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February 27, 2014

Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Transource Missouri, LLC
Docket No. ER14-____-000

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA")¹ and the Federal Energy Regulatory Commission's ("FERC" or "Commission") October 31, 2012 order regarding Transource Missouri, LLC's ("Transource Missouri") proposed transmission rate incentives and formula rate,² Transource Missouri³ hereby submits for Commission review the deferred costs currently being recovered in its formula rate under the Southwest Power Pool, Inc. ("SPP") open access transmission tariff ("Tariff"). These amounts are prudently incurred costs associated with Transource Missouri's two electric transmission projects: the Iatan-Nashua Project and the Sibley-Nebraska City Project (collectively, "Projects"). Consistent with this request, Transource Missouri identifies and describes all costs accrued to the regulatory asset and demonstrates that these costs were prudently incurred and are just and reasonable.

I. BACKGROUND

On August 31, 2012, Transource Missouri submitted a filing under section 205 of the FPA ("August 2012 Filing") requesting authority to implement certain incentive rate treatments pursuant to section 219 of the FPA⁴ and Order No. 679⁵ for the Projects. That filing also

¹ 16 U.S.C. Section 824(d).

² *Transource Missouri, LLC*, 141 FERC ¶ 61,075, at P 59 (2012) ("October 2012 Order").

³ Transource Missouri is a wholly-owned subsidiary of Transource Energy, LLC ("Transource") which is in turn a transmission-focused joint venture of American Electric Power Company, Inc. ("AEP") and Great Plains Energy Incorporated ("GPE," together with AEP, "Owners").

⁴ 16 U.S.C. § 824s.

requested acceptance of a formula rate and formula rate implementation protocols to capture and recover the costs associated with Transource Missouri's investment in the Projects, as well as any future assets, that will be controlled by SPP. In the October 2012 Order, the Commission conditionally granted, in part, the requested transmission incentives and accepted Transource Missouri's transmission formula rate and formula rate implementation protocols subject to the outcome of hearing procedures.⁶

Among the requests contained in the August 2012 Filing was a request for authorization to establish regulatory assets for the Projects that would include all expenses not capitalized and included in Construction Work In Progress ("CWIP") that were incurred in connection with the Projects up to the date that charges are assessed to SPP customers under the formula rate for each of the Projects, including authorization to amortize the regulatory asset with interest over five years for cost recovery purposes. The Commission granted the request but required that Transource Missouri "make a section 205 filing to demonstrate that the pre-construction costs are just and reasonable."⁷ The Commission further stated, "Transource Missouri will have to establish that the costs included in the regulatory asset are costs that would otherwise have been chargeable to expense in the period incurred."⁸

It is pursuant to that directive that Transource Missouri submits this filing.

II. CONTENTS OF THE FILING

In addition to this Transmittal Letter, the filing contains the following materials:

1. Testimony of Jon D. Holtzmuller, Exhibit No. TMO-100
2. Regulatory Asset Cost Table, Exhibit No. TMO-101
3. Calculation of Carrying Charge for Regulatory Asset, Exhibit No. TMO-102
4. Calculation of Weighted Average Cost of Capital, Exhibit No. TMO-103

III. DESCRIPTION OF FILING

Consistent with the requirements of the October 2012 Order, Transource Missouri makes this filing to support the prudence of the approximately \$3.5 million in costs deferred to its regulatory asset, which are associated with pre-commercial costs. In his testimony, Mr. Holtzmuller describes the pre-commercial costs associated with the Projects that Transource Missouri has recorded as a regulatory asset. As explained by Mr. Holtzmuller, these costs were comprised primarily of Owners' internal labor costs and fees for outside services incurred from

⁵ *Promoting Transmission Investment through Pricing Reform*, Order No. 679, FERC Stats. & Regs. ¶ 31,222, *order on reh'g*, Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 (2006), *order on reh'g*, 119 FERC ¶ 61,062 (2007).

⁶ See October 2012 Order. The issues set for hearing were resolved through an offer of settlement, which the Commission accepted on May 6, 2013. See *Transource Missouri, LLC*, 143 FERC ¶ 61,104 (2013).

⁷ October 2012 Order at P 52.

⁸ *Id.*

July 2012 to October 2012. Additionally, since November 2012, additional pre-commercial costs have been recorded by Transource Missouri as additions to the regulatory asset on a monthly basis. Further, carrying costs have been accrued monthly at a weighted average cost of capital rate on the accumulated cash portion of the pre-commercial costs.

Mr. Holtzmuller further explains that Transource Missouri records pre-commercial costs according to six major expenditure categories. The first category, "Business Services," includes services provided to Transource Missouri in order to support daily operations of the company, such as cash management, establishing and maintaining bank accounts, disbursement of funds, accounting, budgeting, invoicing, FERC reporting and financial statement reporting. The second category, "Legal Services," includes the costs of internal and external legal services provided to Transource Missouri that benefit both Projects. The third category, "FERC Regulatory Services," includes internal and external services provided to Transource Missouri for various regulatory filings at FERC, including the August 2012 Filing. The fourth category, "Missouri Regulatory Services," includes costs for internal and external services provided to Transource Missouri for various regulatory filings before the Missouri Public Service Commission. The fifth category, "Tax Services," includes costs associated with services provided to Transource Missouri related to tax compliance management and filing federal state and local tax returns. The sixth category, "Carrying Charges," includes carrying charges representing the cost of capital applicable to deferred pre-commercial costs as authorized in the October 2012 Order.

Exhibit No. TMO-101 provides a monthly breakdown of these costs, separated into these six expenditure categories. These costs have been recorded as a separate regulatory asset, and the amounts are properly excluded from CWIP balances related to the Projects. The methodology for calculating Carrying Charges is described in Mr. Holtzmuller's testimony and depicted in Exhibit No. TMO-102. Finally, Exhibit No. TMO-103 demonstrates how the weighted average cost of capital is calculated.

1. *Costs were prudently incurred and properly recorded, and are just and reasonable.*

The costs identified and described in this filing were incurred in connection with the Projects and were necessary and appropriate. The subject amount reflects the business and legal complexities inherent in Transource Missouri's participation in its first transmission projects, its first requested transmission rate incentives, and its first proposed formula rate. In addition to the necessary FERC approvals, Transource Missouri also needed transfer and certificate of public convenience and necessity approvals from the Missouri Public Service Commission to move forward and construct the Projects.

Each of these approvals required the assistance of internal and external resources, for which costs were allocated to Transource Missouri. The costs were prudently incurred, properly recorded, and are just and reasonable.

2. *The carrying charge is consistent with the Commission's directives.*

As shown in Exhibit No. TMO-102, Transource Missouri has accrued a carrying charge in accordance with the timeframe specified in the October 2012 Order. Specifically, the Commission stated,

We also approve Transource Missouri's request to accrue a carrying charge from the effective date of the regulatory assets until the regulatory assets are included in rate base. We also authorize Transource Missouri to amortize each regulatory asset over five years, consistent with rate recovery. Once Transource Missouri begins to include the regulatory asset in rate base as part of its revenue requirement, it will earn a return on the unamortized balance of the regulatory asset and must stop accruing carrying charges on such regulatory asset. We also authorize Transource Missouri's request to accrue monthly carrying charges on the regulatory asset balance at its weighted average cost of capital, consistent with Commission precedent.⁹

The Commission further "direct[ed] Transource Missouri to restrict the compounding of carrying charges to no more frequently than semi-annually."¹⁰

As explained by Mr. Holtzmuller, consistent with the requirements in the October 2012 Order, the first carrying charges were accrued in December 2012 and have been accrued on a monthly basis. The carrying charges are accrued at an 8.17% cost of capital. The calculation of this rate is detailed in Exhibit TMO-103. This cost of capital is based on a hypothetical capital structure consisting of 60 percent equity and 40 percent debt. It includes a Return on Equity ("ROE") of 11.16%, which is a weighted average of the ROEs awarded for each of the Projects. The pre-tax weighted average cost of capital is applied to the regulatory asset balance at the beginning of the month less the regulatory asset amount not paid as of the beginning of the month plus one-half of the monthly regulatory asset amounts paid during the month. The carrying charges are compounded semi-annually. In other words, every six months, the accumulated carrying charges are added to the deferred balance of the regulatory asset when calculating carrying charges for subsequent months. The carrying charges were first compounded in July 2013.

3. *Amortization is properly applied.*

In the October 2012 Order, the Commission stated,

We also authorize Transource Missouri to amortize each regulatory asset over five years, consistent with rate recovery. Once Transource Missouri begins to include the regulatory asset in rate base as part of its revenue requirement, it will

⁹ October 2012 Order at P 57.

¹⁰ *Id.* at P 58.

earn a return on the unamortized balance of the regulatory asset and must stop accruing carrying charges on such regulatory asset.

Transource Missouri's requested recovery implements the Commission-approved amortization period of five years.

IV. CORRESPONDENCE

Correspondence regarding this filing should be addressed to:

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V. REQUEST FOR WAIVERS AND OTHER FILING REQUIREMENTS

To the extent necessary, Transource Missouri requests waiver of any requirements to provide detailed statements of Transource Missouri's cost of service. Further, in accordance with Section 35.13(b) of the Commission's regulations, 18 C.F.R. § 35.13(b), Transource Missouri represents that (1) no agreement by contract is required for the tender of this filing, and (2) there are no expenses or costs included in this filing that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices.

VI. POSTING AND SERVICE

A copy of this filing is being served on all parties to the Settlement Agreement and SPP. AEP has served a copy of this filing on all SPP members by requesting SPP to post this filing electronically, and requests waiver of the requirement to post by mailing paper copies to SPP members.

Honorable Kimberly D. Bose

February 27, 2014

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VII. CONCLUSION

For the foregoing reasons, Transource Missouri requests that the Commission accept this filing to review the prudence of costs contained in the Transource Missouri regulatory asset account, currently being recovered in the approved formula rate.

Respectfully submitted,

/s/ Amanda Riggs Conner

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Attorney for

Transource Missouri, LLC

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Transource Missouri, LLC

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Docket No. ER14-____-000

**DIRECT TESTIMONY OF
JON D. HOLTZMULLER**

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Transource Missouri, LLC

) Docket No. ER14-____-000

DIRECT TESTIMONY OF
JON D. HOLTZMULLER

I. Introduction

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jon D. Holtzmuller. My business address is 1 Riverside Plaza, Columbus, Ohio 43215.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am an employee of the American Electric Power Service Corporation (“AEPSC”), a wholly-owned subsidiary of American Electric Power Company, Inc. (“AEP”). I am the Director of Transmission Accounting.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.

A. I received a Bachelor of Science Degree in Business Administration, majoring in Accounting, in 1998, from Miami University in Oxford, Ohio. I received a Master of Business Administration from Otterbein College in 2006. I joined AEPSC in 2001 as a Staff Accountant in the Accounting Policy and Research Department. I worked in that group at increasing levels of responsibility until January 2008, when I was promoted to Manager of Derivative Accounting. In June 2010, I became Manager of IPP/Investment Accounting. In December 2013, I assumed my current position as the Director of Transmission Accounting. I am a Certified Public Accountant licensed in Ohio.

Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF TRANSMISSION ACCOUNTING?

A. In my current role as Director of Transmission Accounting for AEPSC, I am responsible for AEP's transmission accounting operations and associated internal controls as well as its related external financial report filings with the Federal Energy Regulatory Commission (the "Commission" or "FERC"), and the state commissions. I am currently assisting with the development and implementation of accounting policies and other related matters for Transource Missouri, LLC ("Transource Missouri").

Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY.

A. The purpose of my testimony is to describe the pre-commercial costs associated with the Iatan-Nashua and Sibley-Nebraska City electric transmission projects (the "Projects") that Transource Missouri, LLC ("Transource Missouri") has recorded as a regulatory asset, as permitted by the FERC in its October 31, 2012 order in this proceeding.

Q. HOW ARE DEFERRED PRE-COMMERCIAL COSTS ACCOUNTED FOR BY TRANSOURCE MISSOURI?

A. In November 2012, Transource Missouri recorded as a regulatory asset its accumulated pre-commercial costs. These costs were comprised primarily of owners' internal labor costs and fees for outside services incurred from July 2012 to October 2012. Since November 2012, additional pre-commercial costs have been recorded by Transource Missouri as additions to the regulatory asset on a monthly basis. In addition, carrying costs have been accrued monthly at a weighted average cost of capital rate on the accumulated cash portion of the pre-commercial costs.

Q. WERE THE PRE-COMMERICAL COSTS PRUDENTLY INCURRED AND PROPERLY RECORDED?

A. As described further in my testimony, costs identified and described in this filing were properly incurred, approved and recorded.

Q. ARE THERE OTHER CHARGES NOT SPECIFICALLY RELATED TO THE PROJECTS THAT WERE ELIGIBLE FOR DEFERRAL?

A. No. The deferred costs at issue in this filing were prudently incurred as part of the preliminary development of the Projects, so it is proper to include them in the regulatory deferral.

Q. PLEASE SUMMARIZE THE PRE-COMMERCIAL COSTS DEFERRED AS A REGULATORY ASSET BY TRANSOURCE MISSOURI.

A. Transource Missouri records pre-commercial costs by major expenditure categories including 1) Business Services; 2) Legal Services; 3) FERC Regulatory Services; 4) Missouri Regulatory Services; 5) Tax Services; and 6) Carrying Charges. A monthly breakdown of these costs, separated into these six expenditure categories, is included as Exhibit No. TMO-101. A brief description of the costs in each of these six categories is as follows.

Business Services – These are services provided to Transource Missouri in order to support daily operations of the company. These types of services include cash management, establishing and maintaining bank accounts, disbursement of funds, accounting, budgeting, invoicing, FERC reporting and financial statement reporting.

Legal Services – These are internal and external legal services provided to Transource Missouri in support of the Projects in this proceeding.

FERC Regulatory Services – These are internal and external services provided to Transource Missouri for various regulatory filings at FERC, including the filing to establish Transource Missouri's formula rate under the SPP OATT (FERC Docket No. ER12-2554).

Missouri Regulatory Services – These are costs for internal and external services provided to Transource Missouri for various regulatory filings before the Missouri Public Service Commission ("MoPSC"). Included in these costs are the costs associated with Transource Missouri obtaining a Certificate of Public Convenience and Necessity (Case No. EO-2012-0367) from MoPSC for the Projects as well as a filing to transfer certain assets (Case No. EA-2013-0098) associated with the Projects to Transource Missouri.

Tax Services – These are services provided to Transource Missouri related to tax compliance management and filing federal state and local tax returns.

Carrying Charges – Carrying charges represent the cost of capital applicable to deferred pre-commercial costs as authorized in Docket No: ER12-2554-000.

Q. HOW ARE CARRYING CHARGES CALCULATED FOR PRE-COMMERCIAL COSTS?

A. This is detailed in Exhibit No. TMO-102. The first carrying charges were accrued in December 2012 and have been accrued on a monthly basis. The carrying charges are accrued at a 8.17% cost of capital. The calculation of this rate is detailed in Exhibit TMO-103. This cost of capital is based on a hypothetical capital structure consisting of

60 percent equity and 40 percent debt. It includes a Return on Equity (“ROE”) of 11.16%, which is a weighted average of the ROEs awarded for each of Transource Missouri’s initial projects. The pre-tax weighted average cost of capital is applied to the regulatory asset balance at the beginning of the month less the regulatory asset amount not paid as of the beginning of the month plus one-half of the monthly regulatory asset amounts paid during the month. The carrying charges are compounded semi-annually. In other words, every six months, the accumulated carrying charges are added to the deferred balance of the regulatory asset when calculating carrying charges for subsequent months. The carrying charges were first compounded in July 2013.

Q. HAVE ANY OF THE COSTS INCLUDED IN THE REGULATORY ASSET BEEN INCLUDED AS CONSTRUCTION WORK IN PROGRESS (“CWIP”)?

A. No. As specified in the Commission’s order, these costs have been recorded as a separate regulatory asset and the amounts are properly excluded from CWIP balances related to these projects.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Transource Missouri, LLC

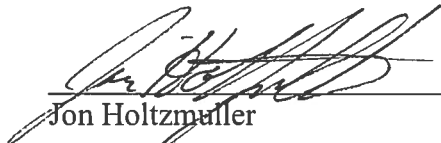
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Docket No. ER14-____-000

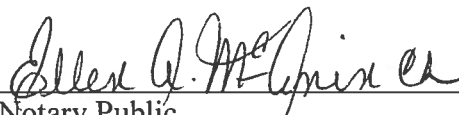
State of Ohio

County of Franklin

I, Jon D. Holtzmuller, being first duly sworn, on oath state that I am the Director of Transmission Accounting for American Electric Power Service Corporation whose direct testimony was prepared by me or under my supervision. If asked the questions contained in the text below of the testimony, I would give the answers that are herein set forth and adopt the aforesaid answers as my direct testimony in this proceeding.


Jon Holtzmuller

Subscribed and sworn before me this 27th day of February, 2014.


Notary Public

My commission expires on May 11th, 2016



ELLEN A. MCANINCH
NOTARY PUBLIC
STATE OF OHIO
Recorded in
Franklin County
My Comm. Exp. 5/11/16

Transource Missouri, LLC
Regulatory Asset Pre-Commercial Costs

2012 Transource Missouri, LLC Pre-Commercial Costs													
Beginning Balance	January	February	March	April	May	June	July	August	September	October	November	December	Total
-	-	-	-	-	-	-	-	(208.06)	145.42	6,333.33	4,635.15	35,350.02	46,255.86
-	-	-	-	-	-	-	-	-	-	-	6,687.56	3,432.23	10,119.79
-	-	-	-	-	-	-	31,946.25	540,544.40	179,083.01	61,979.14	65,611.07	47,522.43	926,686.30
-	-	-	-	-	-	-	202,196.45	(70,947.76)	114,740.63	13,734.99	109,821.20	39,350.79	408,896.30
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	3,231.39	3,231.39
-	-	-	-	-	-	-	234,142.70	469,388.58	293,969.06	82,047.46	186,754.98	128,886.86	1,395,189.64

2013 Transource Missouri, LLC Pre-Commercial Costs													
Beginning Balance	January	February	March	April	May	June	July	August	September	October	November	December	Total
46,255.86	(7,421.79)	578.65	(4,792.43)	1,054.19	(2,530.74)	11,843.34	(3,568.07)	3,224.99	396.54	7,531.62	70,572.02	102,233.64	225,377.82
10,119.79	11,382.43	9,295.19	795.64	17,509.76	87,161.97	62,248.80	716.46	-	94.75	367.47	46,306.08	169,624.24	415,622.58
926,686.30	13,599.37	115,826.84	63,338.26	117,021.37	29,993.51	93,373.18	60,233.34	11,547.62	88,912.36	51,909.13	17,786.58	42,062.88	1,632,290.74
408,896.30	72,103.89	82,104.89	213,293.21	136,679.75	62,735.59	(14,841.73)	9,090.37	11,198.11	23,074.11	28,971.00	55,930.99	40,178.42	1,129,414.90
-	-	-	-	-	-	-	-	-	-	-	181.35	298.55	479.90
3,231.39	6,462.78	6,462.78	6,462.78	6,462.78	6,462.78	6,462.78	6,748.62	12,191.26	17,633.90	17,633.90	17,633.90	17,633.90	131,483.56
1,395,189.64	96,126.68	214,268.35	279,097.46	278,727.85	183,823.11	159,086.37	73,220.72	38,161.98	130,111.66	106,413.12	208,410.92	372,031.63	3,534,669.50

Transource Missouri, LLC

Calculation of Carrying Charge for Regulatory Asset

Ln #	Description		Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
1	Beg Base for Carrying Charge	Prior Mo. Ln3 + Prior Mo. Ln17	-	-	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90
2	Carrying Charge to Reg Asset	Input	-	-	-	-	-	-	-	-	42,008.07
3	Adj Beg Bal Net Reg Asset	Ln1 + Ln2	-	-	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90	991,785.97
4											
5	Beg Month Regulatory Asset	Prior Mo. Ln7	-	1,266,302.78	1,391,958.25	1,481,622.15	1,689,427.72	1,962,062.40	2,234,327.47	2,411,687.80	2,564,311.39
6	Current Mo. Regulatory Asset	Input	1,266,302.78	125,655.47	89,663.90	207,805.57	272,634.68	272,265.07	177,360.33	152,623.59	66,472.10
7	Ending Reg Asset	Ln5 + Ln6	1,266,302.78	1,391,958.25	1,481,622.15	1,689,427.72	1,962,062.40	2,234,327.47	2,411,687.80	2,564,311.39	2,630,783.49
8											
9	Beg Intercompany Payable	Prior Mo. Ln12	-	(1,266,302.78)	(442,180.35)	(531,844.25)	(739,649.82)	(1,012,284.50)	(1,284,549.57)	(1,461,909.90)	(1,614,533.49)
10	Current Mo. Interco. Payable Additions	Input	(1,266,302.78)	(125,655.47)	(89,663.90)	(207,805.57)	(272,634.68)	(272,265.07)	(177,360.33)	(152,623.59)	(66,472.10)
11	Current Mo. Payments	Input	-	949,777.90	-	-	-	-	-	-	-
12	Ending Intercompany Payable	Ln9 + Ln10 + Ln11	(1,266,302.78)	(442,180.35)	(531,844.25)	(739,649.82)	(1,012,284.50)	(1,284,549.57)	(1,461,909.90)	(1,614,533.49)	(1,681,005.59)
13											
14											
15	Net Reg Asset Current	Ln7 + Ln12	-	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90
16	Net Reg Asset Prior Month	Prior Mo. Ln15	-	-	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90
17	Activity for Month	Ln15 - Ln16	-	949,777.90	-	-	-	-	-	-	-
18											
19	Monthly Pro-ration (1/2)	Ln17 * 0.5	-	474,888.95	-	-	-	-	-	-	-
20	Base for Carrying Charge	Ln3 + Ln19	-	474,888.95	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90	949,777.90	991,785.97
21											
22	Carrying Charge Rate		8.17%	8.17%	8.17%	8.17%	8.17%	8.17%	8.17%	8.17%	8.17%
23											
24	Carrying Charge	Ln20 * (Ln22 / 12 Mos.)	-	3,231.39	6,462.78	6,462.78	6,462.78	6,462.78	6,462.78	6,462.78	6,748.62
25	Accumulated Carrying Charge	Ln24 - Ln2 + Prior Mo. Ln25	-	3,231.39	9,694.17	16,156.95	22,619.73	29,082.51	35,545.29	42,008.07	6,748.62

Transource Missouri, LLC

Calculation of Carrying Charge for Regulatory Asset

Ln #	Description		Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Total
1	Beg Base for Carrying Charge	Prior Mo. Ln3 + Prior Mo. Ln17	991,785.97	2,591,499.53	2,591,499.53	2,591,499.53	2,591,499.53	
2	Carrying Charge to Reg Asset	Input	-	-	-	-	-	
3	Adj Beg Bal Net Reg Asset	Ln1 + Ln2	991,785.97	2,591,499.53	2,591,499.53	2,591,499.53	2,591,499.53	
4								
5	Beg Month Regulatory Asset	Prior Mo. Ln7	2,630,783.49	2,656,754.21	2,769,231.97	2,858,011.19	3,048,788.21	
6	Current Mo. Regulatory Asset	Input	25,970.72	112,477.76	88,779.22	190,777.02	354,397.73	
7	Ending Reg Asset	Ln5 + Ln6	2,656,754.21	2,769,231.97	2,858,011.19	3,048,788.21	3,403,185.94	
8								
9	Beg Intercompany Payable	Prior Mo. Ln12	(1,681,005.59)	(107,262.75)	(219,740.51)	(308,519.73)	(499,296.75)	
10	Current Mo. Interco. Payable Additions	Input	(25,970.72)	(112,477.76)	(88,779.22)	(190,777.02)	(354,397.73)	
11	Current Mo. Payments	Input	1,599,713.56	-	-	-	-	
12	Ending Intercompany Payable	Ln9 + Ln10 + Ln11	(107,262.75)	(219,740.51)	(308,519.73)	(499,296.75)	(853,694.48)	
13								
14								
15	Net Reg Asset Current	Ln7 + Ln12	2,549,491.46	2,549,491.46	2,549,491.46	2,549,491.46	2,549,491.46	
16	Net Reg Asset Prior Month	Prior Mo. Ln15	949,777.90	2,549,491.46	2,549,491.46	2,549,491.46	2,549,491.46	
17	Activity for Month	Ln15 - Ln16	1,599,713.56	-	-	-	-	
18								
19	Monthly Pro-ration (1/2)	Ln17 * 0.5	799,856.78	-	-	-	-	
20	Base for Carrying Charge	Ln3 + Ln19	1,791,642.75	2,591,499.53	2,591,499.53	2,591,499.53	2,591,499.53	
21								
22	Carrying Charge Rate		8.17%	8.17%	8.17%	8.17%	8.17%	
23								
24	Carrying Charge	Ln20 * (Ln22 / 12 Mos.)	12,191.26	17,633.90	17,633.90	17,633.90	17,633.90	131,483.56
25	Accumulated Carrying Charge	Ln24 - Ln2 + Prior Mo. Ln25	18,939.89	36,573.79	54,207.69	71,841.59	89,475.49	

Transource Missouri, LLC.

Weighted Average Cost of Capital

	Debt/ Equity Ratio	LT Debt Rate / ROE	WACC
Debt	40.00% x	3.680% =	1.47%
Equity	60.00% x	11.16% =	6.69%
			8.17%

ROE Calculation:

Project Name	Projected PPE %	Per Docket ER12-2554- 000	
IATAN	14.43% x	10.30% =	1.49%
SIBLEY	85.57% x	11.30% =	9.67%
		Combined	11.16%

LT Debt Rate Calculation / Projected PPE%:

LT Debt Rate taken from FERC Section 205 filing dated 8/31/12, Appendix F, Exhibit Nos. TMO-400-403, Alan C. Heintz Testimony, Attachment 5 - Financing Costs for Long Term Debt using the Internal Rate of Return Methodology.

Debt to Equity Ratio:

Ratio taken from Docket No. ER12-2554-000 page 23 Section 4. a. (Hypothetical Capital Structure).