Before
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the application of AEP OHIO TRANSMISSION COMPANY, INC. for authority to issue and sell secured or unsecured promissory notes and to enter into interest rate management agreements : Case No. 14-1883-EL-AIS

APPLICATION

Applicant AEP Ohio Transmission Company, Inc. (OHTCo), respectfully requests authority to make long-term borrowings of up to $250,000,000 from time to time, through December 31, 2015.

In support of its Application, OHTCo states as follows:

FIRST: Applicant is an Ohio corporation engaged in the business of supplying electric transmission service to consumers within the state of Ohio, and is a public utility as defined by Sections 4905.03(A)(3) and 4905.02, Ohio Revised Code.

SECOND: Applicant is a subsidiary of AEP Transmission Company, LLC ("AEP Transmission"), which is in turn owned by the AEP Transmission Holding Company, LLC ("AEP Holdco"), a wholly-owned subsidiary of American Electric Power Company, Inc. ("AEP").

THIRD: As of October 20, 2014, Applicant had outstanding $399,000,000 of long-term debt and $14,566,965 of short-term Money Pool borrowings and $100,000,000 of short-term intercompany borrowings with AEP Transmission, all in accordance with the authority granted by this Commission in Case Nos. 13-2345-EL-AIS and 13-2158-EL-AIS, respectively.

FOURTH: Attached hereto as Exhibit A are unaudited financial statements, including a balance sheet and statements of income and retained earnings of the Applicant as of June 30, 2014.

FIFTH: To provide Applicant with necessary capital for the purposes set forth herein, Applicant proposes, with the consent and approval of your Honorable Commission, to issue and sell, through December 31, 2015, secured or unsecured promissory notes ("Long-term Debt Securities") in the aggregate principal amount of up to $250,000,000. Long-term Debt Securities may consist of first mortgage bonds, notes (secured and unsecured) and debentures and preferred securities. In addition, Applicant may issue one or more unsecured promissory notes to AEP or to its intermediate parent companies, AEP Holdco and AEP Transmission ("AEP Notes"), provided that the aggregate amount of Long-term Debt Securities and AEP Notes issued will not exceed $250,000,000.

A. Background and Request.

In Case No. 13-2345-EL-AIS, this Commission authorized Applicant to make long-term borrowings up to $200,000,000 through December 31, 2014. On April 30, 2014 and pursuant to that authority, Applicant issued $18,900,000 of long-term debt. Applicant currently has $181,100,000 of long-term debt authority available through December 31, 2014.

B. Long-term Debt.

Each series of Long-term Debt Securities would have such designation, aggregate principal amount, maturity, interest rate(s) or methods of determining the same, terms of payment of interest, redemption provisions, sinking fund terms and other terms and conditions as the Applicant may determine at the time of issuance. The Long-term Debt Securities will mature in not less than 12 months and not more than 60 years. The interest rate of the Long-term Debt Securities may be fixed or variable and will be sold by (i) competitive bidding; (ii) through negotiation with underwriters or agents; or (iii) by direct placement with a commercial bank or other institutional investor. Any fixed rate Long-term Debt Security will be sold by the Applicant at a yield to maturity which shall not exceed by more than 5.0% the yield to maturity on United States Treasury obligations of comparable maturity at the time of pricing. Any variable rate Long-term Debt Security will be sold by the Applicant at a yield to maturity which shall not exceed by more than 5.0% the yield to maturity on United States Treasury obligations of comparable maturity at the time of pricing, and the initial interest rate on any variable rate Note will not exceed 8% per annum. If it is deemed advisable, the Long-term Debt Securities may be provided some form of credit enhancement, including but not limited to a letter of credit, bond insurance, standby purchase agreement or surety bond. The commission payable to agents or underwriters will not exceed 3.5% of the principal amount of the Long-term Debt Securities sold. The interest rates and maturity dates of any AEP Notes would be designed to parallel the cost of the capital of AEP, AEP Holdco or AEP Transmission, as the case may be. In addition, the interest rate and maturity parameters governing the Long-term Debt Securities would apply to the AEP Notes.

Applicant will agree to specific redemption provisions, if any, including redemption premiums, at the time of the pricing. The Long-term Debt Securities may be entitled to mandatory or optional sinking fund provisions, may be subject to tender or the obligation of the issuer to repurchase at the election of the holder or upon the occurrence of a specified event, may be called from existing investors by a third party and may be entitled to the benefit of affirmative or negative financial or other covenants. In connection with the sale of the Long-term Debt Securities, Applicant may agree to restrictive covenants which would prohibit it from, among other things: (i) creating or permitting to exist any liens on its property, with certain stated exceptions; (ii) creating indebtedness except as specified therein; (iii) failing to maintain a specified financial condition; (iv) entering into certain mergers, consolidations and dispositions of assets; and (v) permitting certain events to occur in connection with pension plans.

Applicant currently is not rated by Standard and Poor's Ratings Services ("S&P"), Fitch Ratings, Inc. ("Fitch") or Moody's Investor Services, Inc. ("Moody's"). It is not expected that the securities will be listed on any stock exchange.

SIXTH: Applicant proposes, with the consent and approval of your Honorable Commission, to utilize interest rate management techniques and enter into Interest Rate Management Agreements. Such authority will allow Applicant sufficient alternatives and flexibility when striving to reduce its effective interest cost and manage interest cost on financings.

A. *Interest Rate Management Agreements*

The Interest Rate Management Agreements will be products commonly used in today's capital markets, consisting of "interest rate swaps", "caps", "collars", "floors", "options", or hedging products such as "forwards" or "futures", or similar products, the purpose of which is to manage and minimize interest costs. Applicant expects to enter into these agreements with counterparties that are highly rated financial institutions. The transactions will be for a fixed period and a stated principal amount, and may be for underlying fixed or variable obligations of Applicant.

B. *Pricing Parameters*

Applicant proposes that the pricing parameters for Interest Rate Management Agreements be governed by the parameters contained herein. Fees and commissions in connection with any Interest Rate Management Agreement will be in addition to the above parameters and will not exceed 1.00% of the amount of the underlying obligation involved.

C. *Accounting*

Applicant proposes to account for these transactions in accordance with generally accepted accounting principles.

D. *Commission Authorization*

Since market opportunities for these interest rate management alternatives are transitory, Applicant must be able to execute interest rate management transactions when the opportunity arises to obtain the most competitive pricing. Thus, Applicant seeks approval to enter into any or all of the described transactions within the parameters discussed above prior to the time Applicant reaches agreement with respect to the terms of such transactions.

If Applicant utilizes Interest Rate Management Agreements, Applicant's annual long-term interest charges could change. The authorization of the Interest Rate Management Agreements consistent with the parameters herein in no way relieves Applicant of its responsibility to obtain the best terms available for the product selected and, therefore, it is appropriate and reasonable for this Commission to authorize Applicant to agree to such terms and prices consistent with said parameters.

The authorization which Applicant requests herein to enter into Interest Rate Management Agreements is consistent with the authority granted to Applicant in Case No. 13-2345-EL-AIS.

SEVENTH: The issuance of the Long-term Debt Securities and the AEP Notes will be effected in compliance with all applicable indenture, charter and other standards relating to debt and equity securities and capitalization ratios of the Applicant.

EIGHTH: The funds obtained by the Applicant through the issuance of the Long-term Debt Securities for which authorization is sought in this Application will be used, together with other available funds, to finance the construction, acquisition, maintenance, and/or modification or improvement to, new and existing electric transmission facilities, to refinance existing debt, to meet working capital needs (including construction expenditures), and for other general corporate purposes of the Applicant.

Applicant proposes to treat any premiums on reacquisition of these or any other series of long-term indebtedness as an issuance expense of the Long-term Debt Securities and all unamortized costs associated with the series of long-term indebtedness reacquired (e.g., premium, discount, expense or loss on reacquisition of a prior issue or series), if any, as an issuance expense of the Long-term Debt Securities to be amortized over the life of the Long-term Debt Securities. Applicant intends to utilize deferred tax accounting for the premium expense, in order to properly match the amortization of the expense and the related tax effect. The authorization which Applicant requests herein regarding its treatment of premium expenses is consistent with the authority granted by Your Honorable Commission in Case No. 13-2345-EL-AIS.

NINTH: The actual cost of the Long-term Debt Securities and the AEP Notes will be determined at the time of the sale or sales thereof. The net effect on revenue requirements resulting from their issuance will be reflected in the determination of required revenue in rate proceedings in which all factors affecting rates are taken into account according to law.

* * *

WHEREFORE: Applicant prays for authority from your Honorable Commission (i) to issue secured unsecured promissory notes (including AEP Notes) in the manner set forth herein in one or more new series, with a maturity of not less than 12 months and not more than 60 years in principal amounts of up to $250,000,000, in one or more series, and to apply the proceeds of the sale thereof, all as proposed and described in this Application and (ii) to enter into Interest Rate Management Agreements within the parameters proposed and described in this Application.

Respectfully submitted this 22nd day of October, 2014.

AEP OHIO TRANSMISSION COMPANY, INC.

By ____________________________
Julia A. Sloat
Treasurer

STATE OF OHIO)
) SS:
COUNTY OF FRANKLIN)

Before me, a Notary Public in and for Franklin County in the State of Ohio, personally appeared Julia A. Sloat, Treasurer of AEP Ohio Transmission Company, the Applicant in the foregoing application, and she being duly sworn says that the facts and allegations herein contained are true to the best of her knowledge and belief.

Notary Public
My Commission does not expire

Dated: October 22, 2014

NOTARIAL SEAL STATE OF OHIO

David C. House, Attorney At Law
NOTARY PUBLIC - STATE OF OHIO
My commission has no expiration date
Sec. 147.03 R.C.

EXHIBIT A

Financial Statements of Applicant as of June 30, 2014

Exhibit A

AEP Transmission Company, LLC
and Subsidiaries

2014 Second Quarter Report

Consolidated Financial Statements

AMERICAN ELECTRIC POWER

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GLOSSARY OF TERMS

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

Term	Meaning
AEP	American Electric Power Company, Inc., an electric utility holding company.
AEP East Transmission Companies	APTCo, IMTCo, KTCo, OHTCo and WVTCo.
AEP System	American Electric Power System, an integrated electric utility system, owned and operated by AEP's electric utility subsidiaries.
AEP Transmission Holdco	AEP Transmission Holding Company, LLC, a wholly-owned subsidiary of AEP.
AEP West Transmission Companies	OKTCo and SWTCo.
AEPSC	American Electric Power Service Corporation, an AEP service subsidiary providing management and professional services to AEP and its subsidiaries.
AEPTCo	AEP Transmission Company, LLC, a subsidiary of AEP Transmission Holdco, is an intermediate holding company that owns seven wholly-owned transmission companies.
AEPTCo Consolidated	AEPTCo and its consolidated subsidiaries.
APCo	Appalachian Power Company, an AEP electric utility subsidiary.
APSC	Arkansas Public Service Commission.
APTCo	AEP Appalachian Transmission Company, Inc., a wholly-owned AEPTCo transmission subsidiary.
ASU	Accounting Standards Update.
FASB	Financial Accounting Standards Board.
FERC	Federal Energy Regulatory Commission.
GAAP	Accounting Principles Generally Accepted in the United States of America.
IMTCo	AEP Indiana Michigan Transmission Company, Inc., a wholly-owned AEPTCo transmission subsidiary.
IRS	Internal Revenue Service.
KTCo	AEP Kentucky Transmission Company, Inc., a wholly-owned AEPTCo transmission subsidiary.
LPSC	Louisiana Public Service Commission.
OHTCo	AEP Ohio Transmission Company, Inc., a wholly-owned AEPTCo transmission subsidiary.
OKTCo	AEP Oklahoma Transmission Company, Inc., a wholly-owned AEPTCo transmission subsidiary.
PJM	Pennsylvania – New Jersey – Maryland regional transmission organization.
SPP	Southwest Power Pool regional transmission organization.
SWTCo	AEP Southwestern Transmission Company, Inc., a wholly-owned AEPTCo transmission subsidiary.
Transcos	Wholly-owned AEPTCo transmission subsidiaries; APTCo, IMTCo, KTCo, OHTCo, OKTCo, SWTCo and WVTCo.
Utility Money Pool	Centralized funding mechanism AEP uses to meet the short-term cash requirements of certain utility subsidiaries.
VIE	Variable Interest Entity.
Virginia SCC	Virginia State Corporation Commission.
WVTCo	AEP West Virginia Transmission Company, Inc., a wholly-owned AEPTCo transmission subsidiary.

AEP TRANSMISSION COMPANY, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three and Six Months Ended June 30, 2014 and 2013
(in thousands)
(Unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
REVENUES				
Transmission Revenues	$ 19,434	$ 6,486	$ 28,443	$ 9,244
Sales to AEP Affiliates	35,864	11,766	51,510	17,255
Other Revenues	-	-	22	-
TOTAL REVENUES	55,298	18,252	79,975	26,499
EXPENSES				
Other Operation	1,900	1,909	4,520	2,937
Maintenance	114	27	226	59
Depreciation and Amortization	5,268	2,156	10,390	4,016
Taxes Other Than Income Taxes	7,544	5,379	14,295	9,774
TOTAL EXPENSES	14,826	9,471	29,431	16,786
OPERATING INCOME	40,472	8,781	50,544	9,713
Other Income (Expense):				
Interest Income	3	-	6	3
Allowance for Equity Funds Used During Construction	11,550	6,989	21,143	12,291
Interest Expense	(4,806)	(2,052)	(9,312)	(4,110)
INCOME BEFORE INCOME TAX EXPENSE	47,219	13,718	62,381	17,897
Income Tax Expense	13,239	2,643	15,573	2,456
NET INCOME	$ 33,980	$ 11,075	$ 46,808	$ 15,441

See Condensed Notes to Condensed Consolidated Financial Statements beginning on page 7.

AEP TRANSMISSION COMPANY, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
For the Six Months Ended June 30, 2014 and 2013
(in thousands)
(Unaudited)

TOTAL MEMBER'S EQUITY – DECEMBER 31, 2012	$	320,480
Capital Contributions from Member		138,000
Net Income		15,441
TOTAL MEMBER'S EQUITY – JUNE 30, 2013	$	473,921
TOTAL MEMBER'S EQUITY – DECEMBER 31, 2013	$	692,215
Capital Contributions from Member		211,000
Net Income		46,808
TOTAL MEMBER'S EQUITY – JUNE 30, 2014	$	950,023

See Condensed Notes to Condensed Consolidated Financial Statements beginning on page 7.

AEP TRANSMISSION COMPANY, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
June 30, 2014 and December 31, 2013
(in thousands)
(Unaudited)

	June 30, 2014	December 31, 2013
CURRENT ASSETS		
Advances to Affiliates	$ 8,999	$ 9,638
Accounts Receivable:		
Customers	13,143	3,815
Affiliated Companies	28,371	16,386
Total Accounts Receivable	41,514	20,201
Deferred Income Tax Benefits	20	30,226
Accrued Tax Benefits	18,117	93
Prepayments and Other Current Assets	1,095	1,193
TOTAL CURRENT ASSETS	69,745	61,351
TRANSMISSION PROPERTY		
Transmission Property	1,172,157	986,639
Other Property, Plant and Equipment	5,814	4,380
Construction Work in Progress	827,919	645,062
Total Transmission Property	2,005,890	1,636,081
Accumulated Depreciation and Amortization	16,228	9,551
TOTAL TRANSMISSION PROPERTY – NET	1,989,662	1,626,530
OTHER NONCURRENT ASSETS		
Regulatory Assets	39,086	27,930
Deferred Property Taxes	16,724	31,180
Deferred Charges and Other Noncurrent Assets	4,980	4,875
TOTAL OTHER NONCURRENT ASSETS	60,790	63,985
TOTAL ASSETS	$ 2,120,197	$ 1,751,866

See Condensed Notes to Condensed Consolidated Financial Statements beginning on page 7.

AEP TRANSMISSION COMPANY, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND MEMBER'S EQUITY
June 30, 2014 and December 31, 2013
(in thousands)
(Unaudited)

	June 30, 2014	December 31, 2013
CURRENT LIABILITIES		
Advances from Affiliates	$ 140,280	$ 85,796
Accounts Payable:		
General	86,867	55,587
Affiliated Companies	20,930	32,959
Accrued Taxes	40,035	55,347
Accrued Interest	4,518	4,247
Other Current Liabilities	1,000	841
TOTAL CURRENT LIABILITIES	293,630	234,777
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	650,000	620,000
Deferred Income Taxes	218,755	200,552
Regulatory Liabilities	7,736	4,291
Deferred Credits and Other Noncurrent Liabilities	53	31
TOTAL NONCURRENT LIABILITIES	876,544	824,874
TOTAL LIABILITIES	1,170,174	1,059,651
Rate Matters (Note 3)		
Commitments and Contingencies (Note 4)		
MEMBER'S EQUITY		
Member's Equity	950,023	692,215
TOTAL MEMBER'S EQUITY	950,023	692,215
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 2,120,197	$ 1,751,866

See Condensed Notes to Condensed Consolidated Financial Statements beginning on page 7.

AEP TRANSMISSION COMPANY, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2014 and 2013
(in thousands)
(Unaudited)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
OPERATING ACTIVITIES		
Net Income	$ 46,808	$ 15,441
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	10,390	4,016
Deferred Income Taxes	37,156	23,693
Allowance for Equity Funds Used During Construction	(21,143)	(12,291)
Property Taxes	14,456	7,918
Change in Other Noncurrent Assets	(3,676)	(545)
Change in Other Noncurrent Liabilities	20	(79)
Changes in Certain Components of Working Capital:		
Accounts Receivable	(21,312)	(10,356)
Accounts Payable	(12,070)	(6,369)
Accrued Taxes, Net	(33,336)	1,439
Accrued Interest	271	-
Other Current Assets	97	64
Other Current Liabilities	76	223
Net Cash Flows from Operating Activities	17,737	23,154
INVESTING ACTIVITIES		
Construction Expenditures	(326,599)	(287,479)
Change in Advances to Affiliates, Net	639	31,568
Acquisitions of Assets	(612)	(14,448)
Proceeds from Sales of Assets	238	63
Other Investing Activities	13,379	-
Net Cash Flows Used for Investing Activities	(312,955)	(270,296)
FINANCING ACTIVITIES		
Capital Contributions from Member	211,000	138,000
Issuance of Long-term Debt – Nonaffiliated	29,732	24,870
Change in Advances from Affiliates, Net	54,486	84,272
Net Cash Flows from Financing Activities	295,218	247,142
Net Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Period	-	-
Cash and Cash Equivalents at End of Period	$ -	$ -
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest, Net of Capitalized Amounts	$ 8,642	$ 3,397
Net Cash Paid (Received) for Income Taxes	(1,192)	(24,420)
Construction Expenditures Included in Current Liabilities as of June 30,	86,990	56,340

See Condensed Notes to Condensed Consolidated Financial Statements beginning on page 7.

INDEX OF CONDENSED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING MATTERS

General

The unaudited condensed consolidated financial statements and footnotes were prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual financial statements.

In the opinion of management, the unaudited condensed consolidated interim financial statements reflect all normal and recurring accruals and adjustments necessary for a fair presentation of the net income, financial position and cash flows for the interim periods. Net income for the three and six months ended June 30, 2014 is not necessarily indicative of results that may be expected for the year ending December 31, 2014. The condensed consolidated financial statements are unaudited and should be read in conjunction with the audited 2013 financial statements and notes thereto, which are included in AEPTCo's 2013 Annual Report.

Management reviewed subsequent events through August 22, 2014, the date that AEPTCo's second quarter 2014 report was available to be issued.

2. NEW ACCOUNTING PRONOUNCEMENTS

Upon issuance of final pronouncements, management reviews the new accounting literature to determine its relevance, if any, to AEPTCo's business. The following final pronouncements will impact the financial statements.

ASU 2014-08 "Presentation of Financial Statements and Property, Plant and Equipment" (ASU 2014-08)

In April 2014, the FASB issued ASU 2014-08 changing the presentation of discontinued operations on the statements of income and other requirements for reporting discontinued operations. Under the new standard, a disposal of a component or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component meets the criteria to be classified as held for sale or is disposed. The amendments in this update also require additional disclosures about discontinued operations and disposal of an individually significant component of an entity that does not qualify for discontinued operations. This standard must be prospectively applied to all reporting periods presented in financial reports issued after the effective date. Early adoption is permitted for disposals that have not been reported in financial statements previously issued or available for issuance.

The new accounting guidance is effective for interim and annual periods beginning after December 15, 2014. If applicable, this standard will change the presentation of financial statements but will not affect the calculation of net income, comprehensive income or earnings per share. Management plans to adopt ASU 2014-08 effective January 1, 2015.

ASU 2014-09 "Revenue from Contracts with Customers" (ASU 2014-09)

In May 2014, the FASB issued ASU 2014-09 clarifying the method used to determine the timing and requirements for revenue recognition on the statements of income. Under the new standard, an entity must identify the performance obligations in a contract, the transaction price and allocate the price to specific performance obligations to recognize the revenue when the obligation is completed. The amendments in this update also require disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts. This standard must be retrospectively applied to all reporting periods presented in financial reports issued after the effective date.

The new accounting guidance is effective for interim and annual periods beginning after December 15, 2016. Early adoption is not permitted. As applicable, this standard may change the amount of revenue recognized in the income statements in each reporting period. Management is analyzing the impact of this new standard and, at this time, cannot estimate the impact of adoption on revenue or net income. Management plans to adopt ASU 2014-09 effective January 1, 2017.

3. RATE MATTERS

As discussed in AEPTCo's 2013 Annual Report, the Transcos are involved in rate and regulatory proceedings at the FERC and their state commissions. The Rate Matters note within AEPTCo's 2013 Annual Report should be read in conjunction with this report to gain a complete understanding of material rate matters still pending that could impact net income, cash flows and possibly financial condition. The following discusses ratemaking developments in 2014 and updates AEPTCo's 2013 Annual Report.

Arkansas and Louisiana Rate Matters

In 2011, SWTCo filed with the APSC and the LPSC to seek commission approval, to the extent necessary, of SWTCo's status as a transmission-only public utility in the states of Arkansas and Louisiana, respectively. In 2012, the APSC issued an order that stated SWTCo failed to provide substantial evidence for the need of SWTCo as a transmission-only public utility in the state of Arkansas. The APSC stated it would hold the record open for further consideration for the need of SWTCo as the APSC strongly supports the improvement of the transmission system as a means to lower energy costs for Arkansas ratepayers. SWTCo filed additional testimony with the APSC in December 2012. In May 2013, the APSC General Staff filed additional testimony supporting the approval of SWTCo's application. In May 2013, the Office of the Attorney General filed testimony stating the APSC should reject or dismiss the application. A hearing was held at the APSC in July 2013. In February 2014, SWTCo filed supplemental testimony with the LPSC. Decisions from the APSC and LPSC are anticipated in 2014. Management is unable to predict the outcomes of these filings.

Virginia Rate Matters

Based on a previous ruling by the Virginia SCC, APTCo can seek certification of future projects in its own name but the Virginia SCC will determine whether the project will ultimately be owned by APTCo or APCo. Due to uncertainty surrounding regulatory approval for the construction of transmission projects in Virginia, the June 30, 2014 condensed financial statements reflect a provision for a portion of FERC formula revenues received through June 30, 2014.

FERC Rate Matters

2013 Transmission Rate Filings for AEP East Transmission Companies

In May 2013, AEPSC, on behalf of the AEP East Transmission Companies, filed annual transmission revenue requirements with the FERC and PJM for the period July 2013 through June 2014. This filing established the following projected revenue requirements and prior year over-/under-recovery of revenues, including carrying charges:

Company	Projected Revenue Requirements	Prior Year (Over-)/Under-Recovery of Revenues
	(in thousands)	
APTCo	$ 150	$ 7
IMTCo	15,981	498
KTCo	124	(13)
OHTCo	53,832	6,453
WVTCo	160	(5)
Total - PJM Activity	$ 70,247	$ 6,940

PJM implemented these rates in July 2013, subject to refund and true-up.

2014 Transmission Rate Filings for AEP East Transmission Companies

In May 2014, AEPSC, on behalf of the AEP East Transmission Companies, filed annual transmission revenue requirements with the FERC and PJM for the period July 2014 through June 2015. This filing established the following projected revenue requirements and prior year under-recovery of revenues, including carrying charges:

Company	Projected Revenue Requirements		Prior Year Under-Recovery of Revenues	
	(in thousands)			
APTCo	$	179	$	71
IMTCo		27,182		4,628
KTCo		276		15
OHTCo		124,095		23,143
WVTCo		8,142		124
Total - PJM Activity	$	159,874	$	27,981

PJM implemented these rates in July 2014, subject to refund and true-up.

2013 Transmission Rate Filings for AEP West Transmission Companies

In May 2013, AEPSC, on behalf of the AEP West Transmission Companies, filed annual transmission revenue requirements with the FERC and SPP for the period July 2013 through June 2014. This filing established the following projected revenue requirements and prior year under-recovery of revenues, including carrying charges:

Company	Projected Revenue Requirements		Prior Year Under-Recovery of Revenues	
	(in thousands)			
OKTCo	$	28,072	$	1,844
SWTCo		189		65
Total - SPP Activity	$	28,261	$	1,909

SPP implemented these rates in July 2013, subject to refund and true-up.

2014 Transmission Rate Filings for AEP West Transmission Companies

In May 2014, AEPSC, on behalf of the AEP West Transmission Companies, filed annual transmission revenue requirements with the FERC and SPP for the period July 2014 through June 2015. This filing established the following projected revenue requirements and prior year under-recovery of revenues, including carrying charges:

Company	Projected Revenue Requirements		Prior Year Under-Recovery of Revenues	
	(in thousands)			
OKTCo	$	38,134	$	3,053
SWTCo		224		92
Total - SPP Activity	$	38,358	$	3,145

SPP implemented these rates in July 2014, subject to refund and true-up.

4. COMMITMENTS, GUARANTEES AND CONTINGENCIES

AEPTCo Consolidated is subject to certain claims and legal actions arising in its ordinary course of business. In addition, business activities of AEPTCo Consolidated are subject to extensive governmental regulation related to public health and the environment. The ultimate outcome of such pending or potential litigation cannot be predicted. For current proceedings not specifically discussed below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial statements. The Commitments, Guarantees and Contingencies note within AEPTCo Consolidated's 2013 Annual Report should be read in conjunction with this report.

GUARANTEES

Liabilities for guarantees are recorded in accordance with the accounting guidance for "Guarantees." There is no collateral held in relation to any guarantees. In the event any guarantee is drawn, there is no recourse to third parties unless specified below.

Indemnifications and Other Guarantees

AEPTCo Consolidated enters into certain types of contracts which require indemnifications. Typically these contracts include, but are not limited to, lease agreements, purchase agreements and financing agreements. Generally, these agreements may include, but are not limited to, indemnifications around certain tax, contractual and environmental matters. As of June 30, 2014, there were no material liabilities recorded for any indemnifications.

5. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy and Valuation Techniques

The accounting guidance for "Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. When quoted market prices are not available, pricing may be completed using comparable securities, dealer values, operating data and general market conditions to determine fair value. Valuation models utilize various inputs such as commodity, interest rate and, to a lesser degree, volatility and credit that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, market corroborated inputs (i.e. inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability.

Fair Value Measurements of Long-term Debt

The fair values of Long-term Debt are based on quoted market prices, without credit enhancements, for the same or similar issues and the current interest rates offered for instruments with similar maturities classified as Level 2 measurement inputs. These instruments are not marked-to-market. The estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

The book values and fair values of Long-term Debt as of June 30, 2014 and December 31, 2013 are summarized in the following table:

	June 30, 2014		December 31, 2013	
	Book Value	Fair Value	Book Value	Fair Value
	(in thousands)			
Long-term Debt	$ 650,000	$ 664,863	$ 620,000	$ 583,066

6. INCOME TAXES

AEP System Tax Allocation Agreement

AEPTCo Consolidated joins in the filing of a consolidated federal income tax return with its affiliates in the AEP System. The allocation of the AEP System's current consolidated federal income tax to the AEP System companies allocates the benefit of current tax losses to the AEP System companies giving rise to such losses in determining their current tax expense. The tax benefit of the Parent is allocated to its subsidiaries with taxable income. With the exception of the loss of the Parent, the method of allocation reflects a separate return result for each company in the consolidated group.

Federal and State Income Tax Audit Status

The IRS examination of years 2009 and 2010 started in October 2011 and was completed in the second quarter of 2013. The IRS examination of years 2011 and 2012 started in April 2014. Although the outcome of tax audits is uncertain, in management's opinion, adequate provisions for federal income taxes have been made for potential liabilities resulting from such matters. In addition, AEPTCo Consolidated accrues interest on these uncertain tax positions. Management is not aware of any issues for open tax years that upon final resolution are expected to materially impact net income.

AEPTCo Consolidated and other AEP subsidiaries file income tax returns in various state and local jurisdictions. These taxing authorities routinely examine their tax returns and AEPTCo Consolidated and other AEP subsidiaries are currently under examination in several state and local jurisdictions. However, it is possible that previously filed tax returns have positions that may be challenged by these tax authorities. Management believes that adequate provisions for income taxes have been made for potential liabilities resulting from such challenges and that the ultimate resolution of these audits will not materially impact net income.

7. FINANCING ACTIVITIES

Long-term Debt

Long-term debt issued during the first six months of 2014 is shown in the table below:

Type of Debt	Principal Amount	Interest Rate	Due Date
	(in thousands)	(%)	
Senior Unsecured Notes	$ 30,000	5.42	2044

Short-term Funding

AEP has a direct financing relationship with AEPTCo and SWTCo to meet their short-term borrowing needs. APTCo, IMTCo, KTCo, OHTCo, OKTCo and WVTCo have been approved to participate in the Utility Money Pool to finance their short-term borrowing needs. In March 2013, APTCo and WVTCo began participating in AEP's Utility Money Pool while their direct financing arrangements with AEP ended and in November 2013, KTCo began participating in AEP's Utility Money Pool while its direct financing arrangement with AEP ended. The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of AEP's subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds AEP's utility subsidiaries. The AEP System Utility Money Pool operates in accordance with the terms and conditions of the AEP System Utility Money Pool agreement filed with the FERC. SWTCo is awaiting regulatory approval from either the APSC or the LPSC to begin participating in AEP's Utility Money Pool.

Amounts of outstanding loans to (borrowings from) AEP as of June 30, 2014 and December 31, 2013 are included in Advances to Affiliates and Advances from Affiliates, respectively, on the balance sheet. AEPTCo Consolidated's direct borrowing and lending activity with AEP for the six months ended June 30, 2014 is described in the following table:

Maximum Borrowings from AEP	Maximum Loans to AEP	Average Borrowings from AEP	Average Loans to AEP	Borrowings from AEP as of June 30, 2014	Loans to AEP as of June 30, 2014
		(in thousands)			
$ 4,139	$ 10,759	$ 752	$ 4,529	$ 545	$ 8,999

Maximum, minimum and average interest rates for funds either borrowed from or loaned to AEP for the six months ended June 30, 2014 and 2013 are summarized in the following table for AEPTCo Consolidated:

Six Months Ended June 30,	Maximum Interest Rate for Funds Borrowed from AEP	Minimum Interest Rate for Funds Borrowed from AEP	Maximum Interest Rate for Funds Loaned to AEP	Minimum Interest Rate for Funds Loaned to AEP	Average Interest Rate for Funds Borrowed from AEP	Average Interest Rate for Funds Loaned to AEP
2014	0.33 %	0.24 %	0.33 %	0.24 %	0.28 %	0.28 %
2013	0.43 %	0.32 %	0.40 %	0.32 %	0.36 %	0.35 %

Amounts of outstanding borrowings from the Utility Money Pool as of June 30, 2014 are included in Advances from Affiliates on the balance sheet. Amounts of outstanding loans to (borrowings from) the Utility Money Pool as of December 31, 2013 are included in Advances to Affiliates and Advances from Affiliates, respectively, on the balance sheet. AEPTCo Consolidated's money pool activity for the six months ended June 30, 2014 is described in the following table:

Maximum Borrowings from the Utility Money Pool	Maximum Loans to the Utility Money Pool	Average Borrowings from the Utility Money Pool	Average Loans to the Utility Money Pool	Borrowings from the Utility Money Pool as of June 30, 2014
		(in thousands)		
$ 145,663	$ 1,399	$ 90,974	$ 179	$ 139,736

Maximum, minimum and average interest rates for funds either borrowed from or loaned to the Utility Money Pool for the six months ended June 30, 2014 and 2013 are summarized in the following table:

Six Months Ended June 30,	Maximum Interest Rate for Funds Borrowed from the Utility Money Pool	Minimum Interest Rate for Funds Borrowed from the Utility Money Pool	Maximum Interest Rate for Funds Loaned to the Utility Money Pool	Minimum Interest Rate for Funds Loaned to the Utility Money Pool	Average Interest Rate for Funds Borrowed from the Utility Money Pool	Average Interest Rate for Funds Loaned to the Utility Money Pool
2014	0.33 %	0.24 %	0.32 %	0.25 %	0.28 %	0.29 %
2013	0.40 %	0.32 %	0.43 %	0.36 %	0.35 %	0.42 %

Debt Covenants

AEPTCo's note purchase agreements contain certain covenants and require them to maintain percentage of debt to total capitalization at a level that does not exceed 67.5%. The method for calculating outstanding debt and capitalization is contractually defined in the note purchase agreements. As of June 30, 2014, this contractually-defined percentage was 45.1%.

Covenants in AEPTCo's note purchase agreements also limit the amount of contractually-defined priority debt (which includes a further sub-limit of $50 million of secured debt) to the greater of $200 million or 10% of consolidated tangible net assets through December 31, 2014 and 10% of consolidated tangible net assets thereafter. The following table provides detail used in the calculation of AEPTCo's priority debt covenants as of June 30, 2014:

Company	Advances from Affiliates	Advances to Affiliates	Secured Debt	Priority Debt
		(in thousands)		
AEPTCo	$ -	$ 8,999	$ -	$ -
APTCo	1,244	-	-	1,244
IMTCo	27,433	-	-	27,433
KTCo	679	-	-	679
OHTCo	55,736	-	-	55,736
OKTCo	16,262	-	-	16,262
SWTCo	545	-	-	545
WVTCo	38,381	-	-	38,381
Total	$ 140,280	$ 8,999	$ -	$ 140,280

Nonperformance under these covenants could result in an event of default under these note purchase agreements. For the six months ended June 30, 2014, AEPTCo Consolidated complied with all of the covenants contained in these note purchase agreements.

Capital Contributions

In July 2014 AEP Transmission Holdco made a $36 million capital contribution to AEPTCo. Consequently, AEPTCo made a $21 million capital contribution to IMTCo and a $15 million capital contribution to OHTCo.

8. VARIABLE INTEREST ENTITIES

Variable Interest Entities

The accounting guidance for "Variable Interest Entities" is a consolidation model that considers if a company has a controlling financial interest in a VIE. A controlling financial interest will have both (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Entities are required to consolidate a VIE when it is determined that they have a controlling financial interest in a VIE and therefore, are the primary beneficiary of that VIE, as defined by the accounting guidance for "Variable Interest Entities." In determining whether AEPTCo and its subsidiaries are the primary beneficiary of a VIE, management considers factors such as equity at risk, the amount of the VIE's variability AEPTCo and its subsidiaries absorb, guarantees of indebtedness, voting rights including kick-out rights, the power to direct the VIE, variable interests held by related parties and other factors. Management believes that significant assumptions and judgments were applied consistently. AEPTCo and its subsidiaries are not the primary beneficiaries of any VIE and have not provided financial or other support to any VIE that was not previously contractually required.

AEPSC provides certain managerial and professional services to AEP's subsidiaries. AEP is the sole equity owner of AEPSC. AEP management controls the activities of AEPSC. The costs of the services are based on a direct charge or on a prorated basis and billed to the AEP subsidiary companies at AEPSC's cost. AEP subsidiaries have not provided financial or other support outside of the reimbursement of costs for services rendered. AEPSC finances its operations through cost reimbursement from other AEP subsidiaries. There are no other terms or arrangements between AEPSC and any of the AEP subsidiaries that could require additional financial support from an AEP subsidiary or expose them to losses outside of the normal course of business. AEPSC and its billings are subject to regulation by the FERC. AEP subsidiaries are exposed to losses to the extent they cannot recover the costs of AEPSC through their normal business operations. AEP subsidiaries are considered to have a significant interest in AEPSC due to their activity in AEPSC's cost reimbursement structure. However, AEP subsidiaries do not have control over AEPSC. AEPSC is consolidated by AEP. In the event AEPSC would require financing or other support outside the cost reimbursement billings, this financing would be provided by AEP. AEPTCo Consolidated's total billings from AEPSC for the three months ended June 30, 2014 and 2013 were $20 million and $13 million, respectively, and for the six months ended June 30, 2014 and 2013 were $40 million and $22 million, respectively. The carrying amount of liabilities associated with AEPSC as of June 30, 2014 and December 31, 2013 was $5 million and $6 million, respectively. Management estimates the maximum exposure of loss to be equal to the amount of such liability.

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