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FILE

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of Columbus Southern Power Company for Approval of its Electric Security Plan; an Amendment to its Corporate Separation Plan; and the Sale or Transfer of Certain Generating Assets. :	Case No. 08-917-EL-SSO
In the Matter of the Application of Ohio Power Company for Approval of its Electric Security Plan; and an Amendment to its Corporate Separation Plan. :	Case No. 08-918-EL-SSO

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DEPOSITION

of Philip J. Nelson, taken before me, Maria DiPaolo Jones, a Notary Public in and for the State of Ohio, at the Ohio Office of Consumers' Counsel, Ten West Broad Street, Columbus, Ohio, on Friday, October 24, 2008, at 9:34 a.m.

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ARMSTRONG & OKEY, INC.
185 South Fifth Street, Suite 101
Columbus, Ohio 43215-5201
(614) 224-9481 - (800) 223-9481
FAX - (614) 224-5724

APPEARANCES:

Porter, Wright, Morris & Arthur, LLP
By Mr. Daniel R. Conway
41 South High Street
Columbus, Ohio 43215-6194

American Electric Power
By Mr. Steven Nourse
One Riverside Plaza
Columbus, Ohio 43215-2373

On behalf of American Electric Power Company.

Janine L. Migden-Ostrander
Ohio Consumers' Counsel
By Ms. Maureen R. Grady
Assistant Consumers' Counsel
Ten West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

On behalf of the Residential Ratepayers of American Electric Power.

ALSO PRESENT:

Mr. Daniel Duann;
Ms. Emily Medine.

APPEARANCES VIA SPEAKERPHONE:

Nancy H. Rogers, Ohio Attorney General
Duane W. Luckey
Senior Deputy Attorney General
Public Utilities Section
By Mr. Werner L. Margard III
Assistant Attorney General
180 East Broad Street, 9th Floor
Columbus, Ohio 43215-3793

On behalf of the staff of the Public Utilities Commission of Ohio.

ALSO PRESENT:

Mr. Ray Strom.

Friday Morning Session,
October 24, 2008.

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STIPULATIONS

It is stipulated by and among counsel for the respective parties that the deposition of Philip J. Nelson, a witness called by the Ohio Office of Consumers' Counsel under the applicable Rules of Civil Procedure, may be reduced to writing in stenotypy by the Notary, whose notes thereafter may be transcribed out of the presence of the witness; and that proof of the official character and qualification of the Notary is waived.

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PHILIP J. NELSON

being by me first duly sworn, as hereinafter certified, deposes and says as follows:

EXAMINATION

By Ms. Grady:

Q. Good morning, Mr. Nelson.

A. Good morning.

Q. At this time I want to enter as OCC Exhibit No. 1 the notice to take deposition upon oral examination and request for production of documents and within, Mr. Nelson, within that notice you were asked to produce at the time of your deposition all documents relating to your testimony in this proceeding or responses to discovery, including, but not limited to, the results of any studies done for these proceedings and any backup documentation, including raw data, for these studies.

Did you bring any documents with you to respond to that portion of the notice of deposition?

A. I brought only my testimony and exhibits.

Q. Okay.

MR. CONWAY: I think our understanding is that we produced all that information to you, Maureen.

MS. GRADY: Earlier this week.

MR. CONWAY: Yes.

MS. GRADY: Understood. Thank you.

Q. Mr. Nelson, I'm going to direct you to page 3 of your direct testimony, and that was the testimony filed July 31st, 2008. You have a copy of that before you?

A. Yes.

Q. Now, I'm going to direct your attention to lines 14 and 15 where you say "I have reviewed -- "Since the Companies are proposing an increase in the SSO in this case, I have reviewed these cases and used data as appropriate to establish a basing point for development of the FAC and the environmental capital carrying costs components." Do you see that reference?

A. Yes.

Q. What data are you referring to there?

A. I'm referring to the information in those proceedings that would relate to environmental data or the fuel adjustment clause.

Q. And can you be more specific, what information in particular you would be relying on?

A. The information I'm relying on is the information that allows me to make adjustments to the unbundled EFC rate as well as establish the EFC rate, and there's a discussion beginning on page 9 of my testimony around line 20 that deals with the adjustments, but first I needed to establish what was the frozen EFC rate that's a component of the current SSO.

Q. Okay. I take it -- or, later on in your testimony you talk about the 1999 FERC Form 1 information. Would that be some of the data that you were looking at that was appropriate for establishing the basis starting point?

A. Yes. I did review financial data either from FERC Form 1 or other financial sources, accounting sources for some of the data.

Q. And would the data also include your testimony? You filed testimony in that proceeding?

A. I'm sorry, which proceeding?

Q. Well, you indicate at this point in your testimony, and you've listed a number of cases where you -- and I'm looking at page 3, lines 4 through 8, you list a number of cases where you've sponsored testimony and you say, well, these cases are the foundation of the current SSO, so I guess I'm asking you when you were looking at the data and reviewing the cases, were you looking at your filed testimony?

A. Yes.

Q. As well as the testimony --

A. In those proceedings, yes.

Q. As well as testimony of other witnesses related to FAC.

A. I don't know that I reviewed other witnesses. It wasn't important to me.

Q. And how did you determine what data was appropriate? Because you say "used data as appropriate"?

A. Well, as appropriate to include my testimony, again, my topics are the fuel adjustment clause as well as a carrying cost on environmental capital spent. These cases I cite either deal in some respect with those two components, the unbundling case of course was a much broader case, but there is a component in that case where we unbundled the fuel rate of the current SSO.

Q. And the unbundling case would have been which case?

A. I think it's the electric transition plan or ESP case, that would be 99-1729 and 99-1730 I believe.

Q. Now, on page 4 of your testimony you describe the EFC methodology and you indicate there that the FERC fuel clause definition was followed and that the items in the fuel clause were limited to the narrow NEC definition of fuel. Do you see that reference?

A. Yes. I see a mention of -- where are you on page 4?

Q. That would be lines 4 through 5, actually, 3 through 5 on page 4 of your testimony.

A. I go from 3 to 5.

MR. CONWAY: Here you go.

A. I ran a copy this morning, it didn't work. You lost me there for a minute.

MS. GRADY: Off the record.

(Recess taken.)

Q. Let me go back, Mr. Nelson. On page 4 of your testimony you describe the EFC methodology and you indicate that the FERC fuel clause definition was followed and that the items in the fuel clause were limited to the narrow NEC definition of fuel. Do you see that reference in your testimony?

A. Yes; however, I believe that discussion begins on the bottom of page 3.

Q. Oh, okay. And it follows onto page 4.

A. Right.

Q. Yes. Now, I wanted to focus on the NEC definition of fuel. If I went back to PJN-2, your Exhibit PJN-2, would that show me the NEC components of fuel? Would that be a quick way --

A. Yes, that's correct.

Q. -- to see -- okay. And you also mention that there were some costs that were not includable in the NEC definition of fuel, and there you state fuel handling and purchased power demand and capacity payments. Do you see that reference?

MR. CONWAY: And by "not includable" you mean in the old EFC, right?

MS. GRADY: Yes, and under the NEC definition of fuel.

Q. And I was focusing really, Mr. Nelson, on lines 6 and 7 on page 4 of your testimony.

A. Yes. I see that.

Q. Were there others that were not includable in that NEC definition of fuel?

A. What do you mean by "others"?

Q. Other costs. I mean, you indicate there that purchased power demand charges and capacity payments were not includable under the NEC definition of fuel. I guess I'm wondering if there were other expenses or payments or charges that were also not included in that definition.

A. I think what you're asking me is whether some of the components in my FAC --

Q. Yes.

A. -- were not --

Q. Yes.

A. Okay. That's correct.

Q. And what would those be, if you know?

A. Environmental costs would not be a part of the fuel definition at -- NEC definition of fuel.

Q. Is there anything else that comes to mind?

A. Yes. Refer to my PJN Exhibit 2.

Q. Yes.

A. Anything below line 16 in essence is not a part of the NEC. That's the way it's organized is the NEC is to line 16.

Q. So, for instance, the items on line 20, 21, 22, the Allowance Consumption Expense, Gain on Sale of Allowances, and Losses on Sale of Allowances would not have been included?

A. In the NEC, that is correct.

Q. Yes. And then additionally if I went from lines 31 through 44, these items listed would not also -- would also not have been included in the NEC definition of fuel.

A. Yes, that's correct.

Q. Now on page 4, line 13, you indicate that SB 221 provides a broader cost-based adjustment that includes prudently incurred fuel, purchased power, and environmental components. Is there a specific reference to 221 that you could point to for this, or is this just a general impression that you have?

A. I don't have the bill in front of me so I can't give you a specific reference, though I'm certain in reading the bill that, you know, these components are mentioned within the ESP provision and I believe in other sections of the bill.

Q. Now, on line 17 you reference variable costs. Can you tell me how you define a variable cost there?

A. Yes. Variable cost in the context I'm using it is a cost that would increase with the output of the unit, and I'm here referring to the environmental carrying costs -- or environmental costs primarily, that's the clarification I'm using to describe variable cost.

Q. Now, on page 4, lines 18 through 21 you indicate that the company did not propose to include capital carrying charges on the environmental capital in the fuel adjustment clause. Do you see that?

A. Yes.

Q. And why did the company decide not to seek capital carrying charges in the fuel adjustment clause? What was the basis for that?

A. I'd say that one of the bases would be we wouldn't expect those costs to be as variable as other costs. They're not -- they can change over time obviously, as you add more capital plant, but they're rather stable. That's the main reason I would say.

Q. Now, these carrying costs are recovered, correctly -- recovery is being sought for these carrying charges but not through the fuel adjustment clause; is that correct?

A. That's correct.

Q. And Mr. Baker or Mr. Roush would be testifying on that?

A. I'm testifying to the quantification of those costs.

Q. Okay. Let's go to PJN-2 for a moment, Mr. Nelson. Under PJN-2 you have, at least there's one column, I believe it's column E, where there appears to be an assignment or an allocation. Do you see that on --

A. Yes.

Q. -- PJN-2? Okay.

Now, is the assignment of cost to off-system under NEC derived, is that calculation shown or derived from PJN-3?

A. You specifically asked about the NEC section?

Q. Yes.

A. For the NEC, and I was looking for a reference in my testimony, I'll flip through here just a minute.

The NEC, what we use is there's an algorithm involved. We dispatch our units, or PJM does, we create a cost reconstruction at the end of each month, determined which units at any particular hour were running for production of off-system sales. What I have on PJN-2 is a forecast so we've tried to model the actual methodology used and duplicate that.

Q. Is that -- is the algorithm contained, the basis for assigning the NEC energy costs to off-system, is that contained somewhere within your testimony so we could go to it and see how that particular algorithm worked and how it was forecasted?

A. No; it would be quite an attachment to my testimony. This is an hourly analysis for each unit of the AEP system, so it wouldn't be something that would be meaningful attaching to my testimony. No one would make any sense of it. You'd need a computer to add up all the components.

Q. Now, you indicated it was a forecast. What period of time would that have been over, if you know?

A. PJN-2 is a forecast of 2009.

Q. 2009? And that's for the NEC, just to be clear, that's for the NEC assigned off-system and internal load costs?

A. Yeah, the algorithm we just discussed relates to NEC specifically.

Q. Now, going further on down to -- on PJN-2, you've got, on lines 20 through 23 you have environmental accounts in EFC and there you also list an allocation factor. What was the basis of that allocation?

A. The basis of that allocation is PJN Exhibit 3.

Q. Well, I was almost right there. Okay, so --

A. Now, just to clarify a bit, PJN Exhibit 3 is derived from data from the algorithm we just talked about, okay?

Q. So the period of time it would relate to would also be the 2009 forecast?

A. That's correct.

Well, and PJN Exhibit 3, just to clarify, I think we have two years on there. We have 1999 which was used for determining the appropriate allocations for the current SSO. The bottom half is relating to 2009.

Q. Okay. Now, the 1999 allocation, was that approved by the Commission in the 1999 case? Would that have been something that --

A. That wouldn't have been something a commission would specifically approve, no.

Q. Now, the algorithm that we've been

talking about, and I'm going back to PJN-2, the net energy cost and the assignment of that to off-system and to internal, is that allocation different than the method of allocation of NEC for sales to other AEP companies?

A. No.

Q. Is the allocation factor for NEC between the off-system and internal load similar to the allocation of environmental accounts in the EFC or is it a different formula altogether?

A. I'm not sure I can answer that question. They're two different animals. I can explain a little bit --

Q. If you could.

A. -- about what it is. Let's go back to the algorithm.

Q. Okay.

A. When we dispatch units, we have certain costs that we're dispatching those units. Fuel is a major component of the dispatch. There are certain other components of costs that are variability costs that we dispatch against.

The algorithm we were talking about for a determination of how much is assigned to off-system sales is a cost reconstruction after the end of the month to determine the stacking of units. The most expensive units are, this may be a simplification, but appear at the top of the stack by unit and proceed on down.

The off-system sales would get the higher cost units in each hour and that cost would be assigned to them. So, okay, now when you asked about environmental and I asked you to be a little more specific, what are you asking?

Q. Give me a moment, please.

I think we don't need to go there because I think what -- we were looking at the environmental accounts in the EFC and you explained to me that those are essentially off the same algorithm; isn't that correct? The allocation.

A. Yes. I used -- and I describe this in my testimony. If you'd like I could find a reference, but we're using the data produced by the NEC --

Q. Yes.

A. -- to do a reasonable allocation for forecast purposes of these other items.

Q. Now, what fuel costs are used to dispatch the units?

A. What fuel costs are used to dispatch the units? Could you be a little more specific on what you mean by what fuel costs?

Q. The average cost or replacement cost for fuel.

A. I believe it's average cost of fuel. It should be similar to what we've always done, I believe, though I'm not necessarily completely versed in that area, but I believe that's the case.

Oh, let me clarify too, because we're talking about dispatch and cost reconstruction.

Q. Okay.

A. PJM actually, you know, we bid our units into PJM so there's a little bit of a difference between dispatch and cost reconstruction. We tend to mix those animals together a bit, but cost reconstruction is the more important factor in what I'm determining because that's where you determine which units were assigned off-system sales, et cetera.

Q. Now, going back to PJN-2, the figures shown on the upper portion of that PJN-2 under Fuel and Environmental Costs Included in the Prior EFC & FAC, and I'm going to focus on lines 5 through, actually 5 through 13, those relate to fuel and environmental costs that were included in the prior EFC, and are those actuals from the prior EFC?

A. I may have misheard your question, but did you say something about environmental being in that?

Q. No. No. I was focusing on lines 5 through 13, the upper portion of PJN-2.

A. Which would be fuel and purchased power.

Q. Right, and not -- exclusive of environmental.

A. Okay.

Q. And so my question is are those the amounts that are shown in Column D, the Total, are those actual 1999 amounts that were included --

A. I'm sorry, which schedule are we on?

Q. PJN-2.

A. No, those are forecast 2009 costs.

Q. Forecast 2009, okay.

So when you used the title Fuel and Environmental Costs Included in Prior EFC & FAC, you're really meaning that these categories of costs were included in the prior EFC and FAC, not necessarily the dollars that are listed in your column D Total.

A. That's correct.

Q. And it would be safe to assume that the items listed in column D for lines 5 through 13 have never been approved by the Commission to your knowledge.

MR. CONWAY: By "approved" what do you mean?

MS. GRADY: That the Commission has never made a determination as to whether or not those are appropriate numbers and appropriately included.

A. Well, this --

Q. In rates.

A. We don't have a fuel clause today. We're asking for one to be established in 2009. This is our projection of those 2009 costs to reestablish the fuel clause.

Q. Are those the forecasts of your fuel costs escalated by the 3 and 7?

A. Which 3 and 7 are you talking about first?

Q. The 3 and 7 from the '04 case.

A. Okay.

MR. CONWAY: Are you talking about the

RSP cases?

MS. GRADY: Yes, the RSP case.

A. This is cost, not revenue; 3 and 7 have nothing to do with cost. Cost is cost in 2009.

Q. I understand. Okay.

MR. CONWAY: Could we go off the record just a second?

MS. GRADY: Sure.

(Discussion off the record.)

Q. Now, Mr. Nelson, going down onto PJN-2 where you have the, and I'm looking at lines 20 through 22, you have what you would consider environmental accounts or environmental costs included in the prior EFC and FAC. Do you see that?

A. Yes.

Q. That 2009 amount, is that also a forecasted amount?

A. These would all be forecast amounts, that's correct.

Q. Now, if I wanted to -- strike that.

I'm going to go to your exhibit now -- and forgive me for jumping around, your exhibits kind of caught my eye and I just want to understand what your exhibits are attempting to show. I want to go back to PJN-1. What is the purpose, Mr. Nelson, of this exhibit? What are you trying to show here?

A. Okay. This exhibit is identifying the fuel component of our current SSO.

Q. And you start with the frozen EFC rate; is that correct?

A. That's correct. That's shown on line 10 of that exhibit.

Q. And that's the frozen EFC rate that was frozen during the market development period?

A. Yes. That's correct.

Q. And how long was that market development period?

A. The market development period was 2001 through 2005 I believe.

Q. Okay.

A. Five years.

Q. Now, in that exhibit you also show additional SB 221 FAC accounts at the 1999 level, and you have "with allocation factor." Was that allocation factor approved in 1999, or has that been developed since 1999?

A. That allocation factor, as far as I know, would never be the subject of approval of this commission, being the Ohio Commission.

Q. So you've got the 1999 amount and then you develop an allocation factor based upon what period of time?

A. Based on 1999 to be consistent.

Q. Okay.

A. Same algorithm we talked about previously but for '99.

Q. Okay. Now, on line 20, account 501 you have Fuel Handling -- No Load (CV4). Do you see that?

A. Yes.

Q. What does that mean?

A. That's the same as fuel handling above, though the reason it's a separate -- we track it separately is Conesville 4 is a joint unit, so it's just a little more detail. It could have been rolled together.

Q. So "CV" means Conesville 4.

A. Conesville, I'm sorry, yes.

Q. And then on line 24 you have Purchased Power - Nontrading - Nonassociate (Non-fuel), what does that refer to?

A. That's, well, some of the description gives you -- the nonassociated means it's not from any affiliate company of AEP, so it's purchased from the market or some other third party.

Q. Why is it nonfuel?

A. Because it's -- under the FERC definition we've assigned a part of purchases as fuel and a part as nonfuel. It goes back to the idea that a component of purchases was capacity related.

Q. Now, would the 1999 amount shown for lines 18 through 31 on PJN-1, would they be amounts we could trace to a filing in a case or some other --

A. No. Not a filing in a case. Well, I shouldn't be so blunt, there's perhaps a case that had some '99 data in it that you might be able to track to, but they wouldn't -- these are things that we're including in the new FAC, not the EFC at that time, so they wouldn't have been relevant to the EFC. They're, obviously, relevant to the FAC.

Q. I understand.

A. Now, let me explain why I'm pulling that out. It would be very unfair of me to just pull out the old EFC fuel rate and then layer in the 2009 fuel rate that included more than that. You have to realize that these costs were included in the base rates of the company, so this is to make sure that we're not double counting, so we're pulling out these costs for that reason.

Q. And you would have gotten these costs from the books of the company; is that --

A. That's correct.

Q. Would those have been reflected in the FERC Form 1 data? If I wanted to tie these back to something, is that a document that I would go to, or --

A. Well, it's not quite that easy. We wouldn't have all the subaccounts in a FERC Form 1. It's limited to three-digit accounts. There's records below the FERC Form 1, but -- they would feed up to a number in the FERC Form 1, but it's not quite that easy.

Q. Okay. I didn't think anything would be easy.

Now, on line 36 of PJN-1 you have the RSP Rate Adjustment and you have 3 percent per year for three years. Can you tell me how that was calculated and what the 3 percent was applied to?

A. Yes. It was a compound rate, that is we've got -- in the RSP case we got 3 percent for

'06, we got an additional 3 percent for '07, and an additional 3 percent for '08, and I mention the compound rate in the text of my testimony.

Q. Yes.

A. That compound rate was applied to the line above, so it would be applied to line 35.

Q. Where the 2.166 is?

A. Yes.

Q. Okay. And that 2.166 reflects the addition of the frozen EFC rate in the 221 FAC accounts, that 1999 level?

A. Yeah, some of those too I guess.

Q. And this is what we're talking about is reflecting for CSP, correct, the 3 percent.

A. Yes, that's correct.

Q. And if we talked about Ohio Power, you would have done the same calculation -- and it, in fact, shows up on PJN-4 -- and you would have applied the RSP rate adjustment of 7 percent per year for three years compounding as you explained.

A. That's correct.

Q. Now, the FAC presently in the SSO rate for Columbus Southern Power is 2.552; is that correct?

A. Yes, other than I may have mentioned that that's before losses. Mr. Roush would apply loss factors I believe.

Q. And then if you go to PJN-2, you've got the NEC rate of 2.859 cents per kilowatt-hour. Do you see that?

A. The NEC rate, yes, would be the 2.859.

Q. So you -- let me strike that.

Now, PJN Exhibits 4 through 6 are similar to PJN-1 through 3 but reflect Ohio Power Company specific FAC information, correct?

A. That's correct.

Q. And then the allocation factors and the methodology that we've been discussing for PJN-1 through 3 would have been the same allocation factors and methodology that were used in PJN-4 through 6, correct?

A. That's correct.

Q. Were there any differences in the methodology or the accounts included in the FAC between Ohio Power and CSP?

A. No, there would not be differences in methodology or accounts, however, some accounts wouldn't apply perhaps to Ohio Power and vice versa, between CSP and Ohio Power. They have different plants, different items.

Q. I understand.

A. For example, the PAR you'll find for CSP, that doesn't apply to Ohio Power Company.

Q. Can you tell me why the emission control chemicals for Ohio Power are so much greater than the emission control chemicals for CSP?

A. Yes. Ohio Power has a lot more generating facilities than CSP.

Q. You're talking about a $65 million expense for Ohio Power versus 6 million for CSP?

MR. CONWAY: Where are you referring to, Counsel?

MS. GRADY: I've got to find that reference. Yes, PJN-1 you've got account 502, you've got a 6,728 million dollar figure and then if you go to PJN-4 -- I'm sorry, it is 23,341,000.

MR. CONWAY: And that's in column D for each of those two exhibits?

MS. GRADY: Yes. Yes, line 32 in PJN-4 and line 31 in PJN-1.

A. I guess you want me to explain a little the difference in the numbers; is that --

Q. Sure. I mean, it doesn't have to be an in-depth discussion.

A. I think we just mentioned that one factor is Ohio Power has a lot more generating capacity to begin with and produces quite a few more kilowatt-hours than CSP does. It also is dependent on whether you have units scrubbed or not because what creates the need for, say, lime is whether you have an FGD on a particular unit. Lime or limestone. So that's also a factor in this differential. But I'd say the primary factor is just the fact that Ohio Power produces a lot more kilowatt-hours than CSP.

MR. CONWAY: And "FGD" stands for?

THE WITNESS: Flue gas desulfurization.

MS. GRADY: I actually knew that.

Q. Let's go back to your testimony on page 5. As much as I love to look at schedules, I want to get back to your testimony.

A. Would you give me just a minute to get my exhibits organized so if I come back, I can use them.

Q. We probably will come back to those.

A. Okay. I'm on page 5.

Q. Yeah, on page 5 I'm going to refer you to lines 11 through 13, and you're talking about the fact there that the company indicates it will incur audit fees in connection with the new FAC rules and will charge the 501 fuel account for those. Do you see that reference?

A. Yes, I do.

Q. What audit fees are you referring to there?

A. I'm referring to the audit fees in the Commission's rules related to Senate Bill 221, and I'm speculating a bit, but I think we used to have an audit fee for the management audit of fuel practices I'll describe it. We had another fee from a financial auditor that was hired. Now, I don't know whether its the position that both those audits exist, but I'm anticipating a similar audit.

Q. And those audit fees, the ones you had in the fuel proceedings, those are passed through the fuel clause; is that correct?

A. I would hope so, yes.

Q. And I was talking about the EFC, the prior EFC.

A. Yes, I believe they were passed through the fuel clause.

Q. And is there -- I know you talked about the rules and I understand what rules you're talking about. What would be your expectation as to when those audit fees would be incurred and what the level of the audit fees would be, if you know?

A. I could only speculate when the first audit may occur, but I was anticipating it would be sometime, I think that the rules are proposing or have stated an annual audit, so it would make sense to me that it would occur sometime after the close of 2009 I believe. And the level of audit fees, I could only speculate on that.

Q. Now, on page 6, lines 2 through 3, you indicate that the company will also include in the FAC any new environmental related chemicals that may be required in the future. Do you see that?

A. Did you give me a line?

Q. I'm sorry, yeah, that would be lines 4 through 5 -- or, I'm sorry, 2 through 3.

A. Yes.

Q. Do you know at this time, Mr. Nelson, if there are any new environmental related chemicals that are going to be required in the future?

A. There are some chemicals that may not be on -- well, let me restate it. There are some potential chemical expenses that currently CSP and Ohio Power are not incurring that under existing rules we might expect them to incur. I shouldn't say existing rules now that CAMR has been removed because I was going to use the idea of activated carbon for example, but I'm not sure both CSP and Ohio Power would be incurring those today, but activated carbon we anticipated would be an additional chemical that may be needed in the future.

Q. Are there any other chemicals beyond the activated carbon that you would expect will be required in the future and would be part of the FAC pass-through?

A. No. I think what we're intending by this statement is that if it is something environmental related and is a consumable or a variable environmental cost, that's appropriate to include in the FAC. We just don't know what rules or regulations may come down the pike.

Q. Now, you indicate, and I'm looking further on down in your testimony on page 6, that you are requesting authority -- actually, it carries on to page 7, that you're requesting authority to move demand charges to account 555 from account 507. Do you see that?

A. Yes.

Q. And what's a practical effect, if any, on moving these demand charges from a power sale contract from 507 to 555?

A. I would say a practical effect on the FAC is no practical effect. To me it just makes more sense to be included in 555 since this part of our business is being regulated, that is we're going to have a fuel cost now that we didn't have when we were booking these to 507. So it's the fact that we're -- if this part of our business would be regulated, it makes more sense to include those in 555 now.

Q. So it's just an accounting.

A. Yeah, it's just an accounting.

Q. And it wouldn't have any regulatory impact or any --

A. Wouldn't affect the rate one way or the other.

Q. Okay. Now, on page 7 you speak about a federally mandated carbon or energy tax recoverable through the FAC, and I'm looking at lines 18 through 19 on page 7. Do you see that?

A. Yes.

Q. How would you intend to recover that through the FAC? Through quarterly filings? Through annual filings? How would that be accomplished, if you know?

A. It would be treated the same as all the other costs in the FAC, the same schedule. I wouldn't see any reason to distinguish it.

Q. So to the extent it --

A. But until you have the particular costs I can't be certain of that. But I would anticipate that it wouldn't be treated any differently.

Q. So in effect whenever the carbon tax took effect, then the subsequent quarterly filing of the company would reflect the tax?

A. Well, yeah, you'd have to kind of speculate a bit, but if we knew it in advance and we'd be filing a forecasted fuel rate for some period, we would include it in that forecast. If it came in a period that we didn't have it in the forecast but it was in the actual, it would affect the deferral over/underrecovery for future collection.

Q. Now, in the company's filing did the company forecast the prices of fuel and other SB 221

FAC accounts for periods beyond 2009?

A. I'm sorry, could you repeat the first part of that question?

Q. Let me try to repeat it or reword it.

A. Okay.

Q. In the company's filing did it present forecasts of the prices of fuel or other SB 221 FAC accounts for any period beyond 2009?

A. In its filing the company did not present that data.

Q. And why did the company not present that data?

A. It did not present that data because we didn't do the calculation at the time of the filing.

Q. Is that on the basis that future proceedings will look at the -- or is that on the basis that there will be trueups in future proceedings so that as the costs are incurred, they will become known and that will be the basis of the FAC rate?

A. That's certainly a part of it. That's why it doesn't -- it wasn't important to us to present '10 and '11 from a fuel standpoint. We would expect to be before the Commission in the quarterly filings.

Q. Now, Mr. Nelson, would it be true to characterize your testimony as calculating the fuel portion only of the FAC?

A. No. I'm calculating the total FAC.

Q. So the non-FAC part of the current SSO rate, that would also be the subject of your testimony?

A. Yes, and I believe we went over that when we were discussing Exhibit 1.

Q. Does Mr. Roush have any responsibility for calculating the non-FAC portion of the current SSO rate?

A. I've had discussions with Mr. Roush, he has provided certain data to me. Specifically this data, if we're talking about what's below line 12 on PJN-1 for example, Mr. Roush did provide me, for example, on line 37, the power acquisition rider adjustment amount.

Q. Now, on page 8 of your testimony you speak of a three-step process in identifying the FAC component of the SSO. Do you see that testimony?

A. Yes.

Q. And your first step was to identify the frozen EFC rate from the ETP cases; is that right?

A. That's correct.

Q. And the ETP cases that that would have come from would have been 99-1729 and 99-1730?

A. I believe so.

Q. Now, the frozen EFC rate is shown on PJN-1 for CSP and PJN-4 for Ohio Power?

A. Yes.

Q. Now, the second step you testified to, and I'm looking at lines 15 through 16 on page 8 of your testimony, was that you added the calendar year 1999 amounts for the accounts that are included in the FAC for this proceeding, and that would be the accounts that you're able to include under SB 221?

A. Yes. That's correct.

Q. And for CSP that would be shown on PJN-1, and it would be shown on PJN-4 for Ohio Power, correct?

A. That's correct.

Q. Now, the costs that were not present in 1999 -- let me strike that.

You indicate on lines 17 through 18 that you use the 1999 data from FERC Form 1 and other financial records as the base period for additional components that were not included in frozen EFC. Do you see that?

A. Yes.

Q. And the additional components that were not included in the FAC would be shown on your exhibits as, for instance, PJN-2 lines 31 through 44.

A. Yes, and they'd also -- I think the better reference is probably on PJN-1 because in this instance I'm talking about what I did for the '99 rate. So just to keep the exhibits straight, '99 is PJN-1, 2009 is PJN-2, but they're the same accounts.

Q. Yes. And the third step that you speak of, Mr. Nelson, is that you made an adjustment for subsequent rate changes to arrive at a base FAC equal to fuel costs reflected in the most recent SSO, and that would be 04-169?

A. That's one of the cases, yes.

Q. Now, the subsequent rate changes that you're referencing, those are shown on page 9 of your testimony?

A. Yes.

Q. Now, the first subsequent rate change that you refer to is the increase in generation rates, the 3 percent for CSP and the 7 percent for OPCo?

A. That's correct.

Q. And those were the increases permitted in 04-169?

A. That's correct.

Q. So the 2006 has a 3 percent increase, and 2007 another 3 percent, and then 2008 3 percent up until 2009? Is that correct?

A. Yes, for CSP it would be 3 percent. For Ohio Power it would be 7 percent, yes.

Q. Now, speaking for a moment about the 3 percent and the 7 percent increases associated with 04-169, at the time you had projected that that increase for CSP would amount to $151 million; is that correct?

A. I don't recall.

Q. Would you accept, subject to check, that that was your projected increase?

A. Is that the cumulative over the three-year period or an annual figure?

MS. GRADY: I would hand Mr. Nelson the opinion and order from 04-169 and perhaps that may refresh his recollection or memory.

MR. CONWAY: What is the question again?

MS. GRADY: The question really is is that with the 3 percent increase to generation rates associated with 04-169, that the company had projected at that time that it would increase revenues for CSP by $151 million.

A. It appears in this order, the 151 million statement, is these increases will generate 151 million for Columbus Southern Power. I believe that's the order. Okay.

Q. And there is in that order a reference to AEP Exhibit 2 at 12 -- I'm sorry, there is in the order a reference to AEP Exhibit 3 at 10 for the source of those numbers?

A. Yes. I see that.

Q. Do you know, Mr. Nelson, what the actual increase generated for CSP would have been in 2006, 2007, and 2008 as a result of the 3 percent yearly increase?

A. No, I haven't looked at the actual increase for those three years. I did a calculation or Dave Roush provided me a calculation that at the end of the three years the rate has gone up, you know, 3, 3, and 3, gone up 9 percent, so we did a calculation that would identify how much revenue on an annual basis the increase produced.

Q. Now, is that information shown in your testimony or Mr. Roush's testimony, if you know?

A. I have it on PJN Exhibit 13, the number.

Q. And I think we're going to get to that, but not quite yet.

Okay. As far as -- and you would also have shown that at the end of the three years, the revenue calculated for the 7 percent compounded increase for OPCo as well?

A. Yes.

Q. And that is on --

A. And let me clarify, though, one thing. When you're talking about 3 and 7 percent, are you talking about that specific provision --

Q. Yes.

A. -- of the RSP, or are you talking about characterizing the RSP as 3 and 7 because the RSP had more than a 3 and 7 percent increase in it? So I want to be clear that the 151 that was in the case reference is not just related to the 3 and 7 percent generation increase. Or at least I don't believe it is. I haven't reviewed that case in a while --

Q. Okay.
A. -- for that particular item.
Q. And how did you -- that being the case, PJN-13, for purposes of PJN-13 how did you separate the 3 and 7 percent revenue from the RSP general revenue?
A. I asked Mr. Roush to provide me that number.
Q. Does Mr. Roush present testimony on that, if you know?
A. I don't know.
Q. Now, we're going through the subsequent rate changes that you adjusted for in arriving at your FAC and we first talked about the 3 and 7 percent, I'm going on to the second adjustment which I believe you list as the power acquisition rider, the 4.43 percent increase.
A. Yes.
Q. Was that approved by the PUCO, and if so, in what case was that approved?
A. I'm pretty certain it was approved by the PUCO. I'm not sure if my reference list of cases has it. It wasn't a case I was involved in. I think I might have cited the cases that I was involved in.

Q. Okay.

MR. CONWAY: Could I have the question reread?

MS. GRADY: I guess I was referring to the power acquisition rider if that was your question.

MR. CONWAY: Okay.

MS. GRADY: The 4.43 percent increase.

MR. CONWAY: So your question to him was in what case was the power acquisition rider approved?

MS. GRADY: Yes.

MR. CONWAY: Okay.

A. I can't answer that.

Q. Is it expected, if you know, Mr. Nelson, that the power acquisition rider will continue into the future, 2008 and beyond?

A. I don't believe the power acquisition rider will continue into the future.

Q. And what's the basis of that belief?

A. A reading of Mr. Roush's testimony for one.

Q. Are you making a distinction between the rider versus the power acquisition cost in terms of not continuing into the future?

A. I think my belief is neither continue into the future, the cost or the rider specifically.

Q. Okay. Is there any -- if, in fact, Mr. Nelson, your assumption about the power acquisition rider not continuing into the future is correct, is there anything in the proposal before the Commission that would adjust the fuel adjustment clause to account for that fact?

A. Yes. Let me explain that. In my proposal what I said, the earlier question is I don't believe the rider continues. We are not reducing our revenue for the discontinuance of the rider, I think it's being rolled in with -- I believe the rider's gone away, but, this is a question for Mr. Roush, the revenue will continue.

Since the revenue is going to continue, then to be fair to the customer I've included the power acquisition rider in my PJN Exhibits 1 and 4 -- or 1, it only applies to CSP, so I'm offsetting. You've got a credit to cost for the same amount as revenue, so it's a wash.

MS. GRADY: May I have that answer reread, please?

(Record read.)

Q. Going back a moment, Mr. Nelson, the power acquisition rider, can you explain to me how that works, what it is, what it does?

A. Yes, briefly. It was a purchased power contract that was developed as a result of the company's acquisition of the Mon Power service territory.

Q. And so the purchased power contract costs would be -- let me strike that.

So are you saying that the fuel adjustment clause for CSP accounts for the fact that there should be some appropriate treatment for purchased power associated with the Mon Power situation?

A. What I'm suggesting is that when you're identifying the component of the current SSO rate, we have a component in there for the Mon Power rider because it is purchased power, it wasn't in the original EFC but it's in the accounts -- let me get you back to Exhibit 1.

Q. Okay.

A. I'm referencing line 37.

Q. Yes.

A. So when we're identifying is there a component of the current SSO related to the Mon Power contract, I'm saying yes, there is, and it's .185 cents as shown on that exhibit. So I've added it to the total FAC amount that we consider in the current SSO.

Q. So the purchased power, so essentially what you're saying is that power was needed to be purchased and CSP's customers needed to pay for it.

MR. CONWAY: Could we go off the record for a second?

(Discussion off the record.)

MS. GRADY: We can go back on the record.

Q. Going now to one of the third subsequent rate changes that you refer to on page 9 of your testimony, you talk about the regulatory asset charge for OPCo that ended related to the Gavin cap and the mine investment/shutdown cost. Do you see that?

A. Yes, I do.

Q. Now if I go to PJN-7, that would show the Gavin cap that was included in the 1999 EFC rate?

A. Yes, I believe it shows that. It shows -- this is an exhibit, to clarify, from the unbundling case.

Q. Can you kind of run through that exhibit for me and explain it for me?

A. I'll run through it to show the significance of the exhibit if you don't mind.

Q. That would be great.

A. Okay. The significance of the exhibit is that on October 5^{th}, 1999, we had a frozen EFC rate of 1.45654. In the unbundling case we identified a component of that rate for the Gavin cap recovery and we came up with a net EFC fuel rate remaining in rates. The significance of the Gavin cap is that that was -- we set aside some regulatory assets that we were recovering. We had a RAC I believe it's called, during this period, and that component was a portion of that asset recovery.

That rate has since gone away. It ended at the end of December 2007, so if you want to think of this component as going the opposite direction of the others, it's consistent with that idea of what's in our current SSO or our current SSO rates for these items.

Q. So the Gavin cap recovery component and the frozen EFC rate would have been the .11386; is that correct?

A. That's correct.

Q. And then below there you have a residual EFC fuel rate cents per kWh, can you tell me what that number is? It seems to be a little bit hard to read.

A. Oh, it's 1.34268.

Q. And then that number gets translated or carried over into PJN-4, line 10 at the frozen EFC rate?

A. That's right.

Q. Now, the Gavin jurisdictional factor shown on PJN-7, how was that derived?

A. This case was quite a number of years ago; I don't recall.

Q. So that factor would have been developed within the context of the case?

A. Remember, this exhibit, PJN-7, is just a copy of the exhibit of that case; yes.

Q. And that case --

A. It's just a source document for the number that appears on Exhibit 4.

Q. Okay. Now, on page 10 of your testimony, lines 9 through 10 you testify that by adding escalation factors both OPCo and CSP's customer impact is reduced. Do you see that?

A. Yes.

Q. Can you explain to me how that happens?

A. It means when we back out the fuel FAC component of the current SSO, by having the larger FAC component identified it means the residual nonfuel component of the SSO is reduced. And then we add back in, of course, the 2009 FAC amount. So the net effect is that it means that the fuel rates for the customer go up less than they would otherwise if I hadn't included that.

Q. And then you say that the PAR adjustment further reduces the impact on CSP ratepayers. Can you explain that?

A. That would be the same explanation, the same logic.

Q. And the loss of the RAC would be the opposite logic; is that right?

A. That's correct, because that component of our rate went away at the end of '07, so it would have the opposite effect.

Q. Now, on the bottom of page 10 you indicate that the costs on the company's book for 1999 were really costs from sometime earlier. Do you see that reference?

A. No, I don't.

Q. On lines 19 through 20 of page 10 you say "Many of the costs that would have been established in the Companies' general rate cases filed some time before an EFC rate in October 1999 would not have been based in calendar year 1999." So I guess I am assuming that what you're saying there is that the costs on the company's books for 1999 really related to an earlier time frame. Is that correct?

A. No.

Q. No. Okay.

And you state that the costs for -- you state on lines 21 through 22 carrying over onto page 11 of your testimony that since the EFC rates were those effective in October 1999, using 1999 data is a reasonable method of establishing the other FAC components for the base period. Do you see that?

A. Yes.

Q. You're assuming there that the 1999 cost data does not differ significantly from, for instance, 2008 cost data?

A. I don't see the relevance of that comparison, so I can't answer that question.

Q. Now, on page 11 of your testimony you indicate that the companies expect the fuel and environmental costs to be higher than the fuel rates in the most recent SSO. Do you see that reference?

A. Yes.

Q. And what case number are you referring to as a source of your most recent SSO?

A. I'm referring to my calculation of the fuel component of my most recent SSO.

Q. You mean the most recent SSO being what you're presenting here for the Commission or a prior?

A. What I'm comparing is the FAC that I've calculated, the FAC component of the current SSO, that calculation versus what we expect fuel to be in 2009 is my comparison.

Q. So when you say "our most recent SSO," are you referring to -- what?

A. If you want to refer to it as today's SSO, that's fine.

Q. Yes. What is proposed in the filing.

A. No. The rates exist today. We're not proposing an SSO, a new SSO today, so I'm comparing what's embedded in our current rates for fuel which I've identified. It's not related to just one case.

As we've gone through all these cases, I've started with a case with the escalators on it, with the PAR on it, so I've identified that current component in our SSO related to fuel and we expect, also make a simple statement everyone knows the fuel cost is going to be much higher than what we've experienced in the past I guess ten years or so, and just up until recently, so I'm just comparing that fact. It's a very simple statement that I'm trying to make there.

Q. I understand.

A. Okay.

Q. You indicate that, on lines 13 through 14, that the allowance expense for the companies has come down in recent years. Can you define the time frame?

A. Recent. It would relate to when major environmental equipment has been added. But recent in my context, it's probably been in the last four or five years. And what I'm looking at is not a market price of allowances, that's not relevant to this, it's the costs the companies have incurred for this.

Q. Can I take you back, Mr. Nelson, to PJN-5? Given the statement you just have made I want to focus on the allowance consumption expense shown on line 20 and the gain on the sale of allowance and the loss on the sale of allowances on lines 21 and 22. Can you go through those numbers to explain how that relates to the statement you just made with respect to the allowance prices coming down in recent years, and how these numbers do or do not reflect the allowance prices coming down?

A. I did not say allowance prices are coming down.

Q. Allowance expense. **And if there's a** difference, please explain it to me.

A. There is a difference, which I think I tried to explain a minute ago in my previous answer, is that cost is a function of both the number of the emissions going out the stack and the weighted average inventory prices of the allowances. Market price can influence the weighted average inventory price of allowance, but if we don't purchase allowance, it may not have any impact.

Q. Yes.

A. So it's much more complex, that's why you want to focus -- my statement relates to costs rather than whatever the market's doing. They may not be directly tied.

Q. So are you talking about the costs to --

A. And I'm talking now about account 509, line 20, which is Allowance Consumption Expense, not -- I didn't want to have this discussion related to lines 21 and 22, my answer -- we might not apply that answer to lines 21 and 22.

Q. Now, the allowance expenses included in the -- let me strike that.

Going back to PJN-5 listed as line 21, Gain on Sale of Allowances, can you tell me, and I'm looking at the 2009 amount that's shown as a negative or a loss of $25.821 million. Do you see that?

A. Yes, I see that, but it's not a loss, it's a gain. It's 411.8, that's a gain. It's a credit to the cost so it's reported within brackets.

Q. And that's related to -- can you explain what events that's related to?

A. That, we were anticipating -- this may be confidential information.

MR. NOURSE: Can we go off the record?

MS. GRADY: Yes.

(Recess taken.)

MS. GRADY: Back on the record.

Q. Let's focus, Mr. Nelson, on page 11 of your testimony, on lines 22 through 23 you indicate that the companies have projected costs for NEC and those environmental items in the prior EFC and additional cost items to be included in the FAC, and I want to focus on that part of your statement where you indicate that the companies have -- let me strike that.

I want to focus on where you say "those environmental items in the prior EFC." Can you tell me what you're referencing there?

A. Yes. Let me refer you to Exhibits 1 and 2.

Q. Okay.

A. One, we know that we had a frozen EFC rate so the components, whatever they were in the EFC at the time, are in there, and I know for a fact that we included Commission allowance, consumption expense, and I know for a fact we included gains on sale of emission allowance in the old EFC, so they're contained within that frozen rate.

Q. And those would be lines --

A. Oh, it's line 10 because we're talking about PJN-1 now.

Q. Okay.

A. So it's within line 10.

Q. But you're talking about the accounts, the environmental items being listed as accounts 509, 411.8, and 411.9. Are those the items you're talking about as the environmental items in the prior EFC?

A. That's correct. If you now go to Exhibit 2, the items on Exhibit 2 as lines 20 through 22 are what used to be in the old EFC for environmental.

Q. And if we wanted to know exactly what environmental items were included in the prior EFC, where would we go to determine, out of that frozen EFC rate of 1.373 for Columbus Southern Power, what the amount associated for those environmental items was?

A. You'd probably have to go back to the case record in those cases that I cite related to the old EFC cases.

Q. But in the present filing we wouldn't be able to make that determination.

A. I don't think you have to.

Q. Now, you also list there are additional cost items to be included in the FAC. Can you tell me with respect to your exhibits what those additional cost items would be?

A. Yes. As we discussed before, and I'll just reference PJN-2, it would be the lines 27 through 44.

Q. Great. Thank you.

Now, on page 12 of your testimony you indicate that the NEC component of the fuel cost is determined by stacking the company's generation resources. Do you see that?

A. Yes.

Q. Can you define there what you mean by "generation resources"?

A. Generation resources are the company's generating units and can be any purchases made by the company.

Q. So that would include power purchases from other AEP companies or -- let me strike that.

So that would include power purchases from other AEP companies as part of generation resources referred to there.

A. No, it would not include, because all the units for the AEP system are in the stack. But it would include purchases from third parties.

Q. So purchases from the third parties would be included in the stacking for purposes of determining the NEC component of fuel cost?

A. Yes, they would be a component of the cost reconstruction and the stacking.

Q. How about interruptible power sales, would that be considered a generation resource and affecting the fuel cost by what you're testifying to here?

A. I don't know specifically on that one. I don't know.

Q. Do you know, Mr. Nelson, and I understand given your last answer you may not know, do you know what happens with economic interruptions of large customers and how that impacts the stacking of the company's generation resources?

A. No, I don't know specifically much detail around that item.

Q. Do you know if there is a witness in this proceeding that would know that information, if you know?

A. Witness Roush would know something about interruptible rates. I don't want to put it on him that he knows about the stacking of these resources, but I would think he would know something about --

and he's addressed, I believe, in his testimony some issues on that.

Q. So I'm going to defer my interruptible questions to him.

A. Okay.

Q. I'm going to blame you if he says "I have no idea."

I want to move now to the capital carrying costs on environmental investment. I think you start talking about that on page 15 of your testimony. And you say that the company is making significant capital investment in environmental facilities and as a result you're requesting the capital carrying costs on these facilities that are not currently reflected in rates. Is that a correct characterization?

A. Yes, though I say "have made." I think you said something -- I thought you said "are making." I think it's a little of both, but I think the significance is what we've already made, a bigger chunk of it.

Q. And what you're saying is that since your last rate case, your last rate cast was in 2001 or prior to that?

A. You'd have to define "rate case" for me.

Q. Okay. I guess I'm trying to get at the fact that it would appear that you're stating that you've made significant capital investment in environmental facilities and yet that investment has not been recognized in rates. I assume that that's what you're saying here.

A. The incremental -- maybe both the total and the incremental because we don't have cost of service rate-making in Ohio. We wouldn't have had any general case where you would have had rate base that, for example, included these expenditures.

Q. So you wouldn't have, under the current structure of the company's rates you wouldn't have a recovery of the capital investment or a recovery of the carrying costs on your capital investment related to environmental facilities.

THE WITNESS: Could you read that back to me?

(Record read.)

A. What I would say is that we haven't had a rate case where we included these specific facilities, a general rate case, the old general rate cases which I don't think we've had for some time now, I think you have to go back to the '90s. We haven't been in for a general rate case that would affect generation rates that would allow us to include these facilities in rate base.

Q. And when we say "these facilities," are you talking about a discrete period of time, for instance from 2001 to 2008; is that the time frame we're talking about?

A. Yes.

Q. So we're focusing on environmental facilities that have been -- that the company has invested in from 2001 through 2008 for purposes of your capital carrying cost calculation in this case.

A. Yes. At least a portion of it.

Q. Now, when you say "a significant capital investment," and I think the reference is -- let me strike that.

Yes, there is a reference, you say "significant capital investment" on page 15, line 21. Can you tell me in terms of dollars what the total dollars you're talking about?

A. Yes.

Q. And is that reflected in a schedule?

A. Yes, it is.

Q. Okay.

A. Probably the best -- there's significant dollars both on PJN-8 and 9.

Q. Eight and 9?

A. I think I'll call your attention to 9 because it's total for the two companies.

Q. Okay.

A. Cumulative through 2008 we've spent approximately $3 billion.

Q. And then the cumulative for 2008 would represent actual as well as some projections in there?

A. Yes, there would be a small part projected for the remainder of '08.

Q. Do you know how many months of projections are in that figure for cumulative for 2008?

A. Approximately, I'm going to -- I don't know exactly at the time these numbers were compiled, but I believe it would be six or seven months.

Q. And if I looked at PJN-9, then I would see that, for instance, if I looked at the column entitled Cumulative for 2008 and then looked at the next column that says "Cumulative for 2009," if I wanted to determine what the difference in expenditures forecasted I would just take -- subtract one from the other, the CSP total.

A. That would give you the incremental.

Q. And tell me how much on a yearly basis --

A. Yes.

Q. -- you project associated with the environmental expenditures, okay.

Are there any changes in the costs listed for the cumulative for 2008 or beyond as a result of the court actions regarding CAIR or CAMR?

MR. CONWAY: Could you read that question back for me?

A. Ultimately, CAIR or CAMR may have an impact in the future. Now, this exhibit only goes through '11, so are you eliminating your question through '11?

Q. Are there any deferrals related to scrubbers?

MR. CONWAY: Excuse me. Did you say "deferrals"?

MS. GRADY: Uh-huh.

MR. CONWAY: Deferrals of what?

MS. GRADY: Of costs related to

scrubbers.

MR. CONWAY: Okay.

A. Yeah, I think you're asking whether the timing might have changed and that would push out some expenditures beyond --

Q. Yes.

A. -- other than in this schedule. I don't believe this schedule would have reflected a great understanding of CAIR or CAMR at the time it was prepared because it was, I don't know if the data was prepared around the same time, but it was unclear, and I think still is, how CAIR and CAMR may affect these expenditures.

Q. Would your expectation be that CAIR or CAMR would affect this in terms of either the timing of the expenditures or the level of expenses incurred?

A. There are several variables. We also have a new source review so I'm not sure how much impact it would have in this period. I doubt it would have a great deal of impact, but, you know, there are also other things going on that may impact capital spending.

Q. Now, on page 16, going back to page 16, lines 2 to 3, you indicate that investors require return on and of their capital expenditures. Do you see that?

A. I'm sorry, did you give me a line number?

Q. Lines 2 through 3.

A. Okay. Yeah, I remember the statement. I just wanted to make sure I'm with you. Yes.

Q. And now when you're referring to the carrying charge, are you referring to a return on the capital expenditures as opposed to a return of capital expenditures, or are you --

A. No; the capital carrying cost rate as I described is composed of more than just the cost of money.

Q. It's a return on and the return of.

A. Of.

Q. And the return of piece comes in when you include elements like depreciation, property expense, A&G?

A. I think return on probably wouldn't be -- I think that's depreciation to be a little more precise.

Q. The return on.

A. But I could probably accept the broader definition as well.

Q. Now, you indicate the carrying cost rate includes the cost of money and other items, and you have included the cost of money at the weighted average cost of capital. Do you see that reference?

A. Yes.

Q. As of what date is that weighted average cost of capital?

A. It isn't as of a particular date. That is I made an assumption at the time we did our testimony that the 50/50 capital structure I'm using for this calculation is appropriate and it's appropriate consistent, I think, with recent historic periods. It's also what we expect these companies to be capitalized in the future.

Q. Now, has that capital structure been approved by the Commission, by the PUCO at all, and if so, when or in what kind of proceeding would that have been approved?

A. I can't answer that question. I don't know if we get capital structures approved by the Commission.

Q. Now, you refer on lines 7 through 9, and again I'm on 16, to the carrying costs including such items as depreciation, income tax, and A&G. Is that what essentially occurs when projects are rate based, that those kind of costs, depreciation, income tax, and A&G, are then recovered?

A. Yes, these would be recoverable costs under rate base methodology.

Q. But under the investment that you have calculated carrying charges on, there is no rate base -- or, there is no inclusion in rate base at this point under the company's rates.

THE WITNESS: Could you --

Q. Let me maybe try to reword that.

A. Okay.

Q. The projects that -- the environmental investment that we've been talking about runs from 2001 through 2008 and you're asking for carrying charges on that. I guess my question is the way you have calculated carrying charges would be something akin to what would happen if there was -- if these investments were included in rate base.

A. It's a different methodology, and I describe that in my testimony, it's a levelized methodology rather than a test year rate base type calculation.

Q. But the end result would be the same because you're getting a return on and a return of that investment.

A. Yeah, the end result would be comparable.

Q. Mr. Nelson, under what authority are you calculating the carrying charges so that it includes the full cost of debt including equity?

A. Under the principle that we need a full return on our investments, it's not under any particular authority other than the need to recover our costs.

Q. And if I asked you under what authority are you calculating the carrying charges so that it includes depreciation, income tax expense, and A&G, would your answer be the same, that the authority that you're relying on is that the company needs a full return on and of their investment in the environmental expenditures?

A. Yes, the company is seeking to recover its incremental costs of these expenditures.

Q. Are you aware of any regulations, either FERC Uniform System of Accounts or Ohio statutes or FASB, that would support the calculation of the carrying charges that you propose?

A. Well, I know these costs are normally included in rate-making. We haven't been denied recovery of environmental costs that I'm aware. So yeah, I'd say that where you do have regulation of generation, they're includable. Obviously in Ohio we don't have regulation of generation, so it's difficult to answer that.

Q. That's why I posed it. I'm trying to determine -- I understand the principle, that you're saying that the company needs a full return on and a full return of, I'm just trying to seek clarification as to whether there's some authority that you're relying upon outside of the principle that you stated that would suggest that this is an appropriate means of calculating a carrying charge.

A. Well, I guess I probably should have thought of it at the time, but it's Senate Bill 221.

Q. You mean the provisions of Senate Bill 221 --

A. Yes.

Q. -- which allow environmental investment to be recovered?

Now, the depreciation, income taxes, and A&G component of your carrying charges, what time period would those relate to?

A. They're an approximation of what we think those costs are today, that is you develop a carrying cost rate based on -- and I think they may have used, some components may have used 2007 calendar year as a method to determine a reasonable percentage for those items. I think -- I recall it may have been the A&G piece.

Q. Would the 2007 -- would using whatever data, like for instance let's assume you used 2007 calendar year data, would that have picked up for the entire time frame, the 2001 through 2008 period, the cumulative depreciation and the cumulative income taxes and A&G related to that environmental investment or not?

A. It's not meant to do that. What the percentage is meant to recover is if you spend a dollar of capital, what's the approximate recovery needed for A&G related to that dollar of capital spent. The way the 2007 data is used, it's used as a reasonable proxy for what we think that cost is going to be, so you develop a percentage and, for example, you may say that the component is 2 percent, well, you'd say that my expectation is that to make this investment I'm going to have -- if we make this investment, we have a cost of approximately 2 percent for A&G, et cetera, so that's how it's used.

I went into that because I wasn't -- the question going back to 2001 didn't make sense to me.

Q. Yeah, I guess the question I'm really trying to put out there is you've indicated that there's been investment, environmental investment made from 2001 through 2008 and that you are calculating carrying charges in order to get your return on and your return of your investment. Is it the intent of your carrying charge that you've included in the -- as a component of the FAC to recoup from the moment that investment was made these items, depreciation, income taxes, A&G? And if so, is that what you're doing?

A. No. That's not what we're doing.

Q. And can you explain --

A. What we're doing is when you have a capital investment, you're going to have expenses each and every year to carry that investment so what we're asking for is we're estimating what that carrying cost is in 2009 related to that investment. We're not going back and saying, oh, we didn't recover depreciation, or we didn't recover that during this period; no. We're saying what's this investment imposing on us in the way of costs going forward.

Q. On a going-forward basis.

A. Yes.

Q. So the items of depreciation, income taxes, and A&G, if I wanted to find out the specifics of each of those items, is that contained -- that's included in the carrying cost calculation, is that contained within your testimony in a schedule?

A. Yes. Schedule 10 shows you the components of the carrying cost rate.

MR. CONWAY: Did you say Exhibit 10?

THE WITNESS: No, I said "schedule," but I meant to say "Exhibit 10."

Q. And that's a two-page exhibit, one reflecting CSP and the other reflecting Ohio Power?

A. Yes, that's correct.

Q. And you have made an assumption about the investment life?

A. Yes.

Q. You're assuming a 50-year investment life for all of the investment, environmental investment?

A. No, 25-year life is what the assumption is, and I mention that in my testimony I believe.

Q. Is that why it's shaded at 25?

A. That's correct.

Q. Now, you indicate on page 16, lines 14 to 15, that the capital structure used to calculate the carrying charges of a 50/50 capital structure is consistent with the recent capital structures of the company. Do you see that reference?

A. Yes.

Q. How recent are you talking about?

A. I would say within the last year to two. The more important thing is getting the correct capital structure that we expect to be at in the future, so I looked at both at kind of where they were and where we hoped to be and, generally, 50/50 fits both situations.

Q. Is the actual capital structure of the companies any different than 50/50?

A. I'm pretty sure it's not exactly 50/50, yes. If you looked at a particular point in time. Also you have to then define what you mean by "capital structure." There's different definitions and different things included in capital structure, but generally this would be -- it would vary, but it's in the ballpark of the actual.

Q. And for purposes of your analysis did you assume that both Ohio Power and CSP have the same capital structure makeup?

A. Yeah. I assumed 50/50 overall capital structure and did assume the ratios are the same, yes.

Q. And you also indicate that the capital structure used is consistent with how the companies intend to capitalize over the period the EFC will be in effect. Do you see that reference?

A. Yes.

Q. What period are you referring to? Are you referring to the three-year period or a ten-year period?

A. The three-year period.

Q. Now, you refer on lines 22 through 23 on page 16 of your testimony to net cumulative environmental capital expenditures. Do you see that reference?

A. Yes.

Q. Are you using "net" because you're giving some recognition of offsets to the RSP increases, the

3 percent and 7 percent?

A. Yes, as well as 4 percent cases.

Q. Now, you make offsets, and that is getting into your offsets for the capital expenditures, you start on page 17, lines 12 through 23, and you talk about, as you'd just indicated, that there's offsets with initial estimates of expenditures made in the RSP case. And I assume that is the 04-169 case; is that correct?

A. Yes.

Q. And that there were also offsets for expenditures that were a component of the 4 percent cases, and would those be 07-63, 07-1132, 07-1191, and 07-1278?

A. Yes, those are the cases I believe.

Q. Okay. And the offsets -- the offsets that you make, are those -- the offsets that you make are related to the initial estimates of the expenditures made in the RSP case, correct?

A. That's one component, that's the -- yes, the 460 -- what was it, 469?

MR. CONWAY: 04-169.

Q. 04-169.

A. 169, I'm sorry.

Q. And those are the initial estimates you thought would be recovered through the 3 and the 7 percent increases?

A. Well, one thing I'd want to clarify is we never specifically said the 3 and 7 relate to any particular item in that case, but in my testimony in that case I did lay out the significant environmental expense the company was expecting.

Q. Yes.

A. And we're I think going maybe a little further than we need to, but we're recognizing that since we had some estimates there, we had some expectations, let's go ahead and give recognition to those estimates and credit the expectations with those estimates.

Q. If the offsets were based on those amounts collected in those rates for expenditures, would you expect that the offset would be greater or lesser than the offset you proposed?

THE WITNESS: Could you --

MR. CONWAY: Could you read that again, please?

(Record read.)

MR. CONWAY: I'm going to object and ask

for a clarification of what those expenditures are that you mentioned.

MS. GRADY: Perhaps I can rephrase it.

THE WITNESS: Okay.

MS. GRADY: I'm not sure I can totally get you not to object, but let me try to rephrase it.

MR. CONWAY: Okay.

Q. (By Ms. Grady) You indicated, Mr. Nelson, that you have initial estimates of -- let me strike that.

You indicate, Mr. Nelson, that as an offset to the capital expenditures the company is including here that you have initial estimates of what was to be recovered through the 3 and 7 percent increases, and we talked about your testimony in 04-169 as laying estimates out of what was to be recovered.

MR. CONWAY: When you say "what is to be recovered," what are you referring to, Ms. Grady?

MS. GRADY: The environmental investment expenses that were to be recovered.

A. Well, as I mentioned, that case did not specifically say we were going to recover those environmental expenditures. If you go back to my testimony in that case, I can't make that connection, but what I did say is that I've given recognition that someone can interpret that way, so I'm going to give a capital credit, I'm going to reduce the capital spend of the capital identified there and apply my carrying costs to the incremental, the remainder.

Q. And I guess I'm saying you recognize the capital expenditure in that case.

A. I laid out before the Commission a large capital expenditure that the AEP-Ohio companies were going to make for environmental, yes.

Q. Do you know with respect to the capital expenditures laid out if the rates established in the RSP case covered the capital expenditures that you identified in that case?

A. They certainly wouldn't recover the capital expenditures. We didn't ask for recovery of capital expenditures. If you're talking about -- are you talking about the carrying costs on those?

Q. Yes. Yes.

A. Okay. Would you repeat it with that in it?

Q. Now you lost me.

MS. GRADY: Can I have my question reread so I can collect my thoughts.

(Record read.)

Q. Let me say do you know, Mr. Nelson, if the carrying charges related to the capital expenditure estimates that you presented in 04-169 were recovered through the 3 and 7 percent increases?

A. No, I don't believe you can ascertain whether they were recovered because this wasn't a cost of service case. Remember, the 3 and 7 percent increases were just general increases that were required to cover all our expenditures and expenses. To say, oh, did they recover environmental? If you assign that recovery to environmental, oh, they didn't recover fuel, or they didn't recover something else, so it's -- I don't think you can be that precise. It's just the case wasn't that precise that you could assign revenue specifically to the carrying costs on environmental.

But we recognize, as I said before, that we're -- it was partly related to that so we've given the credit. I think the credit, we're being, I think, more than generous, and if you want me to get into that, I can get into that.

Q. Let me talk to you about, you know, you had original estimates of capital expenditures that were presented in that case in 04-169, and you've testified to that; is that correct, that there were initial estimates of expenditures?

A. Yes.

Q. Do you know with respect to those initial estimates what your actual expenditures were related to the environmental compliance activities?

A. Well, I know what they were for the period 2001 through 2008 because I've laid that out in my exhibit. Now, that 2001 through 2008 also includes a piece of forecast we talked about, but setting that aside I know what we spent on environmental during that period.

Q. And that would be shown on PJN-9?

A. Yes.

Q. And that would be that first column, the cumulative for 2008?

A. Right.

Q. And do we know -- let's just take, for instance, CSP, on the cumulative for 2008, let's take the forecasted piece out for now. Do we know how the estimates that you presented in 04-169 compared to the actual environmental expenditures spent from 2001 through 2008?

A. Yes. To some extent. And I think a reference to, going back to PJN, we kind of skipped over that one but 9 supports 8, and you can see that, you know, we've got total environmental expenditures 2001 through 2008, and the next line is a credit of capital expenditures that we had either estimated in the RSP case or the subsequent 4 percent cases.

Q. So the capital additions identified in the RSP in 4 percent cases, that was -- that line on PJN-8 represents your -- if you will, your initial expectations or initial estimates that you referred to in your testimony as being presented in the RSP case? Is that correct?

A. And the 4 percent case.

Q. And the 4 percent case.

A. Let's go to PJN-12, that's the support for those numbers. And I think if you go to my testimony in these cases, it's not laid out -- it was never even planned to be used for this purpose obviously, so it's not as concise as it might be if we had anticipated this event, however, you can find these capital expenditures either in the original RSP or the subsequent 4 percent cases.

Q. Now, let's go, and I am making progress here, let's go to page 18 of your testimony, and you're talking about the retail revenue requirement for OPCo being reduced to recognize that as the environmental plan investment increases, that it has an effect on the AEP pool capacity charge. Do you see that testimony?

A. Yes.

Q. For what period of time did you propose to reduce the revenue requirement associated with the impact of environmental plant investment?

A. The carrying costs that we're proposing here begin in 2009, so it would be the 2009 period.

Q. Am I correct in assuming, Mr. Nelson, that this investment has been occurring from 2001 through 2008 in environmental capital items?

A. Yes.

Q. And were there adjustments in the rates associated with the fact that by increasing investment, that the capacity charge for the surplus pool would be affected?

A. We had no increase in Ohio rates for any capacity-related costs during this period.

Q. And you had no decreases as well, correct?

A. We had no change in rates related to capacity payments or receipts in this period.

Q. Why did the company use May 2008 to calculate the AEP pool capacity allocation factor?

A. It was the latest available to me at the time.

Q. Do you know if the allocation factor has changed since then?

A. I haven't looked at it since then, no.

Q. Will the allocation factor be adjusted in quarterly or yearly filings to reflect any additional environmental capital expenditures as they are made?

A. We hadn't proposed to make any quarterly adjustments with respect to this item.

Q. Are you assuming that there will be no more capital expenditures on this item?

A. No. Just the opposite. In my exhibits I show continuing capital expenditures for these items, you can see it on PJN Exhibit 8, because I believe we've been talking about the period 2001 through 2008, you can see there's incremental expenditures in '9, '10, '11. I expect if you carried this out further, they would continue to have expenditures and, in fact, this is cumulative whether it's in service or . . .

Q. So would you expect --

MR. CONWAY: Wait a minute. Would you finish your answer, please?

MS. GRADY: I'm sorry.

THE WITNESS: I don't remember where I was going with it.

MR. CONWAY: Never mind.

Q. Would you expect, Mr. Nelson, that with the increased capital expenditures that the company is likely to make that it would then have an impact on the AEP pool capacity allocation factor as more investment is made, at least for Ohio Power Company?

A. Well, there's more variables to the capacity calculation than just the rate, so no, I can't -- I don't know.

Q. But that could be something that could be evaluated, could it not, as part of your quarterly or annual filings?

A. Well again, you know, we've been talking a great deal this morning about the FAC and that is a quarterly process.

Q. Yes.

A. We're having fuel cost filings quarterly. And I think early on you asked me about whether the environmental capital carrying cost is going to be included in that, and you see it's not. We are not proposing in the ESP any sort of track or quarterly filings related to this. We've included, and this goes to Witness Roush's rate design, he's included these carrying costs in the SS -- the rate effective January 1st, but there's not a proposal by the company at this time to --

Q. Put it in.

A. -- update any of this stuff or make quarterly filings or reconcile these numbers.

Q. Now, under PJN-10, the annual investment carrying charges are shown as of 12/31/07; can you tell me why that date was picked?

A. We usually do a carrying cost calculation, or our finance department does, annually, and that was the most recent period.

Q. And are the annual investment carrying charges expected to change into the future, if you know?

A. I'm sure they will. For example, you

know, 10-1/2 percent on equity is not sufficient in these markets, for example, and you know you can have -- obviously, the debt cost rates we used are I think low compared to what we would see today. So, yeah, the carrying cost rates, the cost of money components may change, the other components may change.

We're not doing a cost of service or test year calculations here. We thought this was a reasonable estimate of these costs, being conservative, as I said, in my testimony and using the 10-1/2 percent.

Q. And you're saying the carrying cost, just so I make sure I understand where you're coming from, the carrying cost component of the environmental investment is not something that would be subject to trueup because it's not part of the FAC, it's handled as part of the SSO? Is that the distinction you are making?

A. Well, those terms don't mean as much to me as they might to someone else in the company, but we're not proposing any trueup or tracker associated with the environmental capital carrying costs.

Q. Going to PJN-13, you are attempting to calculate a credit associated with revenue that would be produced for environmental investment under the 3 and 7 percent increase and under the RSP 4 percent cases, and I guess I'm going to ask you how did you determine the value that is shown on, for instance, the 3 and 7 percent RSP adjustment to fuel adjustment clause base line which is the second unnumbered line, how did you come up with that? How was that derived?

A. Forgive me. For some reason -- I'm trying to find 13. I've got these out of order some way.

THE WITNESS: I'm sorry, could you reread the question?

Q. I can rephrase the question.

A. Okay.

Q. Referring to PJN-13, you show on that exhibit a line which is entitled "3 percent and 7 percent RSP Adjustment to FAC Base Cents per kWh," and then if you go to the right, you show an amount for OPCo of .323 and an amount for CSP of .201, and I guess I'm asking you how was that derived, those two figures?

A. That goes back to Exhibits 1 and 4 that we had a discussion on earlier, and that's the compounding of the 3 and 7 applied to the base number.

Q. Okay.

A. You should find those rates there.

Q. They would tie in.

A. Yes.

Q. Okay. And the credit that you calculate, over what period of time is that supposed to represent?

A. It represents the current rates.

Q. So on a going-forward basis?

A. Yes.

Q. As opposed to historically going back to 04-169.

A. Yeah. It's an annual value of that credit.

Q. And if I go down farther on that schedule to the environmental carrying costs, the offset for RSP estimates and the 4 percent cases -- let me strike that.

Are the numbers shown under 2008 Revenue Increase for 3 Percent and 7 Percent and RSP 4 Percent Case, do those tie into any schedule that you've presented as well?

A. There's three numbers under the Environmental Capital Offset Credit Value, would you like me to describe those and where -- if there's a reference to --

Q. Yes. Yes.

A. Okay. Let's start with the one that you're going to find most easily, that's the second line down, you see an 84 million --

Q. Yes.

A. -- and a 26 million. Those will appear on PJN Exhibit 8 as the revenue requirement, okay? Now I'm going to take you back up to the line above; what those numbers represent is if I have a spreadsheet calculation, if I back out the credit provided for all the capital expenditures that are shown on PJN Exhibit 8, that's line -- then apply the carrying costs to those expenditures without the offset in capital credit, then you'd produce 224 million for Ohio Power and 82 million for CSP.

So the difference between those figures that we just talked about, the 224 and the 84 for Ohio Power, is the value of that credit.

MR. CONWAY: Did you say "84" or did you say "82"?

THE WITNESS: Well, let me state it again because I'm not sure.

Let's use the two Ohio Power columns so we can stick with one set of numbers. As I said, the 224 is the carrying cost if you didn't have a capital credit provided in this proceeding. The 84 is carrying cost with the credit. The difference of 140 million, then, is the value of that credit.

Q. And what is the derivation of the annual revenue produced in 2008 related to the 3 and the 7 percent increase?

A. That should be the evaluation of just what it says, the 3 and 7, on an annual basis how much additional revenue does that produce. Again, that was provided to me by Company Witness Roush.

Q. Mr. Nelson, are you familiar with AEP's follow-up filing on October 16th, 2008, regarding projected financial information, fuel procurement, and other fuel related information?

A. Yes, I'm familiar with it.

Q. Were you involved in the preparation of that particular filing?

A. I was involved in preparation of the additional fuel information.

Q. Does the information contained in that filing change or revise any of your testimony or exhibits that you sponsor?

A. No.

Q. Now, we've talked about the annual and quarterly FAC filings. Is the company proposing, with respect to the FAC portion of its filing, a carrying charge on undercollections?

A. I believe Witness Len Assante discusses carrying costs related to the expected underrecovery in 2009.

Q. So you would be asking for -- as far as you know --

A. Yes.

Q. Okay. On the other hand, does the company -- has the company requested or asked for a carrying charge on overcollections under the fuel adjustment clause?

A. Under our proposal during this period I can see no way that we'd have an overrecovery.

Q. If you did have an overrecovery, can you explain to me how you would collect -- let me strike that.

MS. GRADY: May I have his answer reread?

(Record read.)

A. Can I clarify a bit?

Q. Sure.

A. An overrecovery cumulative balance. I'm hoping, as most folks would, that fuel costs moderate say in 2010. We may have a particular period, a month or something, that you may have an overrecovery or an underrecovery, that would tend to reduce the balance.

So what I'm speaking to is the expectation that will we have recovered all our fuel at the end of the three-year period, and it's speculation now, but I don't -- my opinion is that under our proposal we wouldn't -- we'd have a balance.

Q. And I guess I was questioning on a short-term basis if there's that overrecovery that you said could occur, whether or not the company has a proposal that would allow for carrying charges to go the opposite way? I mean, we've talked about the fact that Mr. Assante has carrying charges on undercollections.

A. Yes.

Q. The question then is is the company

proposing some symmetry in that if we have overcollections, that the carrying charges will accrue and benefit customers?

A. Okay. I think we would probably be proposing symmetry under normal circumstances, and let me explain that. And the symmetry we'd probably propose with the quarterly filing is we wouldn't have carrying costs, we didn't have that in the old EFC and so forth so there wouldn't be carrying costs one way or the other.

Q. Yes.

A. That's not the situation we have here. We're purposely underrecovering our fuel costs to the tune of quite a bit of money.

Q. In relation to the -- I'm sorry.

MR. CONWAY: Were you finished with your response?

MS. GRADY: Yeah. You know, I have a bad habit of interrupting.

Q. Are you talking about --

A. I do too.

Q. You do too. Good, then we get along really well.

Are you talking about in terms of the

fact that you are proposing deferrals?

A. Yes.

Q. And that you will only have a 15 percent increase regardless of the amount of costs you incur?

A. That's correct.

MS. GRADY: Okay. Mr. Nelson, I think that's all the questions I have. I appreciate your time and patience, and I guess that's it.

I will open the deposition up to any additional parties who may want to cross Mr. Nelson. If we haven't lost them already.

MR. MARGARD: No; I'm still here. I don't have any questions, though. Thank you.

MS. GRADY: Thank you.

(The deposition concluded at 12:10 p.m.)

- - -

State of Ohio :
: SS:
County of ____________________ :

I, Philip J. Nelson, do hereby certify that I have read the foregoing transcript of my deposition given on Friday, October 24, 2008; that together with the correction page attached hereto noting changes in form or substance, if any, it is true and correct.

____
Philip J. Nelson

I do hereby certify that the foregoing transcript of the deposition of Philip J. Nelson was submitted to the witness for reading and signing; that after he had stated to the undersigned Notary Public that he had read and examined his deposition, he signed the same in my presence on the ________ day of _______________________, 2008.

____
Notary Public

My commission expires __________________, ________.

- - -

CERTIFICATE

State of Ohio :
: SS:
County of Franklin :

I, Maria DiPaolo Jones, Notary Public in and for the State of Ohio, duly commissioned and qualified, certify that the within named Philip J. Nelson was by me duly sworn to testify to the whole truth in the cause aforesaid; that the testimony was taken down by me in stenotypy in the presence of said witness, afterwards transcribed upon a computer; that the foregoing is a true and correct transcript of the testimony given by said witness taken at the time and place in the foregoing caption specified and completed without adjournment.

I certify that I am not a relative, employee, or attorney of any of the parties hereto, or of any attorney or counsel employed by the parties, or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Columbus, Ohio, on this 29th day of October, 2008.

Maria DiPaolo Jones

Maria DiPaolo Jones, Registered Diplomate Reporter, CRR and Notary Public in and for the State of Ohio.

My commission expires June 19, 2011.

(MDJ-3283A)

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FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbus Southern Power Company for Approval of its Electric Security Plan; an Amendment to its Corporate Separation Plan; and the Sale or Transfer of Certain Generation Assets.	)	Case No. 08-917-EL-SSO
In the Matter of the Application of Ohio Power Company for Approval of its Electric Security Plan; and an Amendment to its Corporate Separation Plan.	)	Case No. 08-918-EL-SSO

NOTICE TO TAKE DEPOSITIONS UPON ORAL EXAMINATION AND REQUEST FOR PRODUCTION OF DOCUMENTS

Pursuant to Ohio Adm. Code Rule 4901-1-21(B), please take notice that the Ohio Consumers' Counsel ("OCC") will take the oral deposition of the following individuals:

1) J. Craig Baker, Senior Vice President – Regulatory Services, American Electric Service Power Corporation ("AEPSC"), 1 Riverside Plaza, Columbus, Ohio 43215;

2) Gregory A. Earle, Customer Services & Marketing Manager, AEPSC, Columbus Region of AEP Ohio, 850 Tech Center Drive, Gahanna, Ohio 43230;

3) Dr. Anil Kumar Makhija, Professor of Finance - The Ohio State University, 700 E. Fisher Hall, Fisher College of Business, The Ohio State University, Columbus, Ohio 43210;

4) Leonard V. Assante, Vice President of Regulatory Accounting Services, AEPSC, 1 Riverside Plaza, Columbus, Ohio 43215;

5) Karen L. Sloneker, Director of Customer Services and Marketing, AEPSC, 850 Tech Center Drive, Gahanna, Ohio 43230;

EXHIBIT
OCC Ex. 1
Nelson

6) William K. Castle, Director DSM and Resource Planning, AEPSC, 1 Riverside Plaza, Columbus, Ohio 43215;

7) Karl G, Boyd, Vice President of Distribution Operations, AEPSC, 850 Tech Center Drive, Gahanna, Ohio 43230;

8) David M. Roush, Manager – Regulated Pricing and Analysis, AEPSC, 1 Riverside Plaza, Columbus, Ohio 43215;

9) Joseph Hamrock, President and Chief Operating Officer, AEP Ohio, 850 Tech Center Drive, Gahanna, Ohio 43230;

10) Philip J. Nelson, Director of Strategic Initiatives, AEPSC, 1 Riverside Plaza, Columbus, Ohio 43215,

11) Jay F. Godfrey, Manager – Director Renewable Energy, AEPSC, 155 W. Nationwide Boulevard, Columbus, Ohio 43215.

12) James D. Henry, Vice President of Fuel Procurement, AEPSC, 155 W. Nationwide Boulevard, Columbus, Ohio 43215,

13) A person or person(s) with knowledge and expertise and responsibility for the current and future procurement of coal for Ohio Power and Columbus Southern Power.

14) A person or persons with knowledge and expertise with regard to the preparation of the estimated fuel costs for the 2009 Fuel Adjustment Clause for Ohio Power Company and Columbus Southern Power Company.

15) With respect to the Provider of Last Resort obligation, a person or persons with knowledge and expertise with regard to the development and preparation of the Black Scholes pricing methodology and calculations.

The depositions will take place beginning on October 22, 2008, at 10:00 a.m. and will continue from day to day thereafter until completed, at the offices of the Ohio Consumers' Counsel, 10 W. Broad St., 18th Floor, Columbus, Ohio 43215, or as otherwise agreed to. Parties to the proceeding are invited to attend and cross-examine.

The depositions will be taken of the aforementioned deponents on relevant topics within their expertise, including but not limited to, the subject matter of their testimony.

The depositions will be taken upon oral examination (as upon cross-examination) before an officer authorized by law to take depositions and will continue from day to day, except for holidays and weekends, until completed.

Pursuant to Ohio Adm. Code Rules 4901-1-21(E) and 4901-1-20, the deponent is requested to produce at the time of his or her deposition all documents relating to his or her testimony in these proceedings or responses to discovery, including, but not limited to, the results of any studies done for these proceedings and any backup documentation, including raw data, for those studies.

Respectfully submitted,

Janine Migden-Ostrander
CONSUMERS' COUNSEL

Maureen R. Grady

Maureen R. Grady, Counsel of Record
Terry L. Etter
Jacqueline Lake Roberts
Michael E. Idzkowski
Richard C. Reese
Assistant Consumers' Counsel

OHIO CONSUMERS' COUNSEL
10 West Broad Street, 18th Floor
Columbus, Ohio 43215-3485
(614) 466-8574 (T)
(614) 466-9475 (F)
grady@occ.state.oh.us
etter@occ.state.oh.us
roberts@occ.state.oh.us
idzkowski@occ.state.oh.us
reese@occ.state.oh.us

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Notice of Depositions was served via electronic transmittal and by regular U.S. Mail service, postage prepaid, to the persons listed below on this 10th day of October, 2008.

Maureen R. Grady
Assistant Consumers' Counsel

SERVICE LIST

Marvin Resnik
Steve Nourse
AEP Service Corp.
1 Riverside Plaza, 29th Floor
Columbus, OH 43215

John Jones
William Wright
Werner Margard
Assistant Attorneys General
Public Utilities Commission of Ohio
180 E. Broad St., 9th Fl.
Columbus, OH 43215

John W. Bentine
Mark S. Yurick
Matthew S. White
Chester, Willcox & Saxbe LLP
65 East State St., Ste. 1000
Columbus, OH 43215-4213

Attorney for The Kroger Company, Inc.

Nolan Moser
Air & Energy Program Manager
The Ohio Environmental Council
1207 Grandview Ave., Ste. 201
Columbus, OH 43212-3449

Barth E. Royer
Bell & Royer Co. LPA
33 South Grant Avenue
Columbus, OH 43215-3927

The Ohio Environmental Council and
Dominion Retail, Inc.

Trent A. Dougherty
The Ohio Environmental Council
1207 Grandview Ave., Ste. 201
Columbus, OH 43212-3449

M. Howard Petricoff
Stephen M. Howard
Vorys, Sater, Seymour And Pease LLP
52 East Gay S., P. O. Box 1008
Columbus, OH 43216-1008

Attorneys for Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc.

Cynthia A. Fonner
Senior Counsel
Constellation Energy Group, Inc.
550 W. Washington St., Suite 300
Chicago, IL 60661

Attorneys for Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc.

Samuel C. Randazzo
Lisa G. McAlister
Daniel J. Neilsen
Joseph M. Clark
McNees, Wallace & Nurick LLC
21 East State St., 17th Fl.
Columbus, OH 43215

Attorneys for Industrial Energy Users-Ohio

David C. Rinebolt
Colleen L. Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
P.O. Box 1793
Findlay, OH 45839-1793

Attorneys for Ohio Partners for Affordable Energy

David F. Boehm, Esq.
Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
36 East Seventh St., Ste. 1510
Cincinnati, OH 45202

Attorneys for The Ohio Energy Group

Daniel R. Conway
Porter Wright Morris & Arthur
Huntington Center
41 S. High Street
Columbus, Ohio 43215

Michael R. Smalz
Joseph V. Maskovyak
Ohio State Legal Services Association
Appalachian People's Action Coalition
555 Buttles Avenue
Columbus, OH 43215

Attorneys for APAC

Richard L. Sites
Ohio Hospital Association
155 East Broad Street, 15th Floor
Columbus, OH 43215-3620

Attorney for Ohio Hospital Association

Henry W. Eckhart
50 W. Broad St., #2117
Columbus, OH 43215

Attorney for The Sierra Club Ohio Chapter and Natural Resources Defense Council

Craig G. Goodman
National Energy Marketers Association
3333 K St., N.W., Ste. 110
Washington, D.C. 20007

Sally W. Bloomfield
Terrence O'Donnell
Bricker & Eckler, LLP
100 South Third Street
Columbus, OH 43215-4291

Attorney for American Wind Energy Association, Wind On The Wires and Ohio Advanced Energy

Larry Gearhardt
Chief Legal Counsel
Ohio Farm Bureau Federation
280 North High St., P.O. Box 182383
Columbus, OH 43218-2383

Clinton A. Vince
Presley R. Reed
Emma F. Hand
Ethan E.Rii
Sonnenschein, Nath & Rosenthal LLP
1301 K Street NW
Suite 600, East Tower
Washington, DC 20005

Attorneys for Ormet Primary Aluminum Corporation

Langdon D. Bell
Bell & Royer Co., LPA
33 South Grant Ave.
Columbus OH 43215-3927

Attorney for Ohio Manufacturer's Association

Scott H. DeBroff
Stephen J. Romeo
Alicia R. Petersen, J.D.
Smigel, Anderson & Sacks, LLP
River Chase Office Center
4431 North Front St.
Harrisburg, PA 17110

Attorneys for ConsumerPowerline

Benjamin Edwards
Law Offices of John L. Alden
One East Livingston Ave.
Columbus, OH 43215-5700

Attorney for ConsumerPowerline

Douglas M. Mancino
McDermott, Will & Emery LLP
2049 Century Park East, Ste. 3800
Los Angeles, CA 90067-3218

Attorney for Morgan Stanley Capital Group, Inc.

Gregory K. Lawrence
McDermott, Will & Emery LLP
28 State Street
Boston, MA 02109

Attorney for Morgan Stanley Capital Group, Inc.