

AEPTCo subsidiaries in PJM
Transmission Cost of Service Formula Rate
Utilizing Actual/Projected FERC Form 1 Data

For Twelve Months Ended

2017

AEP KENTUCKY TRANSMISSION COMPANY

Line No.						Transmission Amount
1	REVENUE REQUIREMENT (w/o incentives)	(ln 113)				\$9,616,793
			Total		Allocator	
2	REVENUE CREDITS	(Worksheet E, ln 8) (Note A)	-	DA	1.00000	\$ -
3	Facility Credits under PJM OATT Section 30.9	Worksheet E, ln 9) (Note X)				0
4	REVENUE REQUIREMENT For All Company Facilities	(ln 1 less ln 2 plus ln 3)				\$ 9,616,793

MEMO: The Carrying Charge Calculations on lines 7 to 12 below are used in calculating project revenue requirements billed through PJM Schedule 12, Transmission Enhancement Charges. The total non-incentive revenue requirements for these projects shown on line 5 is included in the total on line 4.

5	Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet J/K)	5,015,456	DA	1.00000	\$ 5,015,456
6	NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)				
7	Annual Rate	((ln 1- ln 80)/((ln 33) x 100))			13.49%
8	Monthly Rate	(ln 7 / 12)			1.12%
9	NET PLANT CARRYING CHARGE ON LINE 7 , w/o depreciation or ROE incentives (Note B)				
10	Annual Rate	((ln 1- ln 80 - ln 83)/((ln 33) x 100))			11.39%
11	NET PLANT CARRYING CHARGE ON LINE 10, w/o Return, income taxes or ROE incentives (Note B)				
12	Annual Rate	((ln 1 - ln 80 - ln 83 - ln 108 - ln 109) /((ln 33) x 100))			1.98%
13	ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J/K)				#N/A
14	REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES				
15	Total Load Dispatch & Scheduling (Account 561)	Line 63 Below			73,374
16	Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)				-
17	Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)				-
18	Total 561 Internally Developed Costs	(Line 15 - Line 16 - Line 17)			73,374

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(1)		(2)	(3)	(4)		(5)
<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>
Line No.						
19	GROSS PLANT IN SERVICE					
20	Transmission	(Worksheet A In 14.(d) & Ln 117)	73,076,316	DA	1.00000	73,076,316
21	Less: Transmission ARO (Enter Negative)	(Worksheet A In 14.(e))	-	TP	1.00000	-
22	General Plant	(Worksheet A In 14.(h))	-	W/S	1.00000	-
23	Less: General Plant ARO (Enter Negative)	(Worksheet A In 14.(i))	-	W/S	1.00000	-
24	Intangible Plant	(Worksheet A In 14.(j))	465,937	W/S	1.00000	465,937
	TOTAL GROSS PLANT	(Sum of Lines: 19 to 23)	73,542,252	GP=	1.000000	73,542,252
				GTD=	1.00000	
25	ACCUMULATED DEPRECIATION AND AMORTIZATION					
26	Transmission	(Worksheet A In 28.(d) & Ln 43.(b))	1,800,694	TP1=	1.00000	1,800,694
27	Less: Transmission ARO (Enter Negative)	(Worksheet A In 28.(e))	-	TP1=	1.00000	-
28	General Plant	(Worksheet A In 28.(h))	-	W/S	1.00000	-
29	Less: General Plant ARO (Enter Negative)	(Worksheet A In 28.(i))	-	W/S	1.00000	-
30	Intangible Plant	(Worksheet A In 28.(j))	81,422	W/S	1.00000	81,422.00
31	TOTAL ACCUMULATED DEPRECIATION	(Sum of Lines: 26 to 30)	1,882,116			1,882,116
32	NET PLANT IN SERVICE					
33	Transmission	(In 19 + In 20 - In 26 - In 27)	71,275,622			71,275,622
34	General Plant	(In 21 + In 22 - In 28 - In 29)	-			-
35	Intangible Plant	(In 23 - In 30)	384,515			384,515
36	TOTAL NET PLANT IN SERVICE	(Sum of Lines: 33 to 35)	71,660,137	NP=	1.000000	71,660,137
37	DEFERRED TAX ADJUSTMENTS TO RATE BASE	(Note D)				
38	Account No. 281.1 (enter negative)	(Worksheet B, In 2 & In 5.E)	-	NA		-
39	Account No. 282.1 (enter negative)	(Worksheet B, In 7 & In 10.E)	(13,536,001)	DA		(13,536,001)
40	Account No. 283.1 (enter negative)	(Worksheet B, In 12 & In 15.E)	(700,249)	DA		(700,249)
41	Account No. 190.1	(Worksheet B, In 17 & In 20.E)	821,296	DA		821,296
42	Account No. 255 (enter negative)	(Worksheet B, In 24 & In 25.E)	-	DA		-
43	TOTAL ADJUSTMENTS	(sum Ins 38 to 42)	(13,414,954)			(13,414,954)
44	PLANT HELD FOR FUTURE USE	(Worksheet A In 44.(e)) In 45.(e))	675,073	DA		675,073
45	REGULATORY ASSETS	(Worksheet A In 51.(e))	-	DA		-
46	UNFUNDED RESERVES (ENTER NEGATIVE) (NOTE Y)	(Worksheet A In 54.(e))		W/S	1.00000	
47	WORKING CAPITAL	(Note E)				
48	Cash Working Capital	(1/8 * In 66)	98,040			98,040
49	Transmission Materials & Supplies	(Worksheet C, In 2.(F))	-	TP	1.00000	-
50	A&G Materials & Supplies	(Worksheet C, In 3.(F))	-	W/S	1.00000	-
51	Stores Expense	(Worksheet C, In 4.(F))	-	GP	1.00000	-
52	Prepayments (Account 165) - Labor Allocated	(Worksheet C, In 8.(G))	-	W/S	1.00000	-
53	Prepayments (Account 165) - Gross Plant	(Worksheet C, In 8.(F))	8,206	GP	1.00000	8,206
54	Prepayments (Account 165) - Transmission Only	(Worksheet C, In 8.(E))	-	DA	1.00000	-
55	Prepayments (Account 165) - Unallocable	(Worksheet C, In 8.(D))	-	NA	0.00000	-
56	TOTAL WORKING CAPITAL	(sum Ins 48 to 55)	106,246			106,246
57	IPP CONTRIBUTIONS FOR CONSTRUCTION	(Note F) (Worksheet D, In 8.B)	-	DA	1.00000	-
58	RATE BASE (sum Ins 36, 43, 44, 45, 46, 56, 57)		59,026,502			59,026,502

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AEP KENTUCKY TRANSMISSION COMPANY

(1)		(2)	(3)	(4)		(5)
EXPENSE, TAXES, RETURN & REVENUE REQUIREMENTS CALCULATION		Data Sources (See "General Notes")	TO Total	Allocator		Total Transmission
Line	No.	OPERATION & MAINTENANCE EXPENSE				
	59	Customer Related Expense	322 & 323.164,171,178.b			
	60	Regional Marketing Expenses	322.131.b			
	61	Transmission	321.112.b			
	62	TOTAL O&M EXPENSES	(sum Ins 59 to 61)			
	63	Less: Total Account 561	(Note G) (Worksheet F, In 14.C)			
	64	Less: Account 565	(Note H) 321.96.b			
	65	Less: Regulatory Deferrals & Amortizations	(Note I) (Worksheet F, In 4.C)			
	66	Total O&M Allocable to Transmission	(Ins 61 - 63 - 64 - 65)	TP	1.00000	784,319
	67	Administrative and General	323.197.b (Notes J & M)			
	68	Less: Acct. 924, Property Insurance	323.185.b			
	69	Acct. 928, Reg. Com. Exp.	323.189.b			
	70	Acct. 930.1, Gen. Advert. Exp.	323.191.b			
	71	Acct. 930.2, Misc. Gen. Exp.	323.192.b			
	72	Balance of A & G	(In 67 - sum In 68 to In 71)	W/S	1.00000	402,428
	73	Plus: Acct. 924, Property Insurance	(In 68)	GP(h)	1.00000	16,667
	74	Acct. 928 - Transmission Specific	Worksheet F In 21.(E) (Note L)	TP	1.00000	3,805
	75	Acct 930.1 - Only safety related ads -Direct	Worksheet F In 38.(E) (Note L)	TP	1.00000	-
	76	Acct 930.2 - Misc Gen. Exp. - Trans	Worksheet F In 43.(E) (Note L)	DA	1.00000	(36)
	77	PBOP Adjustment	Worksheet O Ln 16.(B), (Note K & M)	W/S	1.00000	23,081
	78	A & G Subtotal	(sum Ins 72 to 77)			445,945
	79	O & M EXPENSE SUBTOTAL	(In 66 + In 78)			1,230,264
	80	Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records) (Note H)		DA	1.00000	-
	81	TOTAL O & M EXPENSE	(In 79 + In 80)			1,230,264
	82	DEPRECIATION AND AMORTIZATION EXPENSE				
	83	Transmission	336.7.f	TP1	1.00000	1,501,972
	84	General	336.10.f	W/S	1.00000	-
	85	Intangible	336.1.f	W/S	1.00000	78,675
	86	TOTAL DEPRECIATION AND AMORTIZATION	(Ln 83+84+85)			1,580,647
	87	TAXES OTHER THAN INCOME	(Note N)			
	88	Labor Related				
	89	Payroll	Worksheet H In 23.(D)	W/S	1.00000	-
	90	Plant Related				
	91	Property	Worksheet H-p2 In 3.(C) & In 3.(G)	DA	1.00000	102,640
	92	Gross Receipts/Sales & Use	Worksheet H In 23.(F)	NA	0.00000	-
	93	Other	Worksheet H In 23.(E)	GP	1.00000	365
	94	TOTAL OTHER TAXES	(sum Ins 89 to 93)			103,005
	95	INCOME TAXES	(Note O)			
	96	T=1 - {(1 - SIT) * (1 - FIT)} / (1 - SIT * FIT * p)} =				38.90%
	97	EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =				49.35%
	98	where WCLTD=(In 136) and WACC = (In 139)				
	99	and FIT, SIT & p are as given in Note O.				
	100	GRCF=1 / (1 - T) = (from In 96)				1.6367
	101	Amortized Investment Tax Credit (enter negative)	(FF1 p.114, In 19.c)			-
	102	Excess Deferred Income Tax	(Note T)	NP(h)	1.00000	-
	103	Tax Effect of Permanent and Flow-Through Differences	(Note T)	NP(h)	1.00000	25,200
	104	Income Tax Calculation	(In 97 * In 109)			2,201,132
	105	ITC adjustment	(In 100 * In 101)	NP(h)	1.00000	-
	106	Excess Deferred Income Tax	(In 100 * In 102)			-
	107	Tax Effect of Permanent and Flow-Through Differences	(In 100 * In 103)			41,244
	108	TOTAL INCOME TAXES	(sum Ins 104 to 107)			2,242,376
	109	RETURN ON RATE BASE (Rate Base*WACC)	(In 58 * In 139)			4,460,501
	110	INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))		DA	1.00000	-
	111	(Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H))				-
	112	Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 111 * In97)				-
	113	TOTAL REVENUE REQUIREMENT				9,616,793
		(sum Ins 81, 86, 94, 108, 109, 110, 111, 112)				

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SUPPORTING CALCULATIONS

No.	TRANSMISSION PLANT INCLUDED IN PJM TARIFF									
114	Total transmission plant		(In 19)							73,076,316
115	Less transmission plant excluded from PJM Tariff (Worksheet A, In 42.(d)) (Note P)									
116	Less transmission plant included in OATT Ancillary Services (Worksheet A, In 42, Col. (b)) (Note Q)									-
117	Transmission plant included in PJM Tariff (In 114 - In 115 - In 116)									73,076,316
118	Percent of transmission plant in PJM Tariff (In 117 / In 114)							TP=		1.00000
119	WAGES & SALARY ALLOCATOR (W/S) (Note R)									
120	Line Deliberately Left Blank									
121	Transmission	354.21.b		-	327,443	327,443	TP	1.00000		327,443
122	Regional Market Expenses	354.22.b		-	-	-	NA	0.00000		-
123	Line Deliberately Left Blank									
124	Other (Excludes A&G)	354.24,25,26.b		-	-	-	NA	0.00000		-
125	Total	(sum Ins 121, 122, & 124)		-	327,443	327,443				327,443
126	Transmission related amount							W/S=		1.00000
127	<u>Actual (Uncapped) Capital Structure</u>									
127	WEIGHTED AVERAGE COST OF CAPITAL (WACC)									
128	Long Term Interest	(Worksheet M, In.36, col.(d))								\$
129	Preferred Dividends	(Worksheet M, In. 45, col.(d))								1,265,400
130	<u>Development of Common Stock:</u>									
131	Proprietary Capital	(Worksheet M, In. 14, col.(b))								37,954,193
132	Less: Preferred Stock	(Worksheet M, In. 14, col.(c))								-
133	Less: Account 216.1	(Worksheet M, In. 14, col.(d))								-
134	Less: Account 219	(Worksheet M, In. 14, col.(e))								-
135	Common Stock	(In 131 - In 132 - In 133 - In 134)								37,954,193

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Letter

Notes

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

- A Revenue credits include:
1) Forfeited Discounts.
2) Miscellaneous Service Revenues.
3) Rental revenues earned on assets included in the rate base.
4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.
5) Other electric revenues.
6) Revenues for grandfathered PTP contracts included in the load divisor.
7) If AEP Transmission Companies have any directly assigned transmission facilities, the revenue credits in the formula rate shall include all revenues associated with those directly assigned transmission facilities, irrespective of whether the loads of the customer are included in the formula rate divisor; provided however, such addition to revenue credits shall not be reflected if the costs of such directly assigned transmission facilities are not included in the transmission plant balances on which the formula rate ATRR is based. 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. Interest will be calculated based on Worksheet R and any over under recovery will be filed and posted as part of the informational filing.
- C Transmission Plant Balances in this study are projected or actual average beginning of year end of year balances.
- D The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flow throughs and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. In compliance with FERC Rulemaking RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B.
In compliance with FERC Rulemaking the calculation of ADIT in the annual projection will be performed in accordance with IRS regulation Section 1.167(l)-l(h)(6)(ii). Detailed balances for the projected or actual period, distinguished between utility and non-utility balances, will be filed and posted as part of the informational filing.
The company will not include the ADIT portion of deferred hedge gains and losses in rate base.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 66. It excludes:
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 63.
2) Costs of Transmission of Electricity by Others, as described in Note H.
3) The impact of state regulatory deferrals and amortizations, as shown on line 65
4) All A&G Expenses, as shown on line 78.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 57 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 110.
- G Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 16 & 17 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 5 through 14, for descriptions and the Form 1 Source of these accounts' balances.
- H Removes cost of transmission service provided by others to determine the basis of cash working capital on line 66. To the extent such service is incurred to provide the PJM service at issue, e.g. lease payments to affiliates, such costs are added back on line 80 to determine the total O&M collected in the formula. The amounts on line80 is also excluded in the calculation of the FCR percentage calculated on lines 6 through 12.

The addbacks on line80 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity.

The company records referenced on line80 is the AEP KENTUCKY TRANSMISSION COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from Transmission O&M expense.
- J General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
- K The Post-employment Benefit Other than Pension (PBOP) expense is fixed based on an approved ratio of PBOP expense to direct labor expense.
- L Expenses reported for these A&G accounts will be included in the cost of service only to the extent they are directly assignable to transmission service. Worksheet F allocates these expense items. Acct 928 Includes Regulatory Commission expenses itemized in FERC Form-1 at page 351, column H. FERC Assessment Fees and Annual Charges shall not be allocated to transmission. Only safety-related and educational advertising costs in Account 930.1 are included in the TCOS. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M See note K above. Recoverable PBOP expense is based on a rate of \$(0.058) cents per dollar of direct labor. This rate may be adjusted up or down every four years based on a comparison of the Allowable TransCo PBOP Expense and the Actual PBOP Expense for a four year Historic and four year Projected period. If the over or under collection is greater than plus or minus 20% of the recoverable amount, an adjustment will be proposed in a Section 205 rate filing.
- N Includes only FICA, unemployment, highway, property and other assessments. Gross receipts, sales & use and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = the percentage of federal income tax deductible for state income taxes. See Worksheet G for the development of the Company's composite SIT.
A utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f)
(ln 101) multiplied by (1/1-T) . If the applicable tax rates are zero enter 0.
Inputs Required: FIT = 35.00%
SIT= 6.00% (State Income Tax Rate or Composite SIT. Worksheet G))
p = 0.00% (percent of federal income tax deductible for state purposes)
- The formula rate shall reflect the applicable state and federal statutory tax rates in effect during the period the calculated estimated unit charges are applicable. If the statutory tax rates change during such period, the effective tax rates used in the formula shall be weighted by the number of days the pre-ochange rate and post-change rate each is in effect.
- 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 128)/average long term debt (Ln 136). Preferred Stock cost rate = preferred dividends (Ln 129)/preferred outstanding (Ln 137).
Common Stock cost rate (ROE) = 11.49%, the rate accepted by FERC in Docket No. ER10-355. It includes an additional 50 basis points for PJM RTO membership. All Transmission Companies other than AEP Appalachian Transmission Company utilize their own capital structure and costs as shown on Worksheet M. The calculations on Worksheet M will use the projected or actual beginning and ending average balances of long-term debt, common and preferred equity and calendar year long term debt interest expenses, preferred dividends and approved ROE. The long term debt balances and long term debt cost rate shall not include any amounts related to hedging activity. As shown on Worksheet Q, the AEP Appalachian Transmission Company capital structure and weighted cost of capital (WACC) shall be based on the weighted composite of the AEP East Operating Companies beginning and ending average outstanding LTD and PS issuances with the common equity portion in Docket No. ER08-1329, and (2) the weighted composite LTD and PS cost using projected or actual calendar year LTD expense and PS dividends of the AEP East Operating Companies excluding all interest rate hedging costs and/or gains, until the Company establishes its own actual capital structure.
- Excess / (Deficit) Deferred Income Taxes will be amortized over the average remaining life of the assets to which it relates, unless the Commission requires a different amortization period. The Tax Effect of Permanent Differences captures the differences in the income taxes due under the Federal and State tax calculations that are not the result of a timing difference, including but not limited to depreciation related to capitalized AFUDC equity and meals and entertainment deductions. The Tax Effect of Flow-Through differences captures current tax expense related to timing differences on items for which tax deductions were used to reduce customer rates through the use of flow-through accounting in a prior period. Transmission balances for the projected or actual period, will be filed and posted as part of the informational filing.
- T
- U Cash investment in prepaid pension and benefits recorded in FERC Account 165 is permitted to be included in the formula. A labor expense allocation factor will be used to allocate total company costs.
- V The formula rate shall allocate property tax expense based on the as filed net plant cost allocation method detailed on Worksheet H.
- AEP Transmission Companies will record depreciation expense using composites of the depreciation rates shown on Worksheet P which rates will not be changed absent a Section 205 or 206 filing at FERC to seek a change in depreciation rates. No other changes to the formula rate may be included in that filing.
- Under Section 30.9 of the PJM OATT, a network customer that owns existing transmission facilities that are integrated with the Transmission Provider's Transmission System may be eligible to receive consideration either through a billing credit or some other mechanism. Calculation of any credit under this subsection, pursuant to approval by FERC for inclusion in this formula rate for collection on behalf of the network customer, shall be addressed in either the Network Customer's Service Agreement or any other agreement between the parties.
- X The cost of service will make a rate base adjustment to remove unfunded reserves associated with contingent liabilities recorded to Accounts 228.1-228.4 from rate base.
- Y

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet A Rate Base
AEP KENTUCKY TRANSMISSION COMPANY

		Gross Plant In Service				
Line No	Month (a)	Transmission (d)	Transmission ARO (e)	General (h)	General ARO (i)	Intangible (j)
	(Note A)	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 58	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 57	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 99	FF1, page 207 Col.(g) & pg. 206 Col. (b), ln 98	FF1, page 205 Col.(g) & pg. 204 Col. (b), ln 5
1	December Prior to Rate Year	67,098,744	-	-	-	294,922
2	January					
3	February					
4	March					
5	April					
6	May					
7	June					
8	July					
9	August					
10	September					
11	October					
12	November					
13	December of Rate Year	79,053,887	-	-	-	636,951
14	Average of the Beginning and Ending Balances	73,076,316	-	-	-	465,937

		Accumulated Depreciation				
Line No	Month (a)	Transmission (d)	Transmission ARO (e)	General (h)	General ARO (i)	Intangible (j)
	(Note A)	FF1, page 219, ln 25, Col. (b)	Company Records (Included in total in Column (d))	FF1, page 219, ln 28, Col. (b)	Company Records (Included in total in Column (h))	FF1, page 200, ln 21, Col. (b)
15	December Prior to Rate Year	1,080,953	-	-	-	42,084
16	January					
17	February					
18	March					
19	April					
20	May					
21	June					
22	July					
23	August					
24	September					
25	October					
26	November					
27	December of Rate Year	2,520,434	-	-	-	120,760
28	Average of the Beginning and Ending Balances	1,800,694	-	-	-	81,422

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet A Rate Base
AEP KENTUCKY TRANSMISSION COMPANY

Line No	Month (a)	OATT Ancillary Services (GSU) Plant In Service (b)	OATT Ancillary Services (GSU) Accumulated Depreciation (c)	Excluded Plant - Plant In Service (d)	Excluded Plant - Accumulated Depreciation (e)
	(Note A)	Company Records (included in total in column (d) of gross plant above)	Company Records (included in total in column (d) of accumulated depreciation above)	Company Records	Company Records
29	December Prior to Rate Year				
30	January				
31	February				
32	March				
33	April				
34	May				
35	June				
36	July				
37	August				
38	September				
39	October				
40	November				
41	December of Rate Year				
42	Average of the Beginning and Ending Balances	-	-	-	-

43 Transmission Accumulated Depreciation net of GSU 1,800,694

<u>Plant Held For Future Use</u>	<u>Source of Data</u>	<u>Balance @ December 31, 2017</u>	<u>Balance @ December 31, 2016</u>	<u>Average Balance for 2017</u>
(a)	(b)	(c)	(d)	(e)
44 <u>Plant Held For Future Use</u>	FF1, page 214, ln 47, Col. (d)	675,073	675,073	675,073
45 <u>Transmission Plant Held For Future Use (Included in total on line 4</u>	Company Records - Note 1	675,073	675,073	675,073

Regulatory Assets and Liabilities Approved for Recovery In Ratebase

Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.

46		-
47		-
48		-
49		-
50		-
51	Total Regulatory Deferrals Included in Ratebase	-

Unfunded Reserves Summary (Company Records)

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet A Rate Base
AEP KENTUCKY TRANSMISSION COMPANY

52	<u>Description</u>	<u>Account</u>			
53a					-
53b					-
54		Total	-	-	-

NOTE 1: On this worksheet, "Company Records" refers to AEP's property accounting ledger.
NOTE 2: The ratebase should not include the unamortized balance of hedging gains or losses.

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet B Supporting ADIT and ITC Balances
AEP KENTUCKY TRANSMISSION COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) Source</u>	<u>(C) Balance @ December 31, 2017</u>	<u>(D) Balance @ December 31, 2016</u>	<u>(E) Average Balance for 2017</u>
1	<u>Account 281</u>				
2	Year End Utility Deferrals	FF1, p. 272 - 273, ln 8, Col. (k)			-
3	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 4 (Note 1)			-
4	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 3 (Note 1)			-
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)	14,692,008	12,379,993	13,536,001
8	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 7 (Note 1)			-
9	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 6 (Note 1)			-
10	Transmission Related Deferrals	Ln 7 - ln 8 - ln 9	14,692,008	12,379,993	13,536,001
11	<u>Account 283</u>				
12	Year End Utility Deferrals	FF1, p. 276 - 277, ln 9, Col. (k)	834,512	565,986	700,249
13	Less: ARO Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 13 (Note 1)			-
14	Less: Other Excluded Deferrals	WS B-1 - Actual Stmt. AF Ln. 12 (Note 1)			-
15	Transmission Related Deferrals	Ln 12 - ln 13 - ln 14	834,512	565,986	700,249
16	<u>Account 190</u>				
17	Year End Utility Deferrals	FF1, p. 234, ln 8, Col. (c)	622,932	1,019,660	821,296
18	Less: ARO Related Deferrals	WS B-2 - Actual Stmt. AG Ln. 4 (Note 1)			-
19	Less: Other Excluded Deferrals	WS B-2 - Actual Stmt. AG Ln. 3 (Note 1)			-
20	Transmission Related Deferrals	Ln 17 - ln 18 - ln 19	622,932	1,019,660	821,296
21	<u>Account 255</u>				
22	Year End ITC Balances	FF1, p. 266-267, ln 8, Col. (h)	-	-	-
23	Less: Balances Not Qualified for Ratebase	Company Records - Note 1	-	-	-
24	ITC Balances Includeable in Ratebase	Ln 22 - ln 23	-	-	-
25	Transmission Related Deferrals	WS B-1 - Actual Stmt. AF Ln. 20 (Note 1)	-	-	-

NOTE 1 On this worksheet, "Company Records" refers to AEP's tax forecast and accounting ledger. The PTRR will use projected ending balances and reflect proration required by IRS Letter Rule Section I.167(I)-I(h)(6)(ii). Line item detail of actual deferred tax items will be included on Work

NOTE 2 ADIT balances should exclude balances related to hedging activity.

AEP KENTUCKY TRANSMISSION COMPANY
SPECIFIED DEFERRED CREDITS - Actual Cycle Only
PERIOD ENDED DECEMBER 31, 2017

(DEBIT) CREDIT

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E		COLUMN G	COLUMN H	COLUMN I		COLUMN J	COLUMN K	COLUMN L		COLUMN M	COLUMN N	COLUMN O
		PER BOOKS	NON-APPLICABLE/NON-UTILITY	AVERAGE ELECTRIC UTILITY (B+C+D+E)/2		FUNCTIONALIZATION AVERAGE				FUNCTIONALIZATION 12/31/2016				FUNCTIONALIZATION 12/31/2017		
ACCUMULATED DEFERRED FIT ITEMS	BALANCE AS OF 12-31-2016	BALANCE AS OF 12-31-2017	BALANCE AS OF 12-31-2016	BALANCE AS OF 12-31-2017		GENERATION	TRANSMISSION	DISTRIBUTION		GENERATION	TRANSMISSION	DISTRIBUTION		GENERATION	TRANSMISSION	DISTRIBUTION
1.00 ACCOUNT 281:																
2.01																
2.02	0	0			0	0	0	0								
2.03																
2.04	0	0	0	0	0											
2.05	0	0	0	0	0											
2.06	0	0	0	0	0											
3 TOTAL ACCOUNT 281	0	0	0	0	0	0	0	0		0	0	0		0	0	0
4 ACCOUNT 281 - ARO-Related Deferrals	0	0	0	0	0	0	0	0		0	0	0		0	0	0
5 ACCOUNT 282:																
5.01 BOOK VS. TAX DEPRECIATION	12,450,380	14,775,789			13,613,085		13,613,085			12,450,380				14,775,789		
5.02 ABFUDC	214,295	280,692			247,494		247,494			214,295				280,692		
5.03 INT EXP CAPITALIZED FOR TAX	(408,346)	(544,044)			(476,195)		(476,195)			(408,346)				(544,044)		
5.04 TX ACCEL AMORT - CAPITALIZED SOFTWARE	0	22,334			11,167		11,167			-				22,334		
5.05 CAPITALIZED SOFTWARE COST-BOOK	123,664	156,887			140,276		140,276			123,664				156,887		
5.06 REMOVAL CST	0	350			175		175			-				350		
5.07 NON-UTILITY DEFERRED FIT	0	0	0	0	0											
5.08 SFAS 109 FLOW-THRU 282.3	1,092,100	739,478	(1,092,100)	(739,478)	0											
5.09 SFAS 109 EXCESS DFIT 282.4	0	(5,876,803)	0	5,876,803	0											
5.10	0	0			0	0	0	0								
6 TOTAL ACCOUNT 282	13,472,093	9,554,683	(1,092,100)	5,137,325	13,536,002	0	13,536,001	0		0	12,379,993	0		0	14,692,008	0
7 ACCOUNT 282 - ARO-Related Deferrals	0	0	0	0	0	0	0	0		0	0	0		0	0	0
8 ACCOUNT 283:																
9.01 NOL - STATE C/F - DEF STATE TAX ASSET - L/T	25,252	0			12,626		12,626			25,252				-		
9.02 REG ASSET-TRANSCO PRE-FORMATION COSTS	0	0			0		0			-				-		
9.03 NON-UTILITY DEFERRED FIT 283.2	0	0	0	0	0		0									
9.04 SFAS 109 FLOW-THRU 283.3	588,054	196,570	(588,054)	(196,570)	0		0									
9.05 SFAS 109 EXCESS DFIT 283.4	0	248,905	0	(248,905)	0		0									
9.06 SFAS 133 ADIT FED - SFAS 133 NONAFFIL 2830006	0	0	0	0	0		0									
9.07 ADIT - FED-HDG-CF-INT RATE 2830015	0	0	0	0	0		0									
9.08	0	0			0	0	0	0								
10	613,306	445,475	(588,054)	(445,475)	12,626	0	12,626	0		0	25,252	0		0	0	0
11 DEFD STATE INCOME TAXES	540,734	834,512			687,623		687,623			540,734				834,512		
11.01 SFAS 109 - DEFD STATE INCOME TAXES	-	-	0	0	0											
12 TOTAL ACCOUNT 283	1,154,040	1,279,987	(588,054)	(445,475)	700,249	0	700,249	0		0	565,986	0		0	834,512	0
13 ACCOUNT 283 - ARO-Related Deferrals	0	0	0	0	0	0	0	0		0	0	0		0	0	0
14 JURISDICTIONAL AMOUNTS FUNCTIONALIZED																
15 TOTAL COMPANY AMOUNTS FUNCTIONALIZED																
16 REFUNCTIONALIZED BASED ON JURISDICTIONAL PLANT																
17 NOTE: POST 1970 ACCUMULATED DEFERRED INV TAX CRED. (JDITC) IN A/C 255																
18																
18.01	0	0			0	0	0	0								
18.02	0	0			0	0	0	0								
19																
20 TOTAL ACCOUNT 255	0	0	0	0	0	0	0	0		0	0	0		0	0	0

AEP KENTUCKY TRANSMISSION COMPANY
ACCUMULATED DEFERRED INCOME TAX IN ACCOUNT 190 - Actual Cycle Only
PERIOD ENDED DECEMBER 31, 2017

DEBIT (CREDIT)

[illegible]

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet C Supporting Working Capital Rate Base Adjustments
AEP KENTUCKY TRANSMISSION COMPANY

Formula Rate
WS C - Working Capital
Page 13 of 28

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Materials & Supplies								
<u>Line Number</u>		<u>Source</u>	<u>Balance @ December 31, 2017</u>	<u>Balance @ December 31, 2016</u>	<u>Average Balance for 2017</u>			
1								
2	Transmission Materials & Supplies	FF1, p. 227, ln 8, Col. (c) & (b)	0	0	-			
3	General Materials & Supplies	FF1, p. 227, ln 11, Col. (c) & (b)	0	0	-			
4	Stores Expense (Undistributed) - Account 163	FF1, p. 227, ln 16, Col. (c) & (b)	0	0	-			

Prepayment Balance Summary (Note 1)

	<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, 2017	16,412	0	0	16,412	16,412
7	Totals as of December 31, 2016	0	0	0	0	0
8	Average Balance	8,206	-	-	8,206	8,206

Prepayments Account 165 - Balance @ 12/31/2017

	<u>2017 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>	<u>Explanation</u>
9	<u>Acc. No.</u>	<u>Description</u>					
10	1650001	Prepaid Insurance	7,412	-	7,412	7,412	
11	165000214	Prepaid Taxes	0	-	-	-	
12	1650006	Other Prepayments	0	-	-	-	
13	165001215	Prepaid Use Taxes	0	-	-	-	
14	1650021	Prepaid Insurance EIS	0	-	-	-	
15	1650023	Prepaid Lease	9,000	-	9,000	9,000	
16			-	-	-	-	
17							
	Subtotal - Form 1, p 111.57.c		16,412	0	16,412	16,412	

Prepayments Account 165 - Balance @ 12/31/ 2016

	<u>2016 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>	<u>Explanation</u>
18	<u>Acc. No.</u>	<u>Description</u>					
19	1650001	Prepaid Insurance	0	-	0	-	
20	165000214	Prepaid Taxes	0	-	-	-	
21	1650006	Other Prepayments	0	-	-	-	
22	165001215	Prepaid Use Taxes	0	-	-	-	
23	1650021	Prepaid Insurance EIS	0	-	-	-	
24	1650023	Prepaid Lease	0	-	-	-	
25							
	Subtotal - Form 1, p 111.57.d		0	0	0	0	

Note 1: Prepayment Balance will not include: (i) federal and state income tax payments made to offset additional tax liabilities resulting (or expected to result) from prior federal or state audits or from the filing of one or more amended income tax returns; (ii) outstanding income tax refunds due to [company] resulting (or expected to result) from prior federal or state audits or from the filing of one or more amended income tax returns; or (iii) prepayments of federal or state income taxes which are attributable to income earned during periods prior to January 1 of the year depicted in the Balance Sheet (as described in USofA Account 236).

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet D Supporting IPP Credits
AEP KENTUCKY TRANSMISSION COMPANY

<u>Line Number</u>	<u>(A) Description</u>	<u>(B) 2017</u>
1	Net Funds from IPP Customers 12/31/2016 (2017 FORM 1, P269)	-
2	Interest Expense (Company Records - Note 1)	-
3	Revenue Credits to Generators (Company Records - Note 1)	-
4	<u>Other Adjustments</u>	
5	Accounting Adjustment (Company Records - Note 1)	-
6		-
7	Net Funds from IPP Customers 12/31/2017 (2017 FORM 1, P269)	-
8	Average Balance for Year as Indicated in Column $((\text{Ln } 1 + \text{Ln } 7)/2)$	-

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

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet E Supporting Revenue Credits
AEP KENTUCKY TRANSMISSION COMPANY

<u>Line Number</u>	<u>Description</u>	<u>Total Company</u>	<u>Non- Transmission</u>	<u>Transmission</u>
1	Account 450, Forfeited Discounts (FF1 p.300.16.(b); Company Records - Note 1)	-	-	-
2	Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)	-	-	-
3	Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)	-	-	-
4	Account 4560015, Associated Business Development - (Company Records - Notes 1, 2)	-	-	-
5	Account 456 - Other Electric Revenues - (Company Records - Notes 1,2)	10,650,708	10,650,708	-
5a	Account 457.1, Regional Control Service Revenues (FF1 p.300.23.(b); Company Records - Note 1)	-	-	-
5b	Account 457.2, Miscellaneous Revenues (FF1 p.300.24.(b); Company Records - Note 1)	-	-	-
6	Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))	10,650,708	10,650,708	-
7	Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1)	-	-	-
8	Total Other Operating Revenues To Reduce Revenue Requirement	10,650,708	10,650,708	-
9	Facility Credits under PJM OATT Section 30.9			

- Note 1 The total company data on this worksheet comes from the indicated FF1 source, or AEP KENTUCKY TRANSMISSION COMPANY's general ledger.
The functional amounts identified as transmission revenue also come from the general ledger.
- Note 2 The total of line 4 and line 5 will equal total Account 456 as listed on FF1 p.300.21-22.(b)

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet F Supporting Allocation of Specific O&M or A&G Expenses
AEP KENTUCKY TRANSMISSION COMPANY

Formula Rate
WS F Misc Exp
Page 16 of 28

	(A)	(B)	(C)	(D)	(E)	(F)
Line Number	Item No.	Description	2017 Expense	100% Non-Transmission	100% Transmission Specific	Explanation
Regulatory O&M Deferrals & Amortizations						
1						
2						
3						
4	Total					
			-			
Detail of Account 561 Per FERC Form 1						
5						
6	FF1 p 321.85.b	561.1 - Load Dispatch - Reliability	273			
7	FF1 p 321.86.b	561.2 - Load Dispatch - Monitor & Operate Trans System	65,950			
8	FF1 p 321.87.b	561.3 - Load Dispatch - Trans Service & Scheduling	-			
9	FF1 p 321.88.b	561.4 - Scheduling, System Control & Dispatch	-			
10	FF1 p 321.89.b	561.5 - Reliability, Planning and Standards Development	7,150			
11	FF1 p 321.90.b	561.6 - Transmission Service Studies	1			
12	FF1 p 321.91.b	561.7 - Generation Interconnection Studies	-			
13	FF1 p 321.92.b	561.8 - Reliability, Planning and Standards Development Services	-			
14	Total of Account 561			73,374		
Account 928						
15	9280000	Regulatory Commission Exp	23	23	-	
16	9280001	Regulatory Commission Exp-Adm	-	-	-	
17	9280002	Regulatory Commission Exp-Case	43	43	-	
18	9280003	Regulatory Commission Exp-Case	-	-	-	
19	9280004	Regulatory Commission Exp-Case	-	-	-	
20	9280005	Regulatory Commission Exp-Case	3,805	-	3,805	
Total (FERC Form 1 p.323.189.b)			3,871	66	3,805	
Account 930.1						
22	9301000	General Advertising Expenses	41	41	-	
23	9301001	Newspaper Advertising Space	-	-	-	
24	9301002	Radio Station Advertising Time	-	-	-	
25	9301003	TV Station Advertising Time	-	-	-	
26	9301004	Newspaper Advertising Prod Exp	-	-	-	
27	9301005	Radio &TV Advertising Prod Exp	-	-	-	
28	9301006	Spec Corporate Comm Info Proj	-	-	-	
29	9301007	Special Adv Space & Prod Exp	-	-	-	
30	9301008	Direct Mail and Handouts	-	-	-	
31	9301009	Fairs, Shows, and Exhibits	-	-	-	
32	9301010	Publicity	23	23	-	
33	9301011	Dedications, Tours, & Openings	-	-	-	
34	9301012	Public Opinion Surveys	-	-	-	
35	9301013	Movies Slide Films & Speeches	-	-	-	
36	9301014	Video Communications	-	-	-	
37	9301015	Other Corporate Comm Exp	105	105	-	
Total (FERC Form 1 p.323.191.b)			169	169	-	
Account 930.2						
39	9302000	Misc General Expenses	4,305	4,305	-	
40	9302003	Corporate & Fiscal Expenses	203	203	-	
41	9302004	Research, Develop&Demonstr Exp	-	-	-	
42	9302007	Assoc Business Development Exp	(36)	-	(36)	
Total (FERC Form 1 p.323.192.b)			4,472	4,508	(36)	

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet G Supporting - Development of Composite State Income Tax Rate
AEP KENTUCKY TRANSMISSION COMPANY

1	Kentucky State Tax Rate	6.00%	
	Apportionment Factor - Note 1	99.98%	
	Effective State Tax Rate		6.00%
2	_____ Tax Rate		
	Apportionment Factor - Note 1		
	Effective State Tax Rate		0.00%
3	_____ Tax Rate		
	Apportionment Factor - Note 1		
	Effective State Tax Rate		0.00%
4	_____ Tax Rate		
	Apportionment Factor - Note 1		
	Effective State Tax Rate		0.00%
5	_____ Tax Rate		
	Apportionment Factor - Note 1		
	Effective State Tax Rate		0.00%
	Total Effective State Income Tax Rate		<u>6.00%</u>

Note 1 Apportionment Factors are determined as part of the Company's annual tax return for that jurisdiction.

Line No.	(A) Account	(B) Total Company NOTE 1	(C) Property	(D) Labor	(E) Other	(F) Non-Allocable
1	<u>Revenue Taxes</u>					
2	Gross Receipts Tax	-				-
3	<u>Real Estate and Personal Property Taxes</u>					
4	Real and Personal Property - West Virginia	102,640	102,640			
5	Real and Personal Property - Virginia	-	-			
6	Real and Personal Property - Tennessee	-	-			
7	Real and Personal Property - Other Jurisdictions	-	-			
8	<u>Payroll Taxes</u>					
9	Federal Insurance Contribution (FICA)	-		-		
10	Federal Unemployment Tax	-		-		
11	State Unemployment Insurance	-		-		
12	<i>Line Deliberately Left Blank</i>					
13	State Severance Taxes	-				-
14	<u>Miscellaneous Taxes</u>					
15	State Business & Occupation Tax	-				-
16	State Public Service Commission Fees	-				
17	State Franchise Taxes	350			350	
18	State Lic/Registration Fee	15			15	
19	Misc. State and Local Tax	-			-	
20	Sales & Use	-				-
21	Federal Excise Tax	-				-
22	Michigan Single Business Tax	-				-
23	Total Taxes by Allocable Basis	103,005	102,640	-	365	-

(Total Company Amount Ties to FFI p.114, Ln 14,(c))
NOTE 1: The detail of each total company number and its source in the FERC Form 1 is shown on WS H-1.

		Functional Property Tax Allocation				
		Lines 24-58 Column (B) Deliberately Left Blank	Transmission	Lines 24-58 Column (D) Deliberately Left Blank	General	Total
24	Functionalized Net Plant (TCOS, Lns 33 thru 36)	-	71,275,622	-	-	71,275,622
KENTUCKY JURISDICTION						
25	Percentage of Plant in KENTUCKY JURISDICTION					
26	Net Plant in KENTUCKY JURISDICTION (Ln 24 * Ln 25)	-	-	-	-	-
27	Less: Net Value of Exempted Generation Plant					
28	Taxable Property Basis (Ln 26 - Ln 27)	-	-	-	-	-
29	Relative Valuation Factor					-
30	Weighted Net Plant (Ln 28 * Ln 29)	-	-	-	-	-
31	General Plant Allocator (Ln 30 / (Total - General Plant))	0.00%	100.00%	0.00%	-100.00%	
32	Functionalized General Plant (Ln 31 * General Plant)	-	-	-	-	-
33	Weighted KENTUCKY JURISDICTION Plant (Ln 30 + 32)	-	-	-	-	-
34	Functional Percentage (Ln 33/Total Ln 33)	0.00%	100.00%	0.00%		
JURISDICTION						
35	Net Plant in JURISDICTION (Ln 24 - Ln 26)	-	71,275,622	-	-	71,275,622
36	Less: Net Value Exempted Generation Plant					
37	Taxable Property Basis	-	71,275,622	-	-	71,275,622
38	Relative Valuation Factor					
39	Weighted Net Plant (Ln 37 * Ln 38)	-	-	-	-	-
40	General Plant Allocator (Ln 39 / (Total - General Plant))	0.00%	100.00%	0.00%	-100.00%	
41	Functionalized General Plant (Ln 41 * General Plant)	-	-	-	-	-
42	Weighted JURISDICTION Plant (Ln 39 + 41)	-	-	-	-	-
43	Functional Percentage (Ln 42/Total Ln 42)	0.00%	100.00%	0.00%		

Line No.	(A) Annual Tax Expenses by Type (Note 1)	(B) Total Company	(C) FERC FORM 1 Tie-Back	(D) FERC FORM 1 Reference
1	<u>Revenue Taxes</u>			
2	Gross Receipts Tax	-	-	

	(A) "Real Estate and Personal Propety Tax Detail Annual Tax Expenses by Type (Note 1)"	(B) Tax Year	(C) Total Company	(D) FERC FORM 1 Tie-Back	(E) FERC FORM 1 Reference
	<u>Real Estate and Personal Property Taxes Total</u>				
3	<u>(Ln 4 + Ln 5 + Ln 6 + Ln 7)</u>		102,640		
4	Real and Personal Property - Kentucky		102,640		
		2015		6,740	P.263 ln 12 (i)
		2016		95,900	P.263 ln 13 (i)
5	Real and Personal Property		-		
6	Real and Personal Property		-		
7	Real and Personal Property - Other Jurisdictions		-		

Line No.	(A) Annual Tax Expenses by Type (Note 1)	(B) Total Company	(C) FERC FORM 1 Tie-Back	(D) FERC FORM 1 Reference
8	<u>Payroll Taxes</u>			
9	Federal Insurance Contribution (FICA)	-		
10	Federal Unemployment Tax	-		
11	State Unemployment Insurance	-		
12	<i>Line Left Deliberately Blank</i>			
13	State Severance Taxes	-		
14	<u>Miscellaneous Taxes</u>			
15	State Business & Occupation Tax	-		
16	State Public Service Commission Fees	-		
17	State Franchise Taxes	350	350	P.263 ln 12 (i)
18	State Lic/Registration Fee	15	15	P.263 ln 13 (i)
19	Misc. State and Local Tax	-		
20	Sales & Use	-		
21	Federal Excise Tax	-		
22	Michigan Single Business Tax	-		
23	Total Taxes by Allocable Basis (Total Company Amount Ties to FFI p.114, Ln 14,(c))	103,005	103,005	

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

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet I RESERVED
AEP KENTUCKY TRANSMISSION COMPANY

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

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

ROE w/o incentives (TCOS, ln 138)			11.49%
Project ROE Incentive Adder			0
ROE with additional 0 basis point incentive			11.49%
Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the True-Up TCOS, lns 136 through 138)			
	%	Cost	Weighted cost
Long Term Debt	49.02%	3.47%	1.700%
Preferred Stock	0.00%	0.00%	0.000%
Common Stock	50.98%	11.49%	5.857%
		R =	7.557%

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR RTEPPROJECTS				
TRUE-UP YEAR		Rev Require	W Incentives	Incentive Amounts
As Projected in Prior Year WS J		\$ 5,097,838	\$ 5,097,838	\$ -
Actual After True-up		\$ 5,015,456	\$ 5,015,456	\$ -
True-up of ARR For 2017		(82,382)	(82,382)	-

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

Rate Base (True-Up TCOS, ln 58)	59,026,502
R (from A. above)	7.557%
Return (Rate Base x R)	4,460,501

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

Return (from B. above)	4,460,501
Effective Tax Rate (TCOS, ln 97)	49.35%
Income Tax Calculation (Return x CIT)	2,201,132
ITC Adjustment	-
Excess Deferred Income Tax	-
Tax Affect of Permanent Differences	41,244
Income Taxes	2,242,376

II. Calculate Net Plant Carrying Charge Rate (Fixed Charge Rate or FCR) with hypothetical 0 basis point ROE increase.

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

Annual Revenue Requirement (TCOS, ln 1)	9,616,793
Lease Payments (TCOS, lns 80)	-
Return (TCOS, ln 109)	4,460,501
Income Taxes (TCOS, ln 108)	2,242,376
Annual Revenue Requirement, Less Lease Payments, Return and Taxes	2,913,916

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

Annual Revenue Requirement, Less Lease Payments, Return and Taxes	2,913,916
Return (from I.B. above)	4,460,501
Income Taxes (from I.C. above)	2,242,376
Annual Revenue Requirement, with 0 Basis Point ROE increase	9,616,793
Depreciation (TCOS, ln 83)	1,501,972
Annual Rev. Req. w/ 0 Basis Point ROE increase, less Depreciation	8,114,821

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

Net Transmission Plant (Projected TCOS, ln 33)	71,275,622
Annual Revenue Requirement, with 0 Basis Point ROE increase	9,616,793
FCR with 0 Basis Point increase in ROE	13.49%

Annual Rev. Req. w / 0 Basis Point ROE increase, less Dep.	8,114,821
FCR with 0 Basis Point ROE increase, less Depreciation	11.39%
FCR less Depreciation (TCOS, ln 10)	11.39%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

Average Transmission Plant Balance for 2017 TCOS, ln 19	73,076,316
Annual Depreciation and Amortization Expense (TCOS, ln 83)	1,501,972
Composite Depreciation Rate	2.06%
Depreciable Life for Composite Depreciation Rate	48.65
Average Life in Whole Years	49

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

Facilities receiving incentives accepted by FERC in Docket No.

(e.g. ER05-925-000)

Project Description: RTEP ID: b1495 (Add an additional 765/345 kV transformer at Baker Station)

TRUE UP OF PROJECT REVENUE REQUIREMENT FOR PRIOR YEAR:

[illegible]

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

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

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet L RESERVED
AEP KENTUCKY TRANSMISSION COMPANY

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital
AEP KENTUCKY TRANSMISSION COMPANY

		Average Balance of Common Equity				
Line No	Month (a)	Proprietary Capital (b)	Less: Preferred Stock (c)	Less Undistributed Sub Earnings (Acct 216.1) (d)	Less AOCI (Acct 219.1) (e)	Average Balance of Common Equity (f)=(b)-(c)-(d)-(e)
	(Note A)	(FF1 112.16)	(FF1 250-251)	(FF1 112.12)	(FF1 112.15)	
1	December Prior to Rate Year	32,721,579	-	-	-	32,721,579
2	January					
3	February					
4	March					
5	April					
6	May					
7	June					
8	July					
9	August					
10	September					
11	October					
12	November					
13	December of Rate Year	43,186,807	-	-	-	43,186,807
14	Average of the Beginning and End Year Balances	37,954,193	-	-	-	37,954,193

Line No		Month (a)	Average Balance of Long Term Debt					Gross Proceeds Outstanding Long-Term Debt (g)=(b)-(c)+(d)+(e)-(f)
			Bonds (b)	Less: Reacquired Bonds (c)	Acct 223	Acct 224	Less: Fair Value Hedges (f)	
					LT Advances from Assoc. Companies (d)	Senior Unsecured Notes (e)		
		(Note A)	(FF1 112.18)	(FF1 112.19)	(FF1 112.20)	(FF1 112.21)	FF1, page 257, Col. (h) - Note 1	
15	December Prior to Rate Year		-	-	30,000,000	-	-	30,000,000
16	January							
17	February							
18	March							
19	April							
20	May							
21	June							
22	July							
23	August							
24	September							
25	October							
26	November							
27	December of Rate Year		-	-	43,000,000	-	-	43,000,000
28	Average of the Beginning and End Year Balances		-	-	36,500,000	-	-	36,500,000

NOTE 1: The balance of fair value hedges on outstanding long term debt are to be excluded from the balance of long term debt included in the formula's capital structure. (Page 257 Column H of the FF1)

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital
AEP KENTUCKY TRANSMISSION COMPANY

Development of Cost of Long Term Debt Based on Average Outstanding Balance

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
29	Annual Interest Expense for 2017						
30	Interest on Long Term Debt - Accts 221 - 224 (256-257.33.i)			1,265,400			
31	Less: Total Hedge Gain/Expense Accumulated from p 256-257, col. (i) of FERC Form 1 included in Ln 30 and shown in 43 below.			-			
32	Amort of Debt Discount & Expense - Acct 428 (117.63.c)			-			
33	Amort of Loss on Reacquired Debt - Acct 428.1 (117.64.c)			-			
34	Less: Amort of Premium on Debt - Acct 429 (117.65.c)			-			
35	Less: Amort of Gain on Reacquired Debt - Acct 429.1 (117.66.c)			-			
36	Total Interest Expense (Ln 30 - 31 + 32 + 33 - 34 - 35)			1,265,400			
37	Average Cost of Debt for 2017 (Ln 36/ Ln 28 (g))			3.47%			

CALCULATION OF HEDGE GAINS/LOSSES TO BE EXCLUDED FROM TCOS

38 AEP KENTUCKY TRANSMISSION COMPANY may not include costs (or gains) related to interest hedging activities.

				Amortization Period	
	HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)	(Amortization of (Gain)/Loss for 2017	Remaining Unamortized Balance	Beginning	Ending
39					
40					
41					
42					
43	Net (Gain)/Loss Hedge Amortization To Be Removed	-	-	-	-

Development of Cost of Preferred Stock

44	Balance of Preferred Stock (Line 14 (c))	-
45	Dividends on Preferred Stock (Acct 437, FF1 118.29))	
46	Average Cost of Preferred Stock (Ln 45 / Ln 44)	#DIV/0!

AEPTCo subsidiaries in PJM
Cost of Service Formula Rate Using Actual/Projected FF1 Balances
Worksheet N - Gains (Losses) on Sales of Plant Held For Future Use
AEP KENTUCKY TRANSMISSION COMPANY

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

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

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

PBOP	(A)	(B)
1	<u>Calculation of PBOP Expenses</u>	
2	<u>AEP System PBOP Rate</u>	
3	Total AEP System PBOP expenses	-\$62,529,765
4	Base Year relating to retired personnel	\$0
5	Amount allocated on Labor	-\$62,529,765
6	Total AEP System Direct Labor Expense	\$1,368,849,981
7	AEP System PBOP expense per dollar of direct labor (PBOP Rate)	-\$0.046
8	Currently Approved PBOP Rate	-\$0.058
9	Base PBOP TransCo labor expensed in current year	335,700
10	Allowable TransCo PBOP Expense for current year (Ln 8 * Ln 9)	-\$19,471
11	Direct PBOP Expense per Actuarial Report	\$0
12	Additional PBOP Ledger Entry (From Company Records)	\$0
13	Medicare Credit	\$0
14	PBOP Expenses From AEP Affiliates (From Company Records)	-\$42,552
15	Actual PBOP Expense (Sum Lines 11-14)	-\$42,552
16	PBOP Adjustment Line 10 less Line 15	\$23,081

Note: PBOP Expense will be calculated in accordance with the settlement in Docket ER10-355.

As part of the annual update process, AEP will provide to transmission customers and include in its informational filing an independently prepared actuarial report that includes a ten (10) year forecast of PBOP expenses. During the annual update process conducted for rate year 2018 and every four years thereafter, Worksheet O will be used to determine whether the PBOP allowance rate (\$PBOP per \$Direct O&M Labor) should be adjusted going forward for the next four years. If the annual actuarial report issued during the year of any PBOP rate review projects PBOP costs during the next four years that, when allocated to the AEP Transmission Companies based on their projected direct labor expenses over that same projected four-year period, absent a change in the PBOP Rate, will likely cause the AEP East Transmission Companies to over or under collect their cumulative PBOP expenses by more than 20% of the projected next four year's total PBOP expense, taking into account the net over or under collection of such expenses during the previous four years, the PBOP rate shall be adjusted. In order to determine whether continued use of the then approved PBOP rate is likely to result in the AEP Companies' incurrence of a cumulative allowance of PBOP costs under the formula rate will result in a cumulative over or under-recovery of actual PBOP expenses exceeding 20% over the subsequent four year period, Worksheet O will be used to determine (a) the level of cumulative over or under collections of PBOP expense during the time since the PBOP allowance rate was last set, including carrying costs based on the weighted average cost of capital each year from the formula rate actual transmission cost-of-service (b) the cumulative net present value of projected PBOP costs during the next four years as estimated by the then current actuarial report, assuming a discount rate equal to the actual transmission cost of service average cost of capital for the immediately prior calendar year and (c) the cumulative net present value of continued collections over the next four years based on the projected AEP Transmission Companies direct labor expenses and the then effective PBOP allowance rate assuming a discount rate equal to the prior year weighted average cost of capital. If the absolute value of (a)+(b)-(c) exceeds 20% of (b), then the PBOP allowance rate used in the formula rate calculation shall be changed to the value that will cause the projected result of (a)+(b)-(c) to equal zero. If the projected over or under collection during the next four years, (a)+(b)-(c), is less than 20% of (b), then the PBOP Rate will continue in effect for the next four years at the then effective rate. If it is determined through this procedure AEP Companies will over-recover or under-recover actual PBOP expenses by more than 20% over the subsequent four-year period, AEP shall make a filing under FPA Section 205 to change the PBOP Rate stated in the formula rate shown on Worksheet O. No other changes to the formula rate may be included in that filing.

AEPTCo subsidiaries in PJM
Worksheet - P
DEPRECIATION RATES
FOR TRANSMISSION PLANT PROPERTY ACCOUNTS
EFFECTIVE AS OF July 1, 2014

AEP KENTUCKY TRANSMISSION COMPANY