BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Investigation Into The Development Of The Significantly Excessive Earnings Test Pursuant to S.B. 221 For Electric Utilities	))))	Case No. 09-786-EL-UNC

JOINT REPLY COMMENTS OF
THE OFFICE OF OHIO CONSUMERS' COUNSEL,
THE OHIO MANUFACTURERS' ASSOCIATION,
THE OHIO HOSPITAL ASSOCIATION,
THE OHIO ENERGY GROUP AND CITIZEN POWER, INC.

The OCC (representing 4.5 million residential customers), the OMA (representing over 1600 large and small industrial manufacturers), the OHA (representing 170 primary care facilities and 40 health systems across Ohio) the OEG (representing 22 of Ohio's most energy-intensive industries) and Citizen Power, Inc. (a not-for-profit research education and advocacy agency) referred to herein as "Customer Parties" submit these Joint Reply Comments to the December 14, 2009 Comments of Columbus Southern Power Company, Ohio Power Company, Duke Energy Ohio, Dayton Power and Light, Cleveland Electric Illuminating, Toledo Edison and Ohio Edison (collectively "Utilities").

I. INTRODUCTION

In SB 221, the Legislature--by near unanimous vote--determined that this Commission should once again regulate the full earnings (generation, transmission, and distribution) of the investor owned electric utilities serving Ohio. This was an historic change from the deregulation of generation service which existed previously.

The SEET process is one of the strongest regulatory tools the Commission has under S.B. 221, and it should be utilized, not squandered. The Commission can use the SEET process to: 1) promote economic development and customer satisfaction by refunding excess profits; 2) influence fundamental management decisions, such as which Regional Transmission Organization (RTO) a utility should be a member of; and 3) manage the level of prospective ESP rate increases. With the market price for electric power currently low, the risk that a generation-owning utility might terminate its ESP after a SEET refund and opt for an MRO is small. Therefore, the Commission is now is a strong position to establish reasonable procedures for enforcing the SEET process.

Below is a chart showing the ROE earned by each of the Utilities for the 12 months ended September 30, 2009. The ROE for Columbus Southern was 19.42%. In particular, we believe that this after-tax profit margin is excessive under the SEET, especially given the hardships being faced by almost all other segments of the Ohio economy. The issues being decided here will set the stage for either rate relief for consumers or continued excess profits.

Ohio Utility Companies
Revenue Requirement/Refund for Each 1% Change in Return on Common Equity
Twelve Months Ending September 30, 2009
($000's)

Source: FERC Form 1/3-Q Pages 112, 114, 115, 117

		Toledo Edison Company	Ohio Edison Company	Cleveland Electric Illuminating Company [2]	Columbus Southern Power Company [3]	Ohio Power Company [3]	Duke Energy/ CGE [4][5]	Dayton Power and Light Company
Total Common Equity - September 30, 2008		496,504	1,459,576	1,601,908	1,293,712	2,537,977	2,660,039	1,485,838
Unadjusted Total Common Equity - September 30, 2009		482,393	1,248,651	1,322,893	1,318,133	3,220,831	1,706,774	1,382,353
Adjustments to Total Common Equity				138,013			727,000	
Adjusted Total Common Equity - September 30, 2009		482,393	1,248,651	1,460,907	1,318,133	3,220,831	2,433,774	1,382,353
Average Adjusted Common Equity - September 30, 2009		489,448	1,354,114	1,531,408	1,305,923	2,879,404	2,546,907	1,434,096
Unadjusted Net Income - Total Company	(1)	19,892	126,094	33,131	253,551	215,257	(380,215)	276,492
Adjustments to Net Income				138,013			727,000	
Adjusted Net Income - Total Company		19,892	126,094	171,144	253,551	215,257	346,785	276,492
% ROE		**4.06%**	**9.31%**	**11.18%**	**19.42%**	**7.48%**	**13.62%**	**19.28%**
Each 1% ROE		**4,894**	**13,541**	**15,314**	**13,059**	**28,794**	**25,469**	**14,341**
Gross-Up Factor	(6)	1.5385	1.5385	1.5385	1.5385	1.5385	1.5385	1.5385
Rev Req/Refund for Each 1% ROE		**7,530**	**20,833**	**23,560**	**20,091**	**44,299**	**39,183**	**22,063**

(1) Net Income for the twelve months ended September 30, 2009 does not reflect reduction for preferred dividends. (affects only Dayton P&L and Ohio Power and only by minimal amounts).

(2) Cleveland Electric net income and common equity were adjusted to remove the one-time after tax effect of the $216 million RTC regulatory asset write-off as stipulated in the Amended ESP. The combined income tax rate utilized in the adjustment was 36.105% assuming 35% federal income tax and 1.7% 2009 remaining state franchise tax rates.

(3) Columbus Southern and Ohio Power net income and common equity were not adjusted to remove the one-time net income reductions for refunds payable from the AEP West to AEP East companies. Negative adjustments to net income were recorded in December 2008 for each of the AEP East companies to reflect the FERC ordered reallocation of off-system sales margins. According to financial statement notes, the FERC concluded that AEP had deviated from the off-system sales margin allocation methods in the AEP STA and the CSW Operating Agreement during the period June 2000 through March 2006, ordering refunds to be paid by the AEP East Companies to the AEP West Companies. If the net income and common equity had been adjusted to remove these one-time effects, the earned ROE percentage would have been 21.33% and 8.80% for Columbus Southern and Ohio Power, respectively.

(4) The Duke Energy-Ohio Form 1 common equity was reduced to remove the acquisition premium from the paid in capital component in accordance with the settlement agreement in Case Nos. 08-920-EL-SSO, 08-921-EL-AAM, 08-922-EL-UNC and 08-923-EL-ATA. The paid in capital component of common equity was reduced from $5.570 billion to $1.447 billion to remove this acquisition premium. The amount of the acquisition premium adjustment is noted on page 253 in the 2006 Form 1 for FERC account 211 which reads "Purchase Accounting Valuations due to Merger w/Duke Energy." The same amount was removed from September 30, 2008 and September 30, 2009 common equity.

(5) Duke Energy-Ohio net income and common equity were not adjusted to remove net income effects of merger with Cinergy, mark to market accounting or nonrecurring gains/losses except for the $727 million goodwill impairment charge in 2009. Although these amounts are required to be removed from Duke Energy-Ohio's net income for the SEET pursuant to the settlement in Case Nos. 08-920-EL-SSO, 08-921-EL-AAM, 08-922-EL-UNC and 08-923-EL-ATA, the information is not publicly available to quantify these adjustments. The effects of the third quarter 2009 $727 million goodwill impairment charge on net income and common equity were removed.

(6) Federal income tax rate of 35% used in gross-up factor. The income based franchise tax will be completely phased out by 2010 due to effects of Ohio House Bill 66.

II. JOINT REPLY COMMENTS

QUESTION 1:

SHOULD OFF-SYSTEM SALES (OSS) BE INCLUDED IN THE SIGNIFICANTLY EXCESSIVE EARNINGS TEST (SEET) CALCULATIONS?

Staff's Recommendation:

Staff recommends that off-system sales (OSS) should be included in the net earnings used to calculate return on equity for the SEET.

AEP's Comments:

AEP objects to Staff's recommendation on the following grounds:

(1) OSS revenues are not an adjustment to AEP Ohio's ESP. Consequently, it would be unreasonable to treat earnings that result from wholesale transactions and also that are not the result of any adjustment included in a provision of the EDU's ESP as significantly excessive.

(2) AEP Ohio believes that OSS margins result from wholesale, not retail, transactions whose rates are authorized by the FERC, and ordering earnings that result from FERC jurisdictional wholesale rates to be returned to retail customers would be unlawful.

DP&L's Comments:

DP&L argues that off-system sales are wholesale transactions not subject to PUCO jurisdiction. It argues that it is inappropriate to include non-jurisdictional revenues in the determination of SEET. DP&L also claims that if Staff's recommendation is accepted, it would have the effect of discouraging utilities to make off-system sales placing customer and shareholder interests at odds.

Duke's Comments:

Duke did not comment on this issue. Duke has agreed to Staff's recommendation in its ESP stipulation.

FE's Comments:

FE did not comment on this issue.

Customer Parties' Reply Comments:

SB 221 compares all of the earnings of the utility with all of the earnings of comparable companies. Columbus Southern, Ohio Power and DP&L would have the PUCO compare only part of their utility earnings with 100% of the earnings of comparable companies. This is asymmetrical and would bias the earnings comparison.

Off-system sales are made from power plants whose costs are included in the ESP rates, in some shape or form. Additionally these power plants are financed by the capitalization (debt and equity) that is included in the ROE computation. Traditionally, the PUCO has required electric utilities to share profits of off-system sales between customers and utilities.[1] The sharing of the profits from off-system sales is an issue of fairness. Moreover, the sharing of off-system sales profits promotes the policy of the state to ensure the availability of reasonably priced retail electric service.

Nonetheless, the Utilities would have consumers pay for the power plants and not receive credit for the profits from sales that are made from those plants. In 2007, profits from off-system sales were $146.7 million for Ohio Power and $124 million for

[1] See for e.g. In the Matter of the Application of the Cleveland Electric Illuminating Company for an Increase in Rates, Case No. 84-188-EL-AIR, Opinion and Order at ¶ 61-65 (March 7, 1985).

Columbus Southern.[2] During the period of the AEP Ohio ESP, the projected profit from off-system sales is approximately $791 million.[3] Ignoring these huge margins would be a windfall to the utilities and unfair to consumers. The power plants included in the ESP rates are responsible for huge amounts of off-system sales. In 2008, 53.8% of Ohio Power's sales (MWh) were off-system (sales for resale) and for Columbus Southern the number was 29.9%. See Attachment 1. In other words, most of the output from Ohio Power's power plants was sold off-system.

Since 2007 the market price for electricity has fallen, but whatever amount of profit earned by selling power into the wholesale market from power plants that have been and are currently being paid for by Ohio retail consumers, should not only be a credit to customers' ESP rates, but should also be reflected in the SEET.

Indeed, OCC has appealed to the Ohio Supreme Court the PUCO's failure, in Case No. 08-917-EL-SSO (AEP Ohio's ESP proceeding) to use profits from off-system sales to reduce ESP rates.[4] In the AEP Ohio ESP proceeding, OEG witness Kollen testified that in each of the jurisdictions that AEP operates, profits from off-system sales are used by the state commissions to lower rates.[5] Therefore, AEP's position would discriminate against Ohio, compared to West Virginia, Virginia, Kentucky, Indiana, and Michigan. Similarly, Kroger's witness Higgins presented testimony recommending a credit to customers for profits for off-system sales. A fuel adjustment charge without such a credit is "asymmetrical and fundamentally unreasonable," he opined.[6]

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[2] Kollen Direct Testimony at 14, Case No. 08-917-EL-SSO.

[3] OCC Ex. 6 at 7-8; OCC Ex. 7, Case No. 08-917-EL-SSO.

[4] Notice of Appeal (November 5, 2009), Ohio Supreme Court Case No. 09-2002.

[5] Kollen Direct Testimony at 14.

[6] Higgins Direct Testimony at 9.

The Utilities' position is also inconsistent with the energy efficiency mandates of SB 221. As consumers pay for the costs of energy efficiency, the power which is conserved is available to be sold in the off-system sales market. For example, in 2009 AEP Ohio's energy efficiency programs saved 303,410 MWH, which freed up a like amount of power for resale in the wholesale market. (See Attachment 2). If off-system sales margins are included in the SEET, they can serve as a form of off-set to the energy efficiency costs. But under AEP's position, consumers would pay the full energy efficiency costs and AEP would keep the added off-system sales profits that are made available by reduced consumption in Ohio.

AEP makes a legal argument that including the off-system sales profits in the SEET violates the federal power act. None of the cases it cites support that claim.[7] These cases stand for the proposition that when a utility prudently incurs FERC-approved costs, the state may not deny collection of such costs in retail rates. None of the cases deal with the retail ratemaking treatment of off-system sales margins derived from power plants included in retail rates.

QUESTION 2:

SHOULD THE COMMISSION DETERMINE SEET ON A SINGLE ENTITY BASIS OR COMPANY-WIDE BASIS?

Staff's Recommendation:

The SEET should be calculated for the single entity, being the Applicant.

[7] See Columbus Southern Power Company's and Ohio Power Company's Initial Comments at 3-5 and Footnote 1.

AEP's Comments:

AEP maintains that there are compelling policy reasons for performing the SEET on Columbus Southern and Ohio Power on a combined basis. These policy considerations include the promotion of efficient investment and operating practices and to seek out and achieve economies of scale. AEP also argues that it will be unfair to the common shareholders to require an affiliate EDU to refund excessive earnings while another affiliated EDU may be simultaneously earning a return on common equity that is below an excessive return. In addition, AEP argues that the application of SEET should be on the same combined basis that was used by the Commission in analyzing the ESP. AEP Ohio also contends that the reference to "affiliates" in the statute addresses only related entities that are not electric distribution utilities, such as competitive retail electric service providers or generation-only and transmission-only companies. AEP claims the statute does not preclude the Commission from considering the combined return on equity of the affiliated EDUs.

DP&L's Comments:

DP&L did not comment on this issue.

Duke's Comments:

Duke has concerns with the recommendation of the Staff. Duke is proposing that a different treatment be applied to wholly-owned subsidiaries, which is unique to Duke. Duke Energy Kentucky is wholly-owned by Duke Energy Ohio, Inc. Duke also claims further complication because it owns and operates a gas distribution system in addition to its electric facilities. Duke claims the language in the last sentences of division (F) of Section 4928.143, ORC does not address wholly owned subsidiaries or the impact of operating a combined electric and gas system, and the Commission should not alter the

legislature's intent. Duke seems to agree the determination of SEET should be on a single entity and the financial impact of a holding company parent or an affiliate should be excluded from consideration.

FE's Comments:

FE did not comment on this issue.

Customer Parties' Reply Comments

The legal definition and requirements on this issue are quite clear, and the Customer Parties believe that the test must be applied to a single entity. Rates are set for an electric utility and not for a combined entity, and are set in a specific jurisdiction. Further, SB 221 requires that adjustments be made for the capital structure and financial risk of an electric utility, not for the combined entity.

AEP provides some public policy and legal arguments on this issue. The alleged operational benefits and economies of scale associated with AEP Ohio are unsubstantiated and irrelevant to the application of SEET on a single-utility entity such as Columbus Southern or Ohio Power. The application of SEET on a single-entity basis does not prevent Columbus Southern or Ohio Power from improving operational efficiency or in making better investment coordination on a combined basis. The customers and shareholders of Columbus Southern and Ohio Power can and should still receive the operational benefits and economies of scale with the SEET being applied according to the statute. In fact, under the AEP Interconnection Agreement, Ohio Power, Columbus Southern and the other three AEP East Member Companies (Indiana & Michigan, Appalachian Power and Kentucky Power) must operate their combined systems on a joint dispatch basis for their mutual benefit.

The argument of "fairness to common shareholders" is interesting but unsupported. It can be expected that the subsidiaries of a parent utility company will have different financial performances and be subject to different regulatory oversights. There is no justification to combine the profits of Columbus Southern and Ohio Power together in the application of SEET. The approved rate of return, capital structure, cost of debt, and tariffs of the two companies all set separately by the Commission.

AEP argues that the PUCO ESP analysis was done on a combined AEP Ohio basis. Although this may have been done for the limited purpose of comparing the MRO to the ESP, this is not how the PUCO has treated other aspects of the ESP filings. The Staff said it correctly, "The SSO Applicant is a single entity that makes the SSO for the consideration of its customers. The Applicant has its own unique rate schedule. The Applicants would make restitution for its earnings deemed to be excessive."[8]

Duke Energy Ohio has proposed some unique consideration of its calculation of SEET. Duke argues that the presence of a wholly-own subsidiary, Duke Energy Kentucky, and a gas distribution system has made the application of SEET uniquely difficult or complicated. The issues raised by Duke Energy are real, but can reasonably be dealt with. In Duke's ESP Application and many previous electric rate cases, Duke was required to submit electric-only financial information to support its application, and Duke has met the filing requirements each and every time. Duke Energy Ohio Inc. has regularly and separately calculated and filed all the financial and regulatory information allocated to Duke Energy's electric distribution system, gas distribution, and Duke Energy Kentucky. There is no undue burden imposed on Duke for preparing the information on rate base, operating expenses, operating income, return on equity, and rate

[8] See Staff Recommendations at 2.

of return solely for Duke's electric services. There is no reason that the same or similar type of information cannot be made available for the application of SEET or that it will impose undue burden on Duke.

QUESTIONS 3 & 11:

WHAT ADJUSTMENTS SHOULD BE INCLUDED IN THE SEET CALCULATION AND HOW SHOULD WRITE-OFF AND DEFERRAL BE REFLECTED IN THE RETURN ON EQUITY CALCULATION FOR SEET?

Staff's Recommendation:

In general, stated financial results without adjustment should be used for calculation of the SEET. Also, where applicable, adjustments should be made to remove items associated with non-Ohio service areas.

AEP's Comments:

AEP generally agrees with the Staff's several more-detailed recommendations on this issue. AEP believes that earnings attributable to activities other than the Ohio Commission's jurisdiction, including OSS, should be excluded from the SEET. AEP also argues that only earnings that result from adjustments created by the ESP or MRO should be subject to SEET. In addition, AEP points out in ordering any refund, the Commission is allowed to consider other factors such as the capital requirements of future committed investment in Ohio prior to ordering any refund.

DP&L's Comments:

DP&L argues some adjustments to SEET are justified. They include significant non-recurring adjustments related to regulated operations such as out-of-period tax adjustments, adjustments for economic conditions or potential significant loss of load.

DP&L also supports the position that the revenues, expenses and earnings of any affiliate or parent company shall not be considered, directly or indirectly, in the SEET calculation.

Duke's Comments:

Duke claims it is in a unique situation and the ESP Stipulation included specific agreement as to the adjustments that would be made in the implementation of the significantly excessive earning test. Specifically, Duke's return on common equity is to be computed using Duke's FERC Form 1 financial statement from the prior year, including off-system sales, subject to certain listed adjustments. The Stipulation does not say that adjustment would be made to remove items associated with non-Ohio service areas.

FE's Comments:

FE generally concurs with the apparent thrust of the Staff's recommendation, but finds portions of the Recommendations unclear. It proposes specific language for clarification.

Customer Parties' Reply Comments:

There is a general agreement among all parties regarding the types of adjustments included in the SEET calculation. Those adjustments clearly related to the ESP will be included in the application of SEET, and those not related to ESP will not. However, the Customer Parties disagree with AEP's assertion that profits from off-system sales are transactions outside the PUCO's jurisdiction and therefore should be excluded from the calculation of SEET. We recognize that the rates and terms of off-system sales are indeed outside the jurisdiction of PUCO and they will not be changed as a result of the

application of the SEET. However, the application of SEET is based on the comparison of an Ohio EDU's total profit with the total profits earned by a comparable group of companies. The earnings from off-system sales are a part of the total profit earned by the Ohio EDU and must be included in the calculation of SEET in order to avoid an asymmetrical comparison.

Also, AEP's comments on this issue confuse ESP rate adjustments, which are rate increases to consumers, with off-system sales margins, which reflect increased wholesale sales. No revenue item, whether retail or wholesale, is an ESP adjustment.

The FirstEnergy Companies would exclude from earnings extraordinary items, as well as "those which are otherwise non-representative of a utility's operations." This would result in mini rate cases and is unworkable.

QUESTION 4:

WHAT IS THE PRECISE ACCOUNTING DEFINITION OF "EARNED RETURN ON COMMON EQUITY" THAT SHOULD BE USED?

Staff's Recommendation:

Earned return should be the net income for the year divided by the average common equity over all months of the year.

AEP's Comments:

AEP suggests some clarifications regarding the definition of net income and average book equity. AEP objects to the inclusion of FAC expenses that are being deferred for recovery in a future period in earned return on common equity.

DP&L's Comments:

DP&L agrees with Staff, but with two changes: net income less preferred dividends should be the starting points for any adjustment, and average common equity should be calculated using 13 monthly balances.

Duke's Comments:

Duke did not comment on this issue.

FE's Comments:

FE agrees with the Staff's Recommendation.

<u>Customer Parties' Reply Comments:</u>

The Customers Parties have no objection to most of the proposed clarifications made by AEP and DP&L.

However, we do object to the proposal made by AEP that "*earned return on common equity should not include FAC expenses that are being deferred for recovery in a future period.*" It is clear from the totality of AEP's comments (in page 8) that AEP actually intends to say "*FAC revenues,*" instead of "*FAC expenses.*" Furthermore, AEP's comments seem to indicate all deferred FAC "*revenues, or expenses*" will be excluded from the calculation of the SEET, not only in the deferred period (2009-2011), but also in the recovery period of 2012-2018. This is totally unacceptable as it would forever deny consumers a proper accounting.

The Customer Parties continue to recommend that "*any deferral of fuel costs or other items should be reflected in the return on equity calculation for SEET in the year when the retail sales occur, not in later years when the deferred revenues are received.*"

Deferrals should be included in earnings and any excess profits should first be used to pay back the deferral before there are any cash refunds. However, the Customer Parties are still concerned about pre-determining that deferrals should be collected from customers.

QUESTION 5:

WHAT IS THE DEFINITION OF "SIGNIFICANTLY IN EXCESS OF THE RETURN ON COMMON EQUITY"?

Staff's Recommendation:

A return on common equity of the greater of 200 basis points above the mean or in excess of 1.28 (expressed as basis points) times the standard deviation above the mean of a comparable group of companies, should be defined as significantly in excess.

AEP's Comments:

AEP agrees with the use of a statistical approach in setting the threshold of SEET and that a backstop of 200 basis points, as an alternative threshold, is appropriate. But, AEP recommends a 95% confidence level. This would result in threshold ROE of the mean (average) return of the comparable group plus the standard deviation times 2.0.

DP&L's Comments:

DP&L disagrees with the Staff's recommendations. Like AEP, DP&L proposes 2.0 times the standard deviation plus the mean average return of the comparable group. DP&L also suggests using the utility's regulated return on equity established in its most recent rate setting proceeding before the PUCO, plus thirty percent as the appropriate backstop measure given the tough economic environment.

Duke's Comments:

Duke objects to the Staff's recommendations. Duke proposes to use a 95% confidence level or 1.64 times the standard deviation plus the mean return of the comparable group.

FE's Comments:

FE generally agrees with the use of the 90% confidence level (corresponding to the 1.28 multiplier applied to the standard deviation) if the sample companies including companies from non-utility industries. FE argues for a higher confidence level (e.g. 95% or 97.5%) if the sample companies are limited to regulated utilities or just electric utilities. FE concurs with the Staff's recommendation of using a 200 basis point minimum increment above the mean of the sample group as a backstop.

Customer Parties' Reply Comments:

The Customers Parties object to the application of any statistical-based approach. Our positions are detailed and highlighted in the initial comments.[9]

The Utilities propose no new proposals on this issue except the one made by DP&L. DP&L suggests using the utility's regulated return on equity established in its most recent rate-setting proceeding before the PUCO, plus thirty percent as the appropriate backstop measure given the tough economic environment. This proposal is not based on DP&L's testimony in its ESP case or any other cases. It should be noted that DP&L's suggestion only applies to an appropriate backstop, not the SEET threshold. Therefore, this proposal must be evaluated in comparison to the Staff's proposed backstop of the average return plus 200 basis points. We also want DP&L to clarify the "thirty percent" refers to the adjustment made as a percentage of the established return on equity, not an adjustment of thirty percentage points on top of the established return on equity.

The Customer Parties object to DP&L's proposed backstop. This DP&L proposal is without foundation. DP&L provides no explanation or basis for the "thirty percent" figure. Why is "thirty percent" a fair and reasonable adder? Does any other jurisdiction use this "thirty percent" adder? Furthermore, for most Ohio EDUs, the established return on common equity was set in rate proceedings ten or fifteen years ago. These established ROEs have little relevance to the current cost of capital and economic condition. DP&L's proposed backstop is of questionable value in the application of SEET.

[9] See Customer Parties' initial Joint Comments at 3-11.

AEP says 2.0 standard deviations should be used in Staff's new formula, not 1.28. Here is the ROE threshold using 2.0 standard deviations and the comparison group proposed by AEP in its ESP: 13.91% plus 65.02% (32.51 multiplied by 2.0) – which yields 78.9%. A return on equity of 78.9% is unreasonable on its face. This is just one additional example demonstrating why Staff's new statistical method is unreasonable and should be rejected by the Commission.

QUESTIONS 6 & 9:

HOW SHOULD COMPANIES "THAT FACE COMPARABLE BUSINESS AND FINANCIAL RISK" BE DETERMINED, AND HOW SHOULD THE EARNINGS OF A COMPARABLE COMPANY BE ADJUSTED TO COMPENSATE FOR THE FINANCIAL RISK DIFFERENCE ASSOCIATED WITH THE DIFFERENCE IN CAPITAL STRUCTURES?

Staff's Recommendation:

It is appropriate that a comparable group sample be determined and utilized on a case-by-case basis, consistent with Section 4928.143(F), Revised Code. Staff also recommends that the leverage (i.e. ratio of common equity) consideration should be of secondary significance (in comparison to the consideration of selecting a larger sample of comparable companies) in the group selection process

AEP's Comments:

AEP generally concurs with the Staff's recommendations, and further states that the choice of selecting the comparable group would be at the discretion of the utility.

DPL's Comments:

DP&L agrees with the Staff's recommendation. Comparable companies may be adjusted on a case-by-case basis to take into account different capital structure consistent with ORC 4928.143 (E) and (F).

Duke's Comments:

Duke did not comment on this issue.

FE's Comments:

FE has no particular objection to the Staff's recommendation of selecting and using the sample companies on a case-by-case approach. But FE suggests the sample selection methodology proposed by FE in the ESP case should be uniformly applied to all electric utilities in the state.

Customer Parties' Reply Comments:

The Customer Parties have strong reservation about the Staff's recommendation on this issue. We believe this issue is of critical importance to the application of SEET. Our position has been clearly explained in detail in the initial comments. We continue to recommend a uniformly-applied methodology of selecting comparable companies based on OCC witness Dr. J. Randall Woolridge's recommendation for all Ohio EDUs.

SB 221 explicitly states the capital structure of the utility should be considered and accounted for in assessing the SEET. But the Staff's position makes this a secondary consideration. Whereas we do believe the group composition is the most important and

the most difficult, we need to stress that SB 221 requires a capital structure adjustment. We cannot let that become a non-issue and decided on a case-by-case basis.

The Customer Parties object to AEP's suggestion that the choice of selecting the comparable group would be at the discretion of the EDUs. As stated in the initial comments, this is tantamount to "*putting the fox in charge of the hen house,*" and "*leaving this critical decision to the utilities can lead to unreasonable results, such as a 55.5% ROE threshold.*"

The Customers Parties also believe that the statute requires that leverage (i.e. ratio of common equity) consideration be given primary and explicit consideration in the group selection process.[10] We object to the method proposed by FE that ignores "*leverage*" in sample group selection and instead adjusts the resulting return.

FirstEnergy wants a uniform state-wide method for determining comparable companies. We propose that it should be Dr. Woolridge's method. The FirstEnergy methodology in comparable group selection, first proposed in its ESP case, is flawed and unreasonable. The FirstEnergy methodology is arbitrary and includes no risk measures.[11] If the Commission believes that the distribution-only FirstEnergy utilities are less risky than generation-owning utilities, then this can be accounted for with a lower basis point premium above the benchmark return.

[10] See, for example, Woolridge testimony at 1-2 in Case No. 08-935-EL-SSO.

[11] Woolridge testimony at 13-14 in Case No. 08-935-EL-SSO.

QUESTION 7:

HOW ARE "SIGNIFICANTLY EXCESSIVE EARNINGS"[12] TO BE DETERMINED?

Staff's Recommendation:

Staff endorses the concept that a return on common equity in excess of 1.28 times the standard deviation above the mean of a comparable group of companies should be defined as earnings significantly in excess, except in a low earning environment when 200 basis points should be substituted.

AEP's Comments:

AEP generally agrees with the Staff's recommendation and states again that a 2.00 times the standard deviation, instead of 1.28, should be used.

DP&L's Comments:

See response to Question No. 8.

Duke's Comments:

Duke did not comment on this issue.

FE's Comments:

See FE's response to Question No. 5.

[12]As expressed in the third sentence of R.C. 4928.143(F).

Customer Parties' Reply Comments:

In the Initial Comments, the Customer Parties emphasize that SB 221 provides no statistical definition as to the SEET, and no reference to statistical basis in the application of SEET. In response to the Utilities' comments, the Customer Parties have provided detailed comments in Questions 4, 5, 6, and they will not be repeated here. However, we should highlight that several of these considerations are not independent of each other. Specifically, without an explicit Staff position on the comparable group methodology and composition (#6 & #9), the development of a SEET threshold can be complicated. This is demonstrated by the AEP examples. The important issue is that if Staff elects to use a statistical approach to determine the SEET threshold, the group selection process becomes even more important -- yet the Staff has not provided any guidance on that process. As stated above, the Customer Parties recommend a uniformly-applied methodology of selecting comparable companies based on OCC witness Dr. J. Randall Woolridge's recommendation for all Ohio EDUs.

QUESTION 8:

WHAT DOES "IN THE AGGREGATE" MEAN IN RELATION TO THE ADJUSTMENTS RESULTING IN SIGNIFICANTLY EXCESS EARNINGS?

Staff's Recommendation:

All the adjustments created by the implementation of an ESP are to be assessed for impact in determining whether the company achieved a return on common equity significantly in excess.

AEP's Comments:

AEP concurs with the Staff's statement.

DP&L's Comments:

DP&L claims the legislative analysis clearly provides that the SEET applies only to ESP created adjustments to the standard service offer, and the phrase "in the aggregate" means that the adjustments to the standard offer should be looked at together, not by each individual component.

Duke's Comments:

Duke states that it cannot determine whether to express any comment on this recommendation without any further clarification of Staff's position.

FE's Comments:

FE did not comment on this issue.

Customer Parties' Reply Comments:

The Customer Parties have no specific replies to DP&L and Duke's comments. As stated in our initial comments, "*in the aggregate*" means all ESP rate adjustments (increases) on a cumulative basis over time.

QUESTION 10:

WHAT MECHANISM SHOULD BE EMPLOYED TO RETURN TO CUSTOMERS OF THE AMOUNT OF EXCESS EARNINGS?

Staff's Recommendation:

The return mechanism should be decided on a case-by-case basis in each company's annual SEET proceeding. The Commission would also have the

latitude to return the money in varying time periods and/or as reduction to other EDU imposed charges as they deem appropriate.

AEP's Comments:

AEP concurs that the mechanism for returning the amount of excess earnings should be determined on a case-by-case basis in the annual SEET proceedings. AEP proposes a two-step process that enables parties to consider the appropriate mechanism in the context of the amount of the significantly excessive earnings.

DP&L's Comments:

DP&L agrees with the Staff that the "prospective adjustments" should be decided on a case-by-case basis. However, DP&L believes the prospective adjustments are not "refunds" but are prospective changes in charges associated with providing future electric services.

Duke's Comments:

Duke made no comment on this issue.

FE's Comments:

FE concurs with the Staff's recommendation that the return mechanism should be decided on a case-by-case basis.

<u>Customer Parties' Reply Comments:</u>

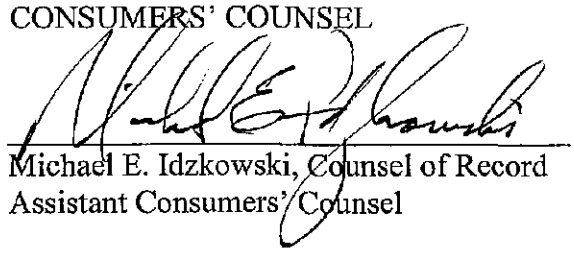
The Customer Parties have no specific replies to AEP, DP&L, and FE's comments. Nevertheless, the Customer Parties believe that consumers should get the full refund to which they are entitled as promptly as possible and without delay.

III. CONCLUSION

WHEREFORE, on behalf of the residential and business customers of this state, we urge the Commission to improve the SEET review process as set forth herein to afford Ohio customers the protection intended in Senate Bill 221 against paying significantly excessive profits to electric utilities.

Respectfully submitted,

JANINE L. MIGDEN-OSTRANDER
CONSUMERS' COUNSEL



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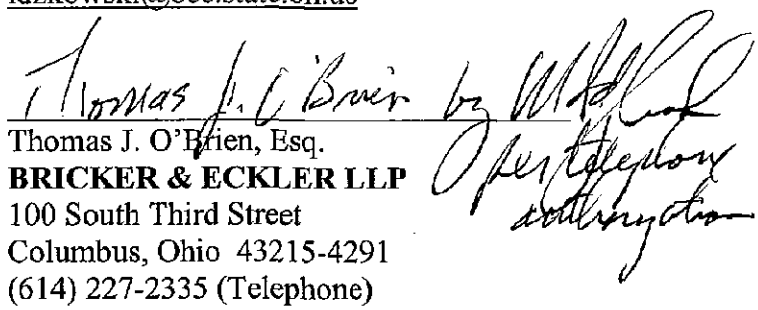

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CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing *Joint Reply Comments of the Office of the Ohio Consumers' Counsel, The Ohio Manufacturers' Association, The Ohio Hospital Association, the Ohio Energy Group, and Citizen Power, Inc.* was served by Regular U.S. Mail Service, postage prepaid, to all parties this 11th day of January, 2010.

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ATTACHMENT 1

Columbus Southern Power Company

Don't have a portfolio? Create one!

Sales Detail

Related SNLxl Templates (SNL's Excel Add-In required)

FERC Form 1 Fin. and Op. Details - Peer Comparison Replicates all the major schedules of the FERC Form 1, allowing a user to pick up to five filers, to benchmark performance for a certain period.

Periods: Last Four Years & YTD

View Definitions

	2005 Y	2006 Y	2007 Y	2008 Y	YTD
Date Ended	12/31/2005	12/31/2006	12/31/2007	12/31/2008	09/30/2009
(Dollars in Thousands)					
Revenues ($)					
Residential Sales - Operating Revenue	555,487	632,878	682,184	720,781	577,038
Small/Commercial Sales: Operating Revenue	495,771	580,665	619,196	684,277	539,347
Large or Industrial Sales: Operating Revenue	129,599	190,855	274,815	330,371	209,030
Total Public Authority, Sl+Other - Operating Rev	4,782	5,380	5,441	5,572	4,658
Electric Sales to Ultimate Consumers	1,185,630	1,409,778	1,581,636	1,741,282	1,330,081
Electric Sales for Resale	294,043	364,384	481,806	525,547	211,947
Total Sales of Electricity: Operating Revenue	1,479,674	1,765,361	2,063,442	2,266,829	1,542,028
Less Prov. for Rate Refund - Operating Revenue	0	0	0	30,359	0
Net Sales of Electricity: Operating Revenue	1,479,674	1,765,361	2,063,442	2,236,470	1,542,028
Total Other Operating Revenue	54,219	34,750	28,328	41,172	33,086
Total Electric Operating Revenue	1,533,893	1,800,111	2,091,769	2,277,642	1,575,114
Electricity (MWh)					
Residential Sales - Mwhrs Sold	7,350,949	7,270,629	7,740,902	7,550,528	5,603,763
Small/Commercial Sales: Volume Sold	8,215,634	8,421,589	8,928,798	8,771,996	8,461,558
Large or Industrial Sales: Volume	2,659,598	3,820,880	5,288,342	5,627,886	3,639,680
Total Public Authority, Sl+Other - Mwhrs Sold	51,203	54,078	53,567	55,242	40,279
Interdepartmental/Other Sales - Mwhrs Sold	0	0	0	0	0
Total Sales to Ultimate Consumers - Mwhrs Sold	18,277,372	19,567,156	22,009,607	22,205,651	13,745,280
Sales for Resale - Mwh Sold	8,872,917	8,713,329	10,697,264	9,483,574	4,538,830
Total Sales of Electricity: Volume (MWh)	28,950,289	28,280,485	32,706,871	31,689,225	20,284,110
Customers					
Residential Sales - Avg Number of Cust	634,722	660,360	664,298	688,306	NA
Small/Commercial Sales: Avg Number of Cust	71,602	75,845	77,022	78,062	NA
Large or Industrial Sales: Average Customers	2,688	3,484	3,497	3,431	NA
Total Public Auth, Sl+Other - Avg # of Cust	293	320	318	310	NA
Interdepartmental/Other Sales - Avg Number of Cust	0	0	0	0	NA
Total Sales to Ultimate Consumers: Avg No Cust	708,305	739,949	745,133	747,099	NA
Sales for Resale - Customers	116	108	100	83	NA
Total Sales of Electricity: Avg Number of Cust	709,421	740,057	745,233	747,182	NA
Prices (cents/kWh)					
Residential Price	7.56	8.70	8.81	9.55	10.30
Commercial Price	6.03	6.77	6.94	7.80	8.35
Industrial Price	4.87	5.13	5.20	5.87	5.74
Avg Price Charged to Ultimate Customers	6.49	7.18	7.19	7.84	8.45
Resale Price	3.39	4.18	4.50	5.54	4.67
Avg Price Total Sales of Elec	5.69	6.25	6.31	7.15	7.60

Profile
Corporate Profile
Corporate Structure
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Mergers and Acquisitions
Capital Structure
Build A Custom Report

Ohio Power Company

Sales Detail

Related SNLxl Templates (SNL's Excel Add-in required)

FERC Form 1 Fin. and Op. Details - Peer Comparison Replicates all the major schedules of the FERC Form 1, allowing a user to pick up to five filers, to benchmark performance for a certain period.

Periods: Last Four Years & YTD

View Definitions

	2005 Y	2006 Y	2007 Y	2008 Y	YTD
Date Ended	12/31/2005	12/31/2006	12/31/2007	12/31/2008	09/30/2009
(Dollars in Thousands)					
Revenues ($)					
Residential Sales - Operating Revenue	503,833	542,408	592,348	602,770	473,889
Small/Commercial Sales: Operating Revenue	324,926	356,789	385,783	402,149	318,843
Large or Industrial Sales: Operating Revenue	381,377	536,976	630,430	608,167	457,556
Total Public Authority, SI+Other - Operating Rev	8,568	9,004	9,259	9,439	7,401
Electric Sales to Ultimate Consumers	1,398,903	1,445,153	1,817,820	1,710,545	1,257,489
Electric Sales for Resale	935,011	1,059,670	1,208,445	1,427,238	919,221
Total Sales of Electricity: Operating Revenue	2,333,914	2,504,824	3,026,264	3,137,784	2,176,690
Less Prov. for Rate Refund - Operating Revenue	0	0	0	42,435	0
Net Sales of Electricity: Operating Revenue	2,333,914	2,504,824	2,828,264	3,095,349	2,176,690
Total Other Operating Revenue	100,144	82,100	29,363	43,441	32,184
Total Electric Operating Revenue	2,434,058	2,586,922	2,855,628	3,138,790	2,208,874
Electricity (MWh)					
Residential Sales - Mwhrs Sold	7,679,308	7,207,804	7,674,434	7,527,989	5,523,214
Small/Commercial Sales: Volume Sold	5,823,585	5,650,408	6,019,559	5,823,797	4,278,386
Large or Industrial Sales: Volume	15,342,519	12,321,063	13,951,534	14,441,162	8,908,221
Total Public Authority, SI+Other - Mwhrs Sold	83,782	82,609	82,215	78,592	54,478
Interdepartmental/Other Sales - Mwhrs Sold	0	0	0	0	0
Total Sales to Ultimate Consumers - Mwhrs Sold	28,929,494	25,262,084	27,727,742	27,871,540	18,765,299
Sales for Resale - Mwh Sold	28,513,632	29,119,860	32,188,051	32,475,287	19,583,358
Total Sales of Electricity: Volume (MWh)	57,443,126	54,381,944	59,906,793	60,346,827	38,271,657
Customers					
Residential Sales - Avg Number of Cust	606,871	609,478	609,974	609,388	NA
Small/Commercial Sales: Avg Number of Cust	89,844	90,730	91,523	92,205	NA
Large or Industrial Sales: Average Customers	7,487	7,400	7,329	7,310	NA
Total Public Auth. SI+Other - Avg # of Cust	2,621	2,608	2,586	2,567	NA
Interdepartmental/Other Sales - Avg Number of Cust	0	0	0	0	NA
Total Sales to Ultimate Consumers: Avg No Cust	706,823	710,212	711,406	711,447	NA
Sales for Resale - Customers	119	111	103	85	NA
Total Sales of Electricity: Avg Number of Cust	706,942	710,323	711,509	711,532	NA
Prices (cents/kWh)					
Residential Price	6.56	7.53	7.72	8.01	8.58
Commercial Price	5.58	6.31	6.41	6.91	7.45
Industrial Price	3.68	4.36	4.52	4.82	5.14
Avg Price Charged to Ultimate Customers	4.84	5.72	5.83	6.14	6.70
Resale Price	3.28	3.64	3.75	4.39	4.71
Avg Price Total Sales of Elec	4.00	4.61	4.72	5.20	5.69

ATTACHMENT 2

AEP Ohio EE/PDR 2009
Performance Report (Annualized)
Reflects Activities through 12/17/2009

	Number of units	MWh Actual	MWh Pending	MWh Total	MWh Goal	MWh % Goal	Costs ($000's) Actual	Costs ($000's) Pending	Costs ($000's) Total	Costs ($000's) Budget	Costs ($000's) % Budget
Consumer Portfolio											
Products - Lighting*	1,352,198	15,618	40,294	56,112	18,638	137%	294	610	1,904	3,442	43%
Recycling**	8,508	3,622	611	1,238	3,985	31%	392	68	459	1,194	38%
Retrofit	-	-	-	-	5,194	0%	-	-	-	960	0%
Low Income	-	-	-	-	12,148	0%	2	-	2	4,258	0%
New Construction	-	-	-	-	-	N/A	-	-	-	-	N/A
Energy Conservation Kit - Partnership w/Ohio funded pilots**	18,738	4,782	-	3,782	-	N/A	412	-	412	-	N/A
Energy Conservation Kit - School Education Program	-	-	-	-	1,300	0%	41	-	41	500	8%
Total Consumer Portfolio	1,357,530	24,422	40,911	65,139	70,146	93%	1,541	738	2,378	10,363	23%
Business Portfolio											
Prescriptive (includes LED Traffic Signals	399	-	64,319	63,919	68,612	93%	88	5,135	5,223	9,172	57%
Custom	58	-	19,227	19,221	31,568	61%	35	2,316	2,351	6,969	34%
New Construction	-	-	-	-	-	N/A	1	-	1	-	N/A
Peak Demand Response	-	-	-	-	-	N/A	-	-	-	-	N/A
Self Direct	375	-	153,131	153,131	-	N/A	111	13,543	13,680	5,000	273%
Total Business Portfolio	835	-	236,277	236,271	131,175	222%	238	20,993	21,231	21,139	100%
Other											
AEP Ohio EE/PDR Department	-	-	-	-	-	N/A	518	-	518	1,800	29%
Behavior Modification	-	-	-	-	-	N/A	-	-	-	500	0%
Pilot Program Fund	-	-	-	-	-	N/A	-	-	-	500	0%
General Education/Training/Media	-	-	-	-	-	N/A	934	-	934	2,527	37%
Total Portfolio Plan		24,422	276,988	303,410	177,324	171%	3,330	21,731	25,061	36,679	68%
Benchmark Target					197,986	151%					

	MW Demand Reduction Total	Goal	% Goal
Total Ohio PDR Reduction to date	18	94	20%
EE Programs			

*Prescriptive lighting number broken down by percentage using 51% for CSP and 49% for OP
**Recycling numbers broken down by percentage using 51% for CSP and 49% for OP.
***Money spent from shareholders and are not recorded as company costs
****Self Direct reflects 12 mo. annual usage and are pre-screened and pre-PUCO approval

Ohio Power EE Performance Report (Annualized)

	Number of units	MWh Actual	MWh Pending	MWh Total	MWh Goal	MWh % Goal	Costs ($000's) Actual	Costs ($000's) Pending	Costs ($000's) Total	Costs ($000's) Budget	Costs ($000's) % Budget
Consumer Portfolio											
Products - Lighting*	667,476	5,565	19,081	24,964	29,611	125%	354	328	682	1,698	41%
Recycling**	2,132	1,672	204	1,876	2,286	82%	203	33	236	448	46%
Retrofit				-	2,545	0%	-		-	488	0%
Low Income				-	5,853	0%	1		1	2,078	0%
New Construction				-	-	N/A	-		-	-	N/A
Energy Conservation Kit - Partnership w/Ohio funded pilots**	10,881	2,823	-	2,823	-	N/A	240	-	240	-	N/A
Energy Conservation Kit - School Education Program				-	3,577	0%	21	-	21	245	9%
Total Consumer Portfolio	669,499	9,860	19,785	29,645	34,372	86%	828	361	1,190	5,077	23%
Business Portfolio											
Prescriptive (includes LED Traffic Signals	198	-	38,733	38,733	34,110	114%	44	2,843	2,887	4,094	84%
Custom	40	-	13,582	13,582	18,421	74%	10	1,183	1,193	3,410	35%
New Construction				-	-	N/A	0		0	-	N/A
Peak Demand Response				-	-	N/A			-	-	N/A
Self Direct	193	-	97,694	97,694	-	N/A	83	9,011	9,094	2,190	370%
Total Business Portfolio	431	-	150,009	150,009	52,511	286%	113	13,037	13,150	10,394	127%
Other											
AEP Ohio EE/PDR Department				-	-	N/A	253		253	863	29%
Behavior Modification				-	-	N/A			-	215	0%
Pilot Program Fund				-	-	N/A			-	215	0%
General Education/Training/Media				-	-	N/A	450		450	1,238	36%
Total Portfolio Plan		9,860	169,804	179,653	86,883	201%	1,645	13,398	15,043	16,041	93%
Benchmark Target					77,888	143%					

	MW Demand Reduction Total	Goal	% Goal
Total PDR Reduction to date	6	42	14%
EE Programs			

*Prescriptive lighting number broken down by percentage using 51% for CSP and 49% for OP
**Recycling number broken down by percentage using 51% for CSP and 49% for OP.
***Money spent from shareholders and are not recorded as company costs
****Self Direct reflects 12 mo. annual usage and are pre-screened and pre-PUCO approval

AEP Ohio EE/PDR 2009
Performance Report (Annualized)
Reflects Activities through 12/17/2009

Columbus Southern Power EE Performance Report (Annualized)

	Number of units	MWh Actual	MWh Pending	MWh Total	MWh Goal	MWh % Goal	Costs ($000's) Actual	Costs ($000's) Pending	Costs ($000's) Total	Costs ($000's) Budget	Costs ($000's) % Budget
Consumer Portfolio											
Products - Lighting*	494,726	12,426	20,703	33,129	20,927	159%	430	342	772	1,756	44%
Recycling**	4,068	2,160	313	2,473	3,378	92%	169	34	223	608	37%
Retrofit				-	2,648	0%			-	508	0%
Low Income				-	6,198	0%	1		1	2,167	0%
New Construction				-	-	N/A			-	-	N/A
Energy Conservation Kit - Partnership w/Ohio funded pilots***	1,840	1,939	-	1,939	-	N/A	173	-	173	-	N/A
Energy Conservation Kit - School Education Program				-	3,722	0%	20	-	20	255	8%
Total Consumer Portfolio	707,431	14,535	20,016	35,456	35,714	99%	812	376	1,188	5,293	22%
Business Portfolio											
Prescriptive (includes LED Traffic Signals	201	-	27,188	27,188	35,503	77%	48	2,292	2,332	4,817	50%
Custom	36	-	5,645	5,645	19,156	29%	20	1,132	1,152	3,546	32%
New Construction				-	-	N/A	0		0	-	N/A
Peak Demand Response				-	-	N/A	-		-	-	N/A
Self Direct	173	-	55,437	55,437	-	N/A	64	4,532	4,596	2,556	180%
Total Business Portfolio	410	-	88,269	88,269	54,661	161%	129	7,954	8,081	10,779	75%
Other											
AEP Ohio EE/PDR Department				-	-	N/A	268		268	915	29%
Behavior Modification				-	-	N/A			-	264	0%
Pilot Program Fund				-	-	N/A			-	255	0%
General Education/Training/Media				-	-	N/A	453		453	1,289	35%
Total Portfolio Plan		14,535	108,184	123,718	90,438	137%	1,658	8,332	10,010	18,775	53%
Benchmark Target					49,000	169%					

	MW Demand Reduction Total	MW Demand Reduction Goal	MW Demand Reduction % Goal
Total PDR Reduction to date			
EE Programs	12	51	24%

*Prescriptive lighting numbers broken down by percentage using 51% for CSP and 49% for OP
**Recycling numbers broken down by percentage using 51% for CSP and 49% for OP.
***Money spent from shareholders and is not recorded as company cost
****Self Direct reflects 12 mo. annual usage and are pre-achieved and pre-PUCO approval

AEP Ohio EE/PDR 2009
Performance Report (Part-Year Convention)
Reflects Activities through 12/17/2009

	Number of units	MWh Actual	MWh Pending	MWh Total	MWh Goal	% Goal	Costs ($000's) Actual	Costs ($000's) Pending	Costs ($000's) Total	Costs ($000's) Budget	% Budget
Consumer Portfolio											
Products - Lighting*	1,352,196	2,636	6,716	9,352	40,638	23%	794	670	1,464	3,442	43%
Recycling**	8,966	421	76	797	5,669	15%	397	58	458	1,194	38%
Retrofit	-	-	-	-	5,194	0%	-	-	-	198	0%
Low Income	-	-	-	-	12,118	0%	7	-	7	1,236	0%
New Construction	-	-	-	-	-	N/A	-	-	-	-	N/A
Energy Conservation Kit - Partnership w/Ohio funded pilots**	18,738	757	-	757	-	N/A	417	-	417	-	N/A
Energy Conservation Kit - School Education Program	-	-	-	-	7,305	0%	41	-	41	500	1%
Total Consumer Portfolio	1,387,930	4,070	8,789	19,858	70,148	13%	1,641	728	2,378	10,362	23%
Business Portfolio											
Prescriptive (includes LED Traffic Signals)	410	-	5,453	5,453	96,812	5%	64	5,108	5,219	9,172	57%
Custom	52	-	1,602	1,602	37,565	4%	36	7,315	7,351	8,958	34%
New Construction	-	-	-	-	-	N/A	1	-	1	-	N/A
Peak Demand Reductions	-	-	-	-	-	N/A	-	-	-	-	N/A
Self Direct	284	-	153,151	153,151	-	N/A	117	13,543	13,660	5,000	273%
Total Business Portfolio	738	-	160,227	160,227	107,170	149%	218	20,958	21,231	21,130	100%
Other											
AEP Ohio EE/PDR Department	-	-	-	-	-	N/A	519	-	519	1,800	29%
Behavior Modification	-	-	-	-	-	N/A	-	-	-	500	0%
Pilot Program Fund	-	-	-	-	-	N/A	-	-	-	500	0%
General Education/Training/Media	-	-	-	-	-	N/A	934	-	934	2,577	37%
Total Portfolio Plan	1,388,668	4,070	167,013	171,083	177,318	96%	3,335	21,731	25,066	36,819	68%
Benchmark Target					187,998	156%					

	MW Demand Reduction Total	MW Demand Reduction Goal	MW Demand Reduction % Goal
Total Firm PDR Reduction to date			
EE Program	19	38	50%

*Prescriptive lighting numbers broken down by percentage using 51% for CSP and 49% for OP
**Recycling numbers broken down by percentage using 51% for CSP and 49% for OP.
***Money spent from shareholders and are not recorded as company costs
****Based on the part-year rule assumption, annualized numbers are reduced to 1/12th of a 12 mo. period in the Business Portfolio and 1/6th of a 12 mo. Period in the Consumer Portfolio
*****Self Direct reflects 12 mo. annual usage and are pre-screened and pre-PUCO approval

Ohio Power EE Performance Report (Part-Year Convention)

	Number of units	MWh Actual	MWh Pending	MWh Total	MWh Goal	% Goal	Costs ($000's) Actual	Costs ($000's) Pending	Costs ($000's) Total	Costs ($000's) Budget	% Budget
Consumer Portfolio											
Products - Lighting*	657,878	859	3,268	4,154	20,011	21%	364	328	692	1,686	41%
Recycling**	7,832	279	34	313	7,278	14%	203	32	236	590	40%
Retrofit				-	2,549	0%	-		-	486	0%
Low Income				-	5,853	0%	1		1	2,078	0%
New Construction				-	-	N/A	-		-	-	N/A
Energy Conservation Kit - Partnership w/Ohio funded pilots**	10,891	471	-	471	-	N/A	240	-	240	-	N/A
Energy Conservation Kit - School Education Program				-	7,577	0%	21	-	21	245	9%
Total Consumer Portfolio	680,601	1,648	3,296	4,943	33,372	14%	828	361	1,190	5,077	23%
Business Portfolio											
Prescriptive (includes LED Traffic Signals)	713	-	3,228	3,228	34,110	9%	44	7,543	7,587	4,494	64%
Custom	31	-	1,132	1,132	18,407	6%	16	1,182	1,198	3,416	35%
New Construction				-	-	N/A	0		0	-	N/A
Peak Demand Reductions				-	-	N/A			-	-	N/A
Self Direct	142	-	97,604	97,604	-	N/A	53	9,011	9,064	2,450	370%
Total Business Portfolio	887	-	101,964	101,964	52,517	194%	113	13,037	13,150	10,356	127%
Other											
AEP Ohio EE/PDR Department				-	-	N/A	253		253	802	29%
Behavior Modification				-	-	N/A			-	245	0%
Pilot Program Fund				-	-	N/A			-	245	0%
General Education/Training/Media				-	-	N/A	453		453	1,238	36%
Total Portfolio Plan	680,891	1,648	105,260	107,908	85,889	125%	1,844	13,398	15,043	18,941	83%
Benchmark Target					77,198	139%					

	MW Demand Reduction Total	MW Demand Reduction Goal	MW Demand Reduction % Goal
Total PDR Reduction to date			
EE Program	8	42	19%

*Prescriptive lighting numbers broken down by percentage using 51% for CSP and 49% for OP
**Recycling numbers broken down by percentage using 51% for CSP and 49% for OP
***Money spent from shareholders and are not recorded as company costs
****Based on the part-year rule assumption, annualized numbers are reduced to 1/12th of a 12 mo. period in the Business Portfolio and 1/6th of a 12 mo. Period in the Consumer Portfolio
*****Self Direct reflects 12 mo. annual usage and are pre-screened and pre-PUCO approval

AEP Ohio EE/PDR 2009
Performance Report (Part-Year Convention)
Reflects Activities through 12/17/2009

Columbus Southern Power EE Performance Report (Part-Year Convention)

	Number of units	MWh Actual	MWh Pending	MWh Total	MWh Goal	MWh % Goal	Costs ($000's) Actual	Costs ($000's) Pending	Costs ($000's) Total	Costs ($000's) Budget	Costs ($000's) % Budget
Consumer Portfolio											
Products - Lighting*	694,720	1,738	3,431	5,169	20,827	25%	438	342	772	1,756	44%
Recycling**	4,806	358	36	394	2,378	17%	189	34	223	609	37%
Retail				-	2,649	0%			-	505	0%
Low Income				-	6,186	0%	1		1	2,160	0%
New Construction				-	-	N/A			-	-	N/A
Energy Conservation Kit - Partnership w/Ohio funded pilots**	2,845	327	-	327	-	N/A	173	-	173	-	N/A
Energy Conservation Kit - School Education Program*				-	2,123	0%	26	-	26	255	0%
Total Consumer Portfolio	703,431	2,422	3,466	5,888	25,174	17%	812	376	1,188	5,285	22%
Business Portfolio											
Prescriptive (includes LED Traffic Signals)	197	-	2,266	2,266	35,303	6%	40	2,292	2,332	4,677	50%
Custom	28	-	476	476	19,158	2%	20	1,132	1,152	3,549	32%
New Construction				-	-	N/A	0		0	-	N/A
Peak Demand Response				-	-	N/A	-		-	-	N/A
Self Direct	122	-	55,437	55,437	-	N/A	64	4,532	4,596	2,650	180%
Total Business Portfolio	344	-	58,179	58,179	54,461	106%	125	7,956	8,081	10,776	75%
Other											
AEP Ohio EE/PDR Department				-	-	N/A	265		265	918	29%
Behavior Modification				-	-	N/A			-	765	0%
Pilot Program Fund				-	-	N/A			-	255	0%
General Education/Training/Media				-	-	N/A	453		453	1,288	35%
Total Portfolio Plan	707,775	2,422	61,645	64,067	90,435	71%	1,585	8,332	10,016	18,776	53%
Benchmark Target					40,830	157%					

	MW Demand Reduction Total	Goal	% Goal
Total PDR Reduction to date			
EE Programs	12	62	20%

*Prescriptive lighting numbers broken down by percentage using 51% for CSP and 49% for OP
**Recycling numbers broken down by percentage using 61% for CSP and 49% for OP.
***Money spent from shareholders and are not recorded as company costs
****Based on the part-year rule assumption, annualized numbers are reduced to 1/12th of a 12 mo. period in the Business Portfolio and 1/6th of a 12 mo. Period in the Consumer Portfolio
*****Self Direct reflects 12 mo. annual usage and are pre-screened and pre-PUCO approval