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PUCO EXHIBIT FILING

Date of Hearing: 11/19/2008

Case No. 08-917-EL-SSO / 08-918-EL-SSO

PUCO Case Caption: In the Matters of
Columbus Southern Power Company
Ohio Power Company

List of exhibits being filed:

Volume III

OCC Ex. 4

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American Electric Power
1 Riverside Plaza
Columbus, OH 43215-2373
AEP.com

PUCO

October 16, 2008

The Honorable Greta See
The Honorable Kimberly Bojko
Attorney Examiners
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

**Re: In the Matter of the Applications of
Columbus Southern Power Co. and Ohio
Power Co., Case Nos. 08-917-EL-SSO and
08-918-EL-SSO**

Steven T. Nourse
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Dear Examiners:

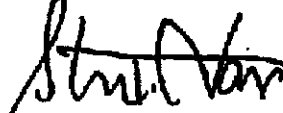
With its July 31, 2008 applications, Columbus Southern Power Company and Ohio Power Company ("AEP Ohio" or the "Companies") filed a motion for waivers relating to then-proposed rules concerning SSO filing requirements that were being considered for adoption by the Commission in Case No. 08-777-EL-ORD. On September 17, 2008, the PUCO issued a Finding and Order initially adopting rules that, when ultimately effective, will govern MRO and ESP applications. On September 19, 2008, the Attorney Examiner issued an Entry in these proceedings that denied the Companies' waiver requests and directed AEP Ohio (in paragraph 5) to file additional information encompassed by the tentative rules. The Attorney Examiner issued a subsequent Entry on September 23, 2008 which directed the Staff and AEP Ohio to establish a reasonable timeline for submitting the financial information and descriptions necessary to supplement AEP Ohio's SSO filings.

In response to those Entries and after reviewing the tentative rules, AEP Ohio personnel met with the Commission's Staff to establish what additional information needed to be filed in order to ensure that AEP Ohio's applications substantially comply with the rules, when ultimately effective, concerning SSO filing requirements. As a result of those discussions, it was determined that the enclosed information brings AEP Ohio's applications into substantial compliance with the tentative rules. Accordingly, AEP Ohio requests that the Commission make a determination, in accordance with Section 4928.143(A), Ohio Revised Code, that AEP Ohio has timely conformed its application to the tentative rules.

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Thank you for your attention to this matter.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Steven T. Nourse", written over a horizontal line.

Steven T. Nourse
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cc: Parties of record

AEP Ohio ESP

Fuel Procurement, AEP Ohio Generation Units, and Other Fuel Related Information

a. General Fuel Requirements

The generating units of CSP and OPCO (AEP Ohio) and the other AEP System-East Zone operating companies, which are predominantly coal-fired, are managed to ensure adequate fuel supplies to meet normal burn requirements in both the short-term and the long-term. American Electric Power Service Corporation (AEPSC), acting as agent for AEP Ohio, is responsible for the procurement and delivery of fuel and chemicals used for environmental compliance (consumables) to AEP Ohio's generating stations. AEPSC's primary objective is to assure a continuous supply of quality fuel at the lowest cost reasonably possible. Deliveries are arranged so that sufficient fuel and consumables are available at all times. The quality of the delivered coal is fundamental to achieving and maintaining compliance with the applicable environmental limitations and operating efficiencies. AEP Ohio proposes to pass any net gains on the sale of emission allowances through the FAC. AEP does not have a practice of re-selling coal contracts, however, if it did so it would pass any cost savings or profits related to Ohio generating resources through the FAC.

b. Coal and Gas Procurement Process

Coal delivery requirements are determined by taking into account existing coal inventory, forecasted coal consumption, and adjustments for contingencies that necessitate an increase or decrease in coal inventory levels. Sources of coal are determined by taking into account contractual obligations and existing sources of supply. AEP Ohio's total coal requirements are met using a portfolio of long-term arrangements, and spot-market purchases. Long-term contracts support a relatively stable and consistent supply of coal. Spot purchases are used to provide flexibility in scheduling

AEP Ohio ESP

Fuel Procurement, AEP Ohio Generation Units, and Other Fuel Related Information

contract deliveries, to accommodate changing demand, and to cover shortfalls in deliveries caused by force majeure and other unforeseeable or unexpected circumstances. Occasionally, spot purchases are also made to test-burn any promising and potential new long-term sources of coal in order to determine their acceptability as a fuel source in a given power plant's generating units.

All long-term and most spot purchases of coal for AEP Ohio's plants are made based on the evaluation of competitive bids. Additional short term purchases are made based on an evaluation of offers (both solicited and unsolicited) from suppliers compared to current published market prices as well as other offers for tonnage of acceptable quality. In all cases, the goal is securing the lowest reasonable delivered price on a cents per million BTU-basis.

AEP-Ohio's day-to-day needs for natural gas are generally unpredictable and are generally purchased on a day-ahead and intra-day basis as needed for peaking requirements. Natural gas is competitively purchased and primarily obtained in the spot market with prices on a daily index or a daily fixed price. The Company has arranged for both firm and interruptible transportation service from various inter-state pipelines, which provide flexible supplies from multiple production areas.

c. Inventory

AEP Ohio attempts to maintain in storage at each plant an adequate coal and consumables supply to meet normal burn requirements. However, in situations where coal supplies fall below prescribed minimum levels, the Company attempts to conserve coal supplies. In the event of a severe coal shortage, AEP Ohio and the AEP System-East

AEP Ohio ESP
Fuel Procurement, AEP Ohio Generation Units, and Other Fuel Related
Information

Zone operating companies would implement procedures for the orderly reduction of the consumption of electricity, in accordance with the Emergency Operating Plan.

d. Units

The generating units that AEP Ohio owns are included in the table below. The table also lists major environmental equipment that has been added to the units: Flue Gas Desulfurization (FGD) for the control of SO₂ emissions, and Selective Catalytic Reduction (SCR) for the control of NO_x emissions. The costs associated with these units are included in the FAC for 2009 as set out in the Company's testimony in its ESP filing.

AEP Ohio ESP

Fuel Procurement, AEP Ohio Generation Units, and Other Fuel Related Information

AEP Ohio Existing Generation Capacity as of June 1, 2008

| Plant Name | Unit No. | In-Service Date | Mode of Operation | Fuel Type | SCR | FGD | FGD Upgr |
|-----------------|----------|-----------------|-------------------|-----------|------|------|----------|
| CSP | | | | | | | |
| Beckjord | 6 | 1969 | Base | Coal | -- | 2012 | -- |
| Conesville | 3 | 1962 | Base | Coal | -- | -- | -- |
| Conesville | 4 | 1973 | Base | Coal | 2009 | 2009 | -- |
| Conesville | 5 | 1976 | Base | Coal | 2014 | 1976 | -- |
| Conesville | 6 | 1978 | Base | Coal | 2014 | 1978 | 2008 |
| Picway | 5 | 1955 | Base | Coal | -- | -- | -- |
| Stuart | 1 | 1971 | Base | Coal | 2004 | 2008 | -- |
| Stuart | 2 | 1970 | Base | Coal | 2004 | 2008 | -- |
| Stuart | 3 | 1972 | Base | Coal | 2004 | 2008 | -- |
| Stuart | 4 | 1974 | Base | Coal | 2004 | 2008 | -- |
| Zimmer | 1 | 1991 | Base | Coal | 2004 | 1991 | 2009 |
| Waterford (CC) | 1-6 | 2002 (a) | Intermediate/Plg | Gas | 2002 | -- | -- |
| Darby (CT) | 1-6 | 2002 | Peaking (CT) | Gas | 2002 | -- | -- |
| Stuart Diesel | | 1969 | Peaking | Oil | -- | -- | -- |
| OPCo | | | | | | | |
| Amos | 3 | 1973 | Base | Coal | 2004 | 2008 | -- |
| Cardinal | 1 | 1967 | Base | Coal | 2004 | 2008 | -- |
| Gavin | 1 | 1974 | Base | Coal | 2004 | 1994 | 2010 |
| Gavin | 2 | 1975 | Base | Coal | 2004 | 1994 | 2010 |
| Kammer | 1 | 1958 | Base | Coal | -- | -- | -- |
| Kammer | 2 | 1958 | Base | Coal | -- | -- | -- |
| Kammer | 3 | 1959 | Base | Coal | -- | -- | -- |
| Mitchell | 1 | 1971 | Base | Coal | 2007 | 2007 | -- |
| Mitchell | 2 | 1971 | Base | Coal | 2007 | 2007 | -- |
| Muskingum River | 1 | 1953 | Base | Coal | -- | -- | -- |
| Muskingum River | 2 | 1954 | Base | Coal | -- | -- | -- |
| Muskingum River | 3 | 1957 | Base | Coal | -- | -- | -- |
| Muskingum River | 4 | 1958 | Base | Coal | -- | -- | -- |
| Muskingum River | 5 | 1968 | Base | Coal | 2005 | 2015 | -- |
| Sporn | 2 | 1950 | Base | Coal | -- | -- | -- |
| Sporn | 4 | 1952 | Base | Coal | -- | -- | -- |
| Sporn | 5 | 1960 | Base | Coal | -- | -- | -- |
| Racine Hydro | | 1983 | Base | Hydro | -- | -- | -- |

(a) Acquired in 2005.

AEP Ohio ESP

Fuel Procurement, AEP Ohio Generation Units, and Other Fuel Related Information

As a result of the different air emission standards, environmental equipment installed on the units, and differences in the boiler designs, the coal supplies for the various coal units vary in order to match the differing quality requirements of the units.

e. Purchased Power

AEP Ohio makes power purchases from affiliates, non-affiliated companies and through the PJM market that will be included in the Companies' proposed FAC. AEP Ohio has contracts to purchase power from OVEC and Buckeye Power generating units, and from its affiliate, American Electric Generating Company's (AEG) Lawrenceburg plant. AEP Ohio also proposes to solicit some of its power requirements through an RFP process to serve Ohio retail load.

f. AEP Power Pool and PJM

The 2009 FAC reflects the AEP Ohio generating resources being operated under the AEP Interconnection agreement. AEP is a member of PJM and operates its fleet, including AEP Ohio's generating resources, in accordance with PJM protocols.

g. Economic Dispatch

AEP, along with other generators in PJM, "offer(s)" available generating units into the PJM market on a daily basis. PJM performs an economic dispatch for the PJM footprint to meet the load requirements with all available generation. After the end of the month AEP reconstructs, for cost allocation purposes, the economic dispatch for its units based on hourly generating unit output. This reconstruction assigns the generation used for Off-System sales for each hour of the month. The units at the top of the stack, i.e., the

AEP Ohio ESP
Fuel Procurement, AEP Ohio Generation Units, and Other Fuel Related
Information

more expensive units, are assigned to Off-System Sales resulting in lower generation costs assigned to internal load customers. The 2009 FAC reflects the forecasted cost reconstruction of the AEP generating units.

Assumptions Used in the Projected Financial Statements

- The AEP Interconnection Agreement, the AEP Transmission Agreement and the Interim Allowance Agreement continue.
- All current AEP Ohio generation assets and entitlements are maintained through the forecast period.
- Utility Operations sells generation beyond the system internal load requirements into the wholesale market.
- The assumed load forecast is provided below.

| GWh | | 2009 | 2010 | 2011 |
|----------|----------------|--------|--------|--------|
| AEP Ohio | Residential | 15,380 | 15,524 | 15,578 |
| | Commercial | 14,967 | 15,206 | 15,350 |
| | Industrial | 20,150 | 20,008 | 19,859 |
| | Other Ultimate | 139 | 139 | 140 |
| | Total Retail | 50,636 | 50,877 | 51,026 |
| CSP | Residential | 7,702 | 7,794 | 7,837 |
| | Commercial | 9,011 | 9,164 | 9,271 |
| | Industrial | 5,753 | 5,676 | 5,631 |
| | Other Ultimate | 55 | 55 | 56 |
| | Total Retail | 22,520 | 22,688 | 22,796 |
| OPCO | Residential | 7,679 | 7,731 | 7,738 |
| | Commercial | 5,955 | 6,042 | 6,079 |
| | Industrial | 14,367 | 14,332 | 14,328 |
| | Other Ultimate | 84 | 84 | 84 |
| | Total Retail | 28,116 | 28,189 | 28,229 |

- Market purchases were included representing 5%/10%/15% of OPCo and CSP retail load in 2009/2010/2011.
- The AEP east operating companies continue to operate in the PJM ISO.
- The AEP OATT is based upon the formula rate currently under review by FERC.
- Pole attachment revenues in the forecast are based on the trending of actual revenues. No negative adjustment is assumed in pole attachment revenues from the FCC's Notice of Proposed Rulemaking posted on the Federal Register February 2008 due to uncertainty of outcome.
- Long-term interest rates are assumed to be 8% for all new issuances.
- The capital structures of the companies are maintained at approximately 50% debt and 50% equity throughout the forecast period.
- Current depreciation rates were assumed to continue through the forecast period.
- Projections were developed on an individual operating company basis and the combined results are the simple addition of the forecasted results for the two companies.
- The financially significant components of the companies' ESP filings are included in these projections.

Projected Financial Statements Prepared Consistent with Filing

| Line | <u>INCOME STATEMENT</u> | | |
|----------------------------------|--------------------------------|-----------|-----------|
| | (\$000) | | |
| (1) Combined AEP Ohio | 2009 | 2010 | 2011 |
| (2) REVENUE | | | |
| (3) Sales of Electricity | 5,798,122 | 6,491,099 | 7,192,142 |
| (4) Other Operating Revenue | 140,828 | 143,725 | 140,281 |
| (5) Total Revenue | 5,938,951 | 6,634,825 | 7,332,403 |
| (6) COST OF SALES | | | |
| (7) Total Cost of Sales | 3,257,043 | 3,615,574 | 3,967,969 |
| (8) Gross Margin | 2,681,907 | 3,119,251 | 3,344,435 |
| (9) OPERATING EXPENSES | | | |
| (10) Operations & Maintenance | 1,204,992 | 1,251,829 | 1,263,890 |
| (11) Taxes Other Than Income | 384,421 | 408,413 | 426,891 |
| (12) TOTAL OPERATING EXPENSES | 1,589,413 | 1,660,241 | 1,690,581 |
| (13) Operating Margin/EBITDA | 1,092,495 | 1,459,010 | 1,653,854 |
| (14) Depreciation & Amortization | 499,331 | 521,281 | 532,708 |
| (15) Other (Income) / Deductions | (30,780) | (35,323) | (32,018) |
| (16) EBIT | 623,944 | 973,072 | 1,153,164 |
| (17) Total Interest Expense | 256,077 | 292,146 | 299,787 |
| (18) Total Income Taxes | 105,527 | 213,612 | 271,537 |
| (19) Preferred Stock Dividends | 733 | 733 | 733 |
| (20) NET INCOME | 261,607 | 466,582 | 581,107 |
| (21) ROE* | 5.7% | 9.7% | 11.7% |

* Excludes the OSS margin effect on ROE of 4.3% in 2009, 3.1% in 2010 and 3.4% in 2011.

Projected Financial Statements Prepared Consistent with Filing

| Line | <u>BALANCE SHEET</u> | | |
|--|-----------------------------|-------------------|-------------------|
| | (\$000) | | |
| (1) Combined AEP Ohio | | | |
| | 2009 | 2010 | 2011 |
| (2) Assets | | | |
| (3) Gross Plant in Service | 15,387,843 | 16,034,981 | 16,722,637 |
| (4) Construction Work In Progress | 209,731 | 289,115 | 341,547 |
| (5) Gross Plant in Service | <u>15,577,574</u> | <u>16,324,096</u> | <u>17,064,184</u> |
| (6) Accumulated Depreciation | 5,498,035 | 5,883,620 | 6,283,208 |
| (7) Net Utility Plant | <u>10,079,539</u> | <u>10,440,476</u> | <u>10,780,976</u> |
| (8) Other Property and Investments | 492,758 | 486,183 | 483,088 |
| (9) Current and Accrued Assets | 974,816 | 978,057 | 980,531 |
| (10) Unamortized Debt Expense | 27,352 | 24,976 | 22,962 |
| (11) Unamortized Loss on Recquired Debt | 18,277 | 18,277 | 18,277 |
| (12) Regulatory Assets | 851,948 | 1,013,596 | 1,089,419 |
| (13) Other Net Deferrals | 507,059 | 508,843 | 509,809 |
| (14) Total Assets | 12,951,549 | 13,470,409 | 13,885,062 |
| (15) Equity and Liabilities | | | |
| (16) Common Stock | 4,889,743 | 4,881,577 | 5,019,055 |
| (17) Preferred Stock | 16,627 | 16,627 | 16,627 |
| (18) Other Comprehensive Earnings | <u>(88,994)</u> | <u>(69,152)</u> | <u>(69,309)</u> |
| (19) Total Equity | 4,637,376 | 4,829,052 | 4,966,373 |
| (20) Long-Term Debt | 4,589,485 | 4,765,461 | 4,916,147 |
| (21) Capital Leases | 34,311 | 34,311 | 34,311 |
| (22) Other Non-Current Liabilities | 307,829 | 307,829 | 307,829 |
| (23) Short-Term Debt | 24,323 | 38,489 | 33,798 |
| (24) Other Current and Accrued Liabilities | 1,345,237 | 1,352,997 | 1,352,232 |
| (25) Deferred Credits | 2,012,987 | 2,142,269 | 2,274,373 |
| (26) Total Equity and Liabilities | 12,951,549 | 13,470,409 | 13,885,062 |
| (27) Total Debt/Capital | 50.1% | 50.0% | 50.1% |

Projected Financial Statements Prepared Consistent with Filing

| Line | <u>CASH FLOW</u> (\$000) | | |
|---|---|------------------|------------------|
| (1) Combined AEP Ohio | 2009 | 2010 | 2011 |
| (2) Operating Activities | | | |
| (3) Balance for Common | 261,807 | 468,582 | 581,107 |
| (4) Adjustments to Net Income | | | |
| (5) Depreciation and Amortization | 499,331 | 521,261 | 532,708 |
| (6) Deferred Income Tax | 90,843 | 128,662 | 128,682 |
| (7) Changes in Regulatory Assets | (410,381) | (152,428) | (60,928) |
| (8) Changes in Working Capital | 27,424 | 7,390 | 8,201 |
| (9) Other Adjustments to Net Income | 418,939 | 228,279 | 170,970 |
| (10) Cash From Operations | 887,784 | 1,197,748 | 1,360,740 |
| (11) Investing Activities | | | |
| (12) Construction Expenditures | (894,832) | (839,287) | (827,026) |
| (13) AFUDC Debt/Capitalized Interest | (22,120) | (19,075) | (20,728) |
| (14) Cash Used in Investing | (916,752) | (858,362) | (847,751) |
| (15) Financing Activities | | | |
| (16) Issuance of Long-Term Debt | 808,714 | 625,000 | 150,000 |
| (17) Retirement of Long-Term Debt | (477,500) | (450,000) | |
| (18) Change in Short-Term Debt | (127,043) | 11,853 | (10,254) |
| (19) Equity Contributions | 100,000 | | |
| (20) Dividends Paid | (75,000) | (525,000) | (650,000) |
| (21) Other Financing Activity | (733) | (733) | (733) |
| (22) Cash From Financing Activities | 28,438 | (339,080) | (510,987) |
| (23) Total Change in Cash | (530) | 306 | 2,001 |
| (24) Beginning Cash and Cash Equivalents | 2,450 | 1,920 | 2,226 |
| (25) Ending Cash and Cash Equivalents | 1,920 | 2,226 | 4,227 |

Projected Financial Statements Prepared Consistent with Filing

| Line | <u>INCOME STATEMENT</u> | | |
|----------------------------------|--------------------------------|------------------|------------------|
| | (\$000) | | |
| (1) Ohio Power | | | |
| | 2009 | 2010 | 2011 |
| (2) REVENUE | | | |
| (3) Sales of Electricity | 3,409,812 | 3,788,617 | 4,149,233 |
| (4) Other Operating Revenue | 94,104 | 93,291 | 88,032 |
| (5) Total Revenue | <u>3,503,916</u> | <u>3,882,007</u> | <u>4,237,264</u> |
| (6) COST OF SALES | | | |
| (7) Total Cost of Sales | <u>2,001,613</u> | <u>2,185,763</u> | <u>2,403,150</u> |
| (8) Gross Margin | <u>1,502,303</u> | <u>1,697,044</u> | <u>1,834,114</u> |
| (9) OPERATING EXPENSES | | | |
| (10) Operations & Maintenance | 704,544 | 731,361 | 738,528 |
| (11) Taxes Other Than Income | 203,771 | 213,940 | 222,706 |
| (12) TOTAL OPERATING EXPENSES | <u>908,315</u> | <u>945,301</u> | <u>959,232</u> |
| (13) Operating Margin/EBITDA | 593,988 | 751,743 | 874,882 |
| (14) Depreciation & Amortization | 325,502 | 334,673 | 341,234 |
| (15) Other (Income) / Deductions | (18,590) | (23,693) | (23,960) |
| (16) EBIT | <u>287,077</u> | <u>440,763</u> | <u>557,828</u> |
| (17) Total Interest Expense | 173,051 | 195,840 | 200,767 |
| (18) Total Income Taxes | 27,233 | 72,994 | 112,092 |
| (19) Preferred Stock Dividends | 733 | 733 | 733 |
| (20) NET INCOME | <u>88,060</u> | <u>171,197</u> | <u>244,035</u> |

Projected Financial Statements Prepared Consistant with Filing

| Line | <u>BALANCE SHEET</u> | | |
|--|-----------------------------|-------------------|-------------------|
| | (\$000) | | |
| (1) Ohio Power | | | |
| | 2009 | 2010 | 2011 |
| (2) Assets | | | |
| (3) Gross Plant in Service | 9,973,181 | 10,343,694 | 10,727,978 |
| (4) Construction Work in Progress | 90,802 | 118,368 | 121,443 |
| (5) Gross Plant in Service | <u>10,063,783</u> | <u>10,462,062</u> | <u>10,849,422</u> |
| (6) Accumulated Depreciation | 3,455,427 | 3,702,653 | 3,958,385 |
| (7) Net Utility Plant | <u>6,608,356</u> | <u>6,759,409</u> | <u>6,891,037</u> |
| (8) Other Property and Investments | 325,168 | 323,380 | 326,947 |
| (9) Current and Accrued Assets | 624,883 | 630,979 | 633,679 |
| (10) Unamortized Debt Expense | 19,206 | 17,525 | 16,064 |
| (11) Unamortized Loss on Reacquired Debt | 8,226 | 8,226 | 8,226 |
| (12) Regulatory Assets | 594,799 | 818,700 | 943,160 |
| (13) Other Net Deferrals | 332,632 | 332,632 | 332,632 |
| (14) Total Assets | 8,513,265 | 8,890,850 | 9,153,744 |
| (15) Equity and Liabilities | | | |
| (16) Common Stock | 3,108,267 | 3,251,491 | 3,356,817 |
| (17) Preferred Stock | 16,627 | 16,627 | 16,627 |
| (18) Other Comprehensive Earnings | <u>(44,234)</u> | <u>(44,234)</u> | <u>(44,234)</u> |
| (19) Total Equity | <u>3,080,661</u> | <u>3,223,884</u> | <u>3,329,210</u> |
| (20) Long-Term Debt | 3,053,361 | 3,204,009 | 3,279,408 |
| (21) Capital Leases | 27,057 | 27,057 | 27,057 |
| (22) Other Non-Current Liabilities | 210,377 | 210,377 | 210,377 |
| (23) Short-Term Debt | 15,970 | 19,798 | 21,950 |
| (24) Other Current and Accrued Liabilities | 790,348 | 788,615 | 782,255 |
| (25) Deferred Credits | 1,335,491 | 1,417,111 | 1,503,488 |
| (26) Total Equity and Liabilities | 8,513,265 | 8,890,850 | 9,153,744 |
| (27) Total Debt/Capital | 50.1% | 50.2% | 50.0% |

Projected Financial Statements Prepared Consistent with Filing

| Line | <u>CASH FLOW</u> | | |
|--|-------------------------|-------------|-------------|
| | (\$000) | | |
| (1) Ohio Power | | | |
| | 2009 | 2010 | 2011 |
| (2) Operating Activities | | | |
| (3) Balance for Common | 86,060 | 171,197 | 244,035 |
| (4) Adjustments to Net Income | | | |
| (5) Depreciation and Amortization | 325,502 | 334,673 | 341,234 |
| (6) Deferred Income Tax | 50,995 | 78,415 | 82,669 |
| (7) Changes in Regulatory Assets | (303,084) | (213,751) | (109,692) |
| (8) Changes in Working Capital | 19,288 | 6,166 | 9,562 |
| (9) Other Adjustments to Net Income | 270,833 | 195,215 | 121,867 |
| (10) Cash From Operations | 449,593 | 571,915 | 689,665 |
| (11) Investing Activities | | | |
| (12) Construction Expenditures | (480,529) | (459,955) | (445,553) |
| (13) AFUDC Debt/Capitalized Interest | (13,797) | (13,541) | (13,267) |
| (14) Cash Used in Investing | (494,325) | (472,497) | (458,820) |
| (15) Financing Activities | | | |
| (16) Issuance of Long-Term Debt | 516,930 | 350,000 | 75,000 |
| (17) Retirement of Long-Term Debt | (477,500) | (200,000) | |
| (18) Change in Short-Term Debt | (94,397) | 1,314 | (3,411) |
| (19) Equity Contributions | 100,000 | | |
| (20) Dividends Paid | | (250,000) | (300,000) |
| (21) Other Financing Activity | (733) | (733) | (733) |
| (22) Cash From Financing Activities | 44,300 | (99,418) | (229,144) |
| (23) Total Change in Cash | (432) | (0) | 1,701 |
| (24) Beginning Cash and Cash Equivalents | 432 | (0) | (0) |
| (25) Ending Cash and Cash Equivalents | (0) | (0) | 1,701 |

Projected Financial Statements Prepared Consistent with Filing

| Line | <u>INCOME STATEMENT</u> | | |
|--------------------------------------|--------------------------------|------------------|------------------|
| | (\$000) | | |
| (1) Columbus Southern Power | | | |
| | 2009 | 2010 | 2011 |
| (2) REVENUE | | | |
| (3) Sales of Electricity | 2,388,310 | 2,701,583 | 3,042,910 |
| (4) Other Operating Revenue | 46,724 | 50,434 | 52,229 |
| (5) Total Revenue | 2,435,034 | 2,752,017 | 3,095,139 |
| (6) COST OF SALES | | | |
| (7) Total Cost of Sales | 1,255,430 | 1,329,810 | 1,584,818 |
| (8) Gross Margin | 1,179,604 | 1,422,207 | 1,510,321 |
| (9) OPERATING EXPENSES | | | |
| (10) Operations & Maintenance | 500,448 | 520,468 | 527,384 |
| (11) Taxes Other Than Income | 180,649 | 194,472 | 203,985 |
| (12) TOTAL OPERATING EXPENSES | 681,098 | 714,940 | 731,369 |
| (13) Operating Margin/EBITDA | 498,507 | 707,267 | 778,972 |
| (14) Depreciation & Amortization | 173,830 | 186,588 | 191,474 |
| (15) Other (Income) / Deductions | (12,190) | (11,631) | (8,039) |
| (16) EBIT | 336,867 | 532,309 | 595,537 |
| (17) Total Interest Expense | 83,027 | 96,307 | 99,019 |
| (18) Total Income Taxes | 76,294 | 140,617 | 159,445 |
| (19) Preferred Stock Dividends | | | |
| (20) NET INCOME | 175,546 | 295,385 | 337,073 |

Projected Financial Statements Prepared Consistent with Filing

| Line | <u>BALANCE SHEET</u> | | |
|--|-----------------------------|------------------|------------------|
| | (\$000) | | |
| (1) Columbus Southern Power | | | |
| | 2009 | 2010 | 2011 |
| (2) Assets | | | |
| (3) Gross Plant in Service | 5,394,862 | 5,691,287 | 5,994,659 |
| (4) Construction Work In Progress | 119,128 | 170,747 | 220,103 |
| (5) Gross Plant in Service | 5,513,791 | 5,862,034 | 6,214,762 |
| (6) Accumulated Depreciation | 2,042,608 | 2,180,967 | 2,326,823 |
| (7) Net Utility Plant | 3,471,182 | 3,681,067 | 3,887,939 |
| (8) Other Property and Investments | 167,593 | 162,803 | 156,141 |
| (9) Current and Accrued Assets | 349,733 | 347,079 | 346,852 |
| (10) Unamortized Debt Expense | 8,148 | 7,451 | 6,898 |
| (11) Unamortized Loss on Recquired Debt | 10,051 | 10,051 | 10,051 |
| (12) Regulatory Assets | 257,149 | 194,896 | 146,259 |
| (13) Other Net Deferrals | 174,428 | 176,211 | 177,178 |
| (14) Total Assets | 4,438,284 | 4,579,558 | 4,731,318 |
| (15) Equity and Liabilities | | | |
| (16) Common Stock | 1,581,476 | 1,630,086 | 1,662,238 |
| (17) Preferred Stock | | | |
| (18) Other Comprehensive Earnings | (24,760) | (24,918) | (25,075) |
| (19) Total Equity | 1,556,716 | 1,605,168 | 1,637,163 |
| (20) Long-Term Debt | 1,536,124 | 1,561,452 | 1,636,739 |
| (21) Capital Leases | 7,255 | 7,255 | 7,255 |
| (22) Other Non-Current Liabilities | 97,452 | 97,452 | 97,452 |
| (23) Short-Term Debt | 8,353 | 18,691 | 11,848 |
| (24) Other Current and Accrued Liabilities | 554,889 | 564,382 | 569,977 |
| (25) Deferred Credits | 677,496 | 725,158 | 770,885 |
| (26) Total Equity and Liabilities | 4,438,284 | 4,579,558 | 4,731,318 |
| (27) Total Debt/Capital | 49.9% | 49.7% | 50.3% |

Projected Financial Statements Prepared Consistent with Filing

| Line | <u>CASH FLOW</u> (\$000) | | |
|---|---|-------------|-------------|
| (1) Columbus Southern Power | | | |
| | 2009 | 2010 | 2011 |
| (2) Operating Activities | | | |
| (3) Balance for Common | 175,548 | 295,385 | 337,073 |
| (4) Adjustments to Net Income | | | |
| (5) Depreciation and Amortization | 173,830 | 186,588 | 191,474 |
| (6) Deferred Income Tax | 39,849 | 48,246 | 46,013 |
| (7) Changes in Regulatory Assets | (107,276) | 61,325 | 48,753 |
| (8) Changes in Working Capital | 8,136 | 1,224 | (1,361) |
| (9) Other Adjustments to Net Income | 148,106 | 33,065 | 49,113 |
| (10) Cash From Operations | 438,191 | 625,833 | 671,075 |
| (11) Investing Activities | | | |
| (12) Construction Expenditures | (414,104) | (380,332) | (381,472) |
| (13) AFUDC Debt/Capitalized Interest | (6,323) | (5,534) | (7,459) |
| (14) Cash Used in Investing | (422,427) | (385,866) | (388,931) |
| (15) Financing Activities | | | |
| (16) Issuance of Long-Term Debt | 91,784 | 275,000 | 75,000 |
| (17) Retirement of Long-Term Debt | | (250,000) | |
| (18) Change in Short-Term Debt | (32,646) | 10,338 | (6,843) |
| (19) Equity Contributions | | | |
| (20) Dividends Paid | (75,000) | (275,000) | (350,000) |
| (21) Other Financing Activity | | | |
| (22) Cash From Financing Activities | (15,862) | (239,662) | (281,843) |
| (23) Total Change in Cash | (98) | 308 | 301 |
| (24) Beginning Cash and Cash Equivalents | 2,018 | 1,920 | 2,226 |
| (25) Ending Cash and Cash Equivalents | 1,920 | 2,228 | 2,527 |