

AEP Transmission Formula Rate Template
 Calculation of Schedule 11 Revenue Requirements For AEP Transmission Projects
 For Calendar Year 2008 and Projected Year 2009

AEP Schedule 11 Revenue Requirement Including True-Up of Prior Collections

SOUTHWESTERN ELECTRIC POWER COMPANY

Note: Some project's final true-up cost may not meet SPP's \$100,000 threshold for socialization. In that case a true-up of the prior year ARR will be made in columns (H) through (O), but no projected ARR will be shown in columns (E) through (G) for the current year.

(A)	(B)	(C)	(D)	(E)	(F)	(G) = (E) + (F)	(H)	(I)	(J)	(K) = (I) - (J)	(L)	(M)	(N) = (L)-(M)	(O)	(P) = (H)+(K)+(N)+(O)	(R) = (G) + (P)	
Projected ARR For 2009 From WS-F							True-Up ARR CY2008 From Worksheet G (includes adjustment for SPP Collections)										Total
							Base ARR					Incentive ARR					ADJUSTED
Sheet	Owner	Project Description	Year in Service	Base ARR	Incentive	Total	TRUE-UP Adjustment (WS-G)	Adjusted ARR from Prior Update	As Billed by SPP (for Prior Yr T-Service)	COLLECTION Adjustment	True-up	As Billed	Change	Interest	Total Adjustments (Forecast, Billing, & Interest)	Requirement Effective 7/1/2009	
S.001	SWE	Arsenal Hill Auto xfmr & AH to Water Works line	2009	112,402	-	112,402	-	-	-	-	-	-	-	-	-	112,402	
S.002	SWE	SW Shreveport (sub work & tap)	2009	2,036,610	-	2,036,610	-	-	-	-	-	-	-	-	-	2,036,610	
S.003	SWE	[NW Ark Area Improve - 2009] E. Centerton-Flint Crk, E Rogers-N Rogers, Centerton	2009	168,266	-	168,266	-	-	-	-	-	-	-	-	-	168,266	
S.004	SWE	Rebuild N. Magazine - Danville 161 kV Line	2009	497,268	-	497,268	-	-	-	-	-	-	-	-	-	497,268	
S.005	SWE	[Greenwood, AR Area Improve] N Huntington, Greenwood, Reeves, Bonanza	2009	26,199	-	26,199	-	-	-	-	-	-	-	-	-	26,199	
S.006	SWE	Port Robson-Caplis Line (SW 138 kV Loop -- 2009)	2009	1,696,685	-	1,696,685	-	-	-	-	-	-	-	-	-	1,696,685	
S.007	SWE	Linwood 138 Station Switch Replacement*	2009	-	-	-	-	-	-	-	-	-	-	-	-	-	
S.008	SWE	Dyess to S. Fayetteville 69 kV Convert to 161 kV (multi-projects)	2008	1,085,221	-	1,085,221	(577,947)	1,565,922	1,121,427	444,495	-	-	-	(34,260)	(167,713)	917,508	
S.009	SWE	Northwest Texarkana-Bann-Alumax Tap 138kV -- reconductor	2008	315,623	-	315,623	102,688	196,994	141,067	55,927	-	-	-	40,720	199,336	514,959	
S.010	SWE	Tontitown - Elm Springs REC 161 kV line***	2008	-	-	-	-	-	114,486	(114,486)	-	-	-	(29,391)	(143,877)	(143,877)	
S.011	SWE	Siloam Springs - Chamber Springs 161 kV line***	2007	-	-	-	-	-	789,726	(789,726)	-	-	-	(202,740)	(992,466)	(992,466)	
S.012	SWE	Knox Lee - Oak Hill #2 138 kV line, S. Shreveport (SWE Minor Proj II)	2007	20,619	-	20,619	20,673	-	-	-	-	-	-	5,307	25,981	46,600	
S.013	SWE	Carthage REC - Carthage T 138 kV	2006	626,155	-	626,155	(288,021)	1,518,602	656,007	862,595	-	-	-	147,506	722,081	1,348,236	
S.014	SWE	NW Henderson - Oak Hill 138 kV line*	2007	-	-	-	-	-	-	-	-	-	-	-	-	-	
S.015	SWE	Arsenal Hill 138kV Device (Cap. Bank)	2007	41,215	-	41,215	(16,757)	187,147	41,554	145,593	-	-	-	33,075	161,911	203,126	
S.016	SWE	Daingerfield - Jenkins REC 69 kV CB Repl**	2008	-	-	-	-	-	-	-	-	-	-	-	-	-	
S.017	SWE	Linwood-McWillie 138 kV Rebuild	2008	220,952	-	220,952	204,021	-	152,657	(152,657)	-	-	-	13,186	64,551	285,503	
S.018	SWE	Port Robson (SW 138 kV Loop -- 2008)**	2008	-	-	-	-	-	-	-	-	-	-	-	-	-	
S.019	SWE	Wallace Lake-Prt Robson-Red Point 138 kV Loop	2008	476,844	-	476,844	446,521	-	-	-	-	-	-	114,632	561,153	1,037,997	
S.020	SWE	[NW Ark Area Improve - 2008] Elm Springs, East Rogers, Shipec Road Stations	2008	199,982	-	199,982	171,777	-	-	-	-	-	-	44,099	215,876	415,857	
SWEPCO Total				7,524,042	-	7,524,042	62,955	3,468,665	3,016,924	451,741	-	-	-	132,134	646,830	\$ 8,170,872	

Note: This yr ONLY, 62955 total above is 11/12ths of value in WS-G Summary Table because of Feb 1, 2008 eff. date.

11/12 11/12

*<\$100K investment, **Placeholder (AI xfer), ***Non-BPU (see comments in xls file).

AEP West SPP Member Companies
 2009 Cost of Service Formula Rate Projected on 2008 FF1 Balances
Worksheet F - Calculation of PROJECTED Annual Revenue Requirement for BPU and Special-billed Projects
 Based on a Carrying Charge Derived from "Historic" 2008 Data
SOUTHWESTERN ELECTRIC POWER COMPANY

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

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

ROE w/o incentives (Attachment H, In 149)			11.20%
Project ROE Incentive Adder (Enter as whole number)			0 basis points
ROE with additional 0 basis point incentive			11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from Attachment H, Ins 158 through160)			
	%	Cost	Weighted cost
Long Term Debt	52.78%	0.0523	0.0276
Preferred Stock	0.17%	0.0487	0.0001
Common Stock	47.04%	0.1120	0.0527
		R =	0.0804

SUMMARY OF PROJECTED ANNUAL BASE PLAN AND NON-BASE PLAN REVENUE REQUIREMENTS			
	Rev Require	W Incentives	Incentive Amounts
PROJECTED YEAR	2009	7,524,042	7,524,042 \$ -

Note: Review formulas in summary to ensure the proper year's revenue requirement is being accumulated for each project from the tables below.

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

Rate Base (Attachment H, In 75)	470,039,619
R (from A. above)	0.0804
Return (Rate Base x R)	37,781,914

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

Return (from B. above)	37,781,914
Tax Rate (Attachment H, In 109)	36.15%
EIT=(T/(1-T)) * (1-(WCLD/WACC)) =	37.17%
Income Tax Calculation (Return x EIT)	14,041,671
ITC Adjustment (Attachment H, In 116)	(1,371,071)
Income Taxes	12,670,600

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

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

Net Revenue Requirement (Attachment H, In 123)	99,545,245
Return (Attachment H, In 118)	37,781,914
Income Taxes (Attachment H, In 117)	12,670,600
Gross Margin Taxes (Attachment H, In 122)	252,276
Net Revenue Requirement, Less Return and Taxes	48,840,454

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

Net Revenue Requirement, Less Return and Taxes	48,840,454
Return (from I.B. above)	37,781,914
Income Taxes (from I.C. above)	12,670,600
Net Revenue Requirement, with 0 Basis Point ROE increase	99,292,968
Gross Margin Tax with 0 Basis Point ROE increase (II C. below)	252,276
Revenue Requirement w/ Gross Margin Taxes	99,545,245
Less: Depreciation (Attachment H, In 95)	20,756,469
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	78,788,776

C. Determine Gross Margin Tax with hypothetical 0 basis point increase in ROE.

Net Revenue Requirement before Gross Margin Taxes, with 0 Basis Point ROE increase (II B. above)	99,292,968
Apportionment Factor to Texas (Worksheet K, In 12)	36.20%
Apportioned Texas Revenues	35,947,468
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	25,163,227
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	251,632
Gross-up Required for Gross Margin Tax Expense	644
Total Additional Gross Margin Tax Revenue Requirement	252,276

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

Net Transmission Plant (Attachment H, Ins 46, 47, 48, 49, 51)	529,058,375
Net Revenue Requirement, with 0 Basis Point ROE increase	99,292,968
FCR with 0 Basis Point increase in ROE	18.77%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	78,788,776
FCR with 0 Basis Point ROE increase, less Depreciation	14.89%
FCR less Depreciation (Attachment H, In 12)	14.89%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	737,975,571	<==From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	786,731,548	<==From Input on Worksheet B
	1,524,707,119	
Transmission Plant Average Balance for 2008	762,353,560	
Annual Depreciation Expense (Attachment H, In 95)	20,713,178	
Composite Depreciation Rate	2.72%	
Depreciable Life for Composite Depreciation Rate	36.81	
Round to nearest whole year	37	

AEP West SPP Member Companies
 2009 Cost of Service Formula Rate Projected on 2008 FF1 Balances
Worksheet G - Calculation of TRUED-UP Annual Revenue Requirement for BPU and Special-billed Projects
 Based on a Carrying Charge Derived from "Trued-Up" 2008 Data
SOUTHWESTERN ELECTRIC POWER COMPANY

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

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

ROE w/o incentives (Attachment H, In 136)			11.20%
Project ROE Incentive Adder (Enter as whole number)			0 basis points
ROE with additional 0 basis point incentive			11.20% <=Incentive ROE Cannot Exceed 12.45%
Determine R (cost of long term debt, cost of preferred stock and percent is from Attachment H, Ins 158 through 160)			
	%	Cost	Weighted cost
Long Term Debt	53.14%	0.0615	0.0327
Preferred Stock	0.19%	0.0487	0.0001
Common Stock	46.66%	0.1120	0.0523
			R = 0.0851

SUMMARY OF TRUED-UP ANNUAL REVENUE REQUIREMENTS FOR SPP BPU & NON-BPU PROJECTS				
TRUE-UP YEAR	2008	Rev Require	W Incentives	Incentive Amounts
Σ Prior Year Projected (WS-F)	\$	2,986,162	\$	2,986,162
Σ Prior Year True-Up (WS-G)	\$	3,054,841	\$	3,054,841
True-up Adjustment For 2008		68,679		68,679

Note: Review formulas in summary to ensure the proper year's revenue requirement is being accumulated for each project from the tables below.

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

Rate Base (Attachment H, In 63)	407,029,483
R (from A. above)	0.0851
Return (Rate Base x R)	34,619,869

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

Return (from B. above)	34,619,869
Tax Rate (Attachment H, In 260)	36.15%
EIT=(R/(1-T)) * (1-(WCLTD/WACC)) =	34.84%
Income Tax Calculation (Return x EIT)	12,062,818
ITC Adjustment (Attachment H, In 103)	(1,363,474)
Income Taxes	10,699,345

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

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

Net Revenue Requirement (Attachment H, In 110)	93,786,031
Return (Attachment H, In 105)	34,619,869
Income Taxes (Attachment H, In 104)	10,699,345
Gross Margin Taxes (Attachment H, In 109)	237,681
Net Revenue Requirement, Less Return and Taxes	48,229,137

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

Net Revenue Requirement, Less Return and Taxes	48,229,137
Return (from I.B. above)	34,619,869
Income Taxes (from I.C. above)	10,699,345
Net Revenue Requirement, with 0 Basis Point ROE increase	93,548,350
Gross Margin Tax with 0 Basis Point ROE Increase (I.C. below)	237,681
Revenue Requirement w/ Gross Margin Taxes	93,786,031
Less: Depreciation (Attachment H, In 83)	20,695,925
Net Rev. Req. w/0 Basis Point ROE increase, less Depreciation	73,090,106

C. Determine Gross Margin Tax with hypothetical 0.112 basis point increase in ROE.

Net Revenue Requirement before Gross Margin Taxes, with 0 Basis Point ROE increase (I.B. above)	93,548,350
Apportionment Factor to Texas (Worksheet K, In 12)	36.20%
Apportioned Texas Revenues	33,867,718
Taxable Percentage of Revenue (70%)	70%
Taxable, Apportioned Margin	23,707,403
Texas Gross Margin Tax Rate	1%
Texas Gross Margin Tax Expense	237,074
Gross-up Required for Gross Margin Tax Expense	607
Total Additional Gross Margin Tax Revenue Requirement	237,681

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

Net Transmission Plant (Attachment H, In 39)	460,513,754
Net Revenue Requirement, with 0 Basis Point ROE increase	93,786,031
FCR with 0 Basis Point increase in ROE	20.37%
Net Rev. Req. w / 0 Basis Point ROE increase, less Dep.	73,090,106
FCR with 0 Basis Point ROE increase, less Depreciation	15.87%
FCR less Depreciation (Attachment H, In 12)	15.87%
Incremental FCR with 0 Basis Point ROE increase, less Depreciation	0.00%

III. Calculation of Composite Depreciation Rate

Transmission Plant @ Beginning of Period (P.206, In 58)	737,975,571	<=From Input on Worksheet B
Transmission Plant @ End of Period (P.207, In 58)	786,731,548	<=From Input on Worksheet B
	1,524,707,119	
Transmission Plant Average Balance for 2008	762,353,560	
Annual Depreciation Expense (Attachment H, In 83)	20,695,925	
Composite Depreciation Rate	2.71%	
Depreciable Life for Composite Depreciation Rate	36.84	
Round to nearest whole year	37	

