 1,269
12	April	\$ (78,118)	3.00%	\$ (2,344)	\$ (195)	8	\$ (1,560)
13	May	\$ 108,090	3.00%	\$ 3,243	\$ 270	7	\$ 1,890
14	June	\$ 49,181	3.00%	\$ 1,475	\$ 123	6	\$ 738
15	July	\$ 87,265	3.00%	\$ 2,618	\$ 218	5	\$ 1,090
16	August	\$ 95,512	3.00%	\$ 2,865	\$ 239	4	\$ 956
17	September	\$ 47,753	3.00%	\$ 1,433	\$ 119	3	\$ 357
18	October	\$ 129,309	3.00%	\$ 3,879	\$ 323	2	\$ 646
19	November	\$ 162,322	3.00%	\$ 4,870	\$ 406	1	\$ 406
20	December	\$ 212,966	3.00%	\$ 6,389	\$ 532	0	\$ -
21	Investment	<u>\$ 999,028</u>				Depreciation Expense	<u>\$ 9,233</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 N/A	\$0	
27	<u>Subtotal</u>	\$0
28 <u>PJM Socialized/Beneficiary Allocated Regional Projects</u>		
29 N/A	\$0	
	<u>Subtotal</u>	\$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 (Historic TCOS, 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 Historic TCOS, Ins 323 through 325)			
	%	Cost	Weighted cost
Long Term Debt	38.22%	5.25%	2.006%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	61.78%	12.10%	7.476%
		R =	9.482%

SUMMARY OF ANNUAL PJM RTEP APPROVED REGIONAL REVENUE REQUIREMENTS				
HISTORIC YEAR	2007	Rev Require	W Incentives	Incentive Amounts
	As Projected in Prior Year	\$ -	\$ -	\$ -
	Actual after True-up	\$ -	\$ -	\$ -
	Incremental Revenue Requirement	-	-	-
PROJECTED YEAR	2008	-	-	\$ -

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

Rate Base (Historic TCOS, In 242)	8,130,614
R (from A. above)	9.482%
Return (Rate Base x R)	770,953

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

Return (from B. above)	770,953
Effective Tax Rate (Historic TCOS, In 290)	54.05%
Income Tax Calculation (Return x CIT)	416,730
ITC Adjustment	-
Income Taxes	416,730

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 (Historic TCOS, In 164)	2,844,345
T.E.A. & Lease Payments (Hist TCOS Lns 269 & 270)	-
Return (Historic TCOS, In 298)	770,953
Income Taxes (Historic TCOS, In 295)	416,730
Annual Revenue Requirement, Less TEA Charges, Return & Taxes	1,656,662

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

Annual Revenue Requirement, Less TEA Charges, Return & Taxes	1,656,662
Return (from I.B. above)	770,953
Income Taxes (from I.C. above)	416,730
Annual Revenue Requirement, with Basis Point ROE increase	2,844,345
Depreciation (Historic TCOS, In 275)	690,399
Annual Rev. Req. w/ Basis Point ROE increase, less Depreciation	2,153,946

C. Determine FCR with hypothetical basis point ROE increase.

Net Transmission Plant (Historic TCOS, In 211)	8,434,511
Annual Revenue Requirement, with Basis Point ROE increase	2,844,345
FCR with Basis Point increase in ROE	33.72%
Annual Rev. Req. w / Basis Point ROE increase, less Dep.	2,153,946
FCR with Basis Point ROE increase, less Depreciation	25.54%
FCR less Depreciation (Historic TCOS, In 172)	25.54%
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)):	25,623,654
Transmission Plant @ End of Historic Period () (P.207, In 58.(g)):	25,887,202
Subtotal	51,510,856
Average Transmission Plant Balance for 2008	25,755,428
Annual Depreciation (Historic TCOS In 275)	690,399
Composite Depreciation Rate	2.68%
Depreciable Life for Composite Depreciation Rate	37.31
Round to nearest whole year	37

AEP East Companies
Cost of Service Formula Rate Using 2008 FF1 Balances
Worksheet Supporting Cost of Debt
WHEELING 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>				
Advances From Associated Co.	25,000,000	5.250%	1,312,500	
<u>Issuance Discount, Premium, & Expenses:</u>				
Financial Hedges & Auction Fees	FF1.p. 256 & 257.Lines Described as Hedges or Fees		-	
Amort of Debt Discount and Expenses	FF1.p. 117.63.c		-	
Amor of Debt Premimums (Enter Negative)	FF1.p. 117.65.c		-	
<u>Reacquired Debt:</u>				
Amortization of Loss	FF1.p. 117.64.c		-	
Amortization of Gain	FF1.p. 117.66.c		-	
Total Interest on Long Term Debt	25,000,000	5.25%	1,312,500	
<u>Preferred Stock (FF1.p. 250-251)</u>				
<u>Preferred Shares Outstanding</u>				
4.5% Series - \$100 - Shares O/S	-	0.00%		-
Dividends on Preferred Stock	-	0.00%	-	

Calculation of Average Debt Balance in Calendar Year

Long Term Debt @ December 31, 2008	25,000,000
Long Term Debt @ December 31, 2009	(FF1, p.257.33.h)
Average Balance During 2009	25,000,000

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. Ln 29.c)