

Formula Rate Update for AEP East subsidiaries in PJM

To be Effective July 1, 2014 through June 30, 2015

Docket No ER08-1329

Pursuant to PJM OATT Attachment H-14A (Formula Rate Implementation Protocols), AEP has calculated its Annual Transmission Revenue Requirements (ATRR) to produce the “Annual Update” for the Rate Year beginning July 1, 2014 through June 30, 2015. All the files pertaining to the Annual Update are to be posted on the PJM website in PDF format. The first file provides the ATRR and rates for Network transmission service and Scheduling System Control and Dispatch Service (Schedule 1A), and the annual transmission revenue requirement for RTEP projects (Schedule 12). An informational filing will also be submitted to the FERC.

AEP network service rate will increase effective July 1, 2014 from \$29,042.93 per MW per year to \$30,513.51 per MW per year with the AEP annual revenue requirement increasing from \$676,950,019 to \$697,120,761.

The AEP Schedule 1A rate increased from \$.0829 per MWh to \$.1267 per MWh.

An annual revenue requirement of \$21,353,699 for RTEP projects (including true-up and interest) is to be collected under PJM Tariff Schedule 12. The RTEP Project revenue requirement includes:

1. b0839 (Twin Branch) \$1,264,988
2. b0318 (Amos 765/138 kV Transformer) \$1,729,223
3. b0504 (Hanging Rock) \$1,093,199
4. b0570 (East Side Lima) \$118,418
5. b1034.1 (Torrey-West Canton) \$1,815,845
6. b1034.6 (138kV circuit South Canton Station) \$523,012
7. b1231 (West Moulton Station) \$1,658,442
8. b1465.2 (Rockport Jefferson 300 MVAR bank) \$81,506
9. b1465.3 (Rockport Jefferson 765 kV line) \$4,094,860
10. b1712.2 (Altavista-Leesville 138kV line) \$(58,182)
11. b1864.1 (OPCo Kammer 345/138 kV transformers) \$(173,597)
12. b1864.2 (West Bellaire-Brues 138 kV circuit) of \$42,103
13. b2020 (Rebuild Amos-Kanawha River) \$184,681
14. b2021 (APCo Kanawha River Gen Retirement Upgrades) \$222,712
15. b1659.14 (Ft. Wayne Relocate) \$239,172
16. b2048 (Tanners Creek-Transformer Replacement) \$265,282
17. b2021 (OPCo 345/138kV Transformer) \$7,415,172
18. b2032 (Rebuild 138kV Elliott Tap-Poston) \$28,898
19. b1034.2 (Loop South Canton-Wayview) \$646,572
20. b1034.7 (Replace circuit breakers Torrey/Wagenhals) \$146,035
21. b1970 (Reconductor Kammer-West Bellaire) \$99,055
22. b2018 (Loop Conesville-Bixby 345kV) \$98,401
23. b1864.1 (WPCo 345/138kV transformer Kammer) \$(182,098)

Formula Rate Update for AEP East subsidiaries in PJM

To be Effective July 1, 2014 through June 30, 2015

Docket No ER08-1329

In accordance with orders of the Federal Energy Regulatory Commission (“FERC”) and Public Utilities Commission of Ohio that approved corporate separation of generation assets and associated liabilities, Ohio Power Company (“OPCo”) transferred its generation assets and related generation liabilities to AEP Generation Resources, Inc. (“AGR”) on December 31, 2013. In accordance with orders of the FERC, Kentucky Public Service Commission, the Public Service Commission of West Virginia and the Virginia State Corporation Commission, AGR immediately transferred its two-thirds interest in Amos Plant, Unit 3, to Appalachian Power Company, and a one-half interest in the Mitchell Plant to Kentucky Power Company. Notes to the financial statements associated with these transfers are detailed in the *2013 FERC Form 1s* of the companies.