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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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PUCO

In the Matter of the Application of )  
Ohio Power Company and )  
Columbus Southern Power Company )  
For Authority to Merge and Related )  
Approvals. )

Case No. 10-2376- EL-UNC

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APPLICATION

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Applicants Ohio Power Company (OPCo) and Columbus Southern Power Company (CSP) (CSP and OPCo also referred to, together, as "the Companies") respectfully request that the Commission grant any and all authority it deems necessary to consummate and fully implement a merger of OPCo and CSP and, in addition, resolve the additional matters addressed in this application. In support of their application, OPCo and CSP state as follows:

1. OPCo and CSP are corporations organized and existing under, and by virtue of, the laws of the State of Ohio and are electric light companies and public utilities subject to the jurisdiction of the Commission pursuant to §§ 4905.02 and 4905.03(A)(3), Ohio Rev. Code. Both companies are wholly-owned subsidiaries of American Electric Power Company, Inc. Both Companies also are electric suppliers under § 4933.81(A) with the rights and authority granted under §§ 4933.81 through 4933.84, Ohio Rev. Code.

2. OPCo and CSP intend to enter into an Agreement and Plan of Merger, a draft copy of which is attached to this application as Exhibit A. The Agreement will provide for the merger of CSP into OPCo, with OPCo being the surviving corporation. At the time of the merger, each issued and outstanding share of CSP common stock will be cancelled and

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extinguished, and each issued and outstanding share of OPCo common stock will remain as one issued and outstanding share of OPCo common stock.

3. Under the terms of the proposed merger, OPCo, as the surviving corporation, will succeed to and possess and enjoy all of CSP's rights, privileges, powers, and franchises. OPCo shall also become subject to all of the restrictions, disabilities, liabilities, and duties of CSP. For example, under Ohio law, upon the merger of two Ohio corporations, the surviving corporation assumes, by operation of law, all obligations of the non-surviving corporation. Accordingly, after the merger, OPCo will assume, by operation of law, liability for all of CSP's notes, bonds, and other indebtedness, and no further Commission approval will be necessary for the assumption of those liabilities by OPCo.

4. In the case of other merger transactions involving Ohio public utilities, the Commission previously has determined that it would assert jurisdiction over such transactions pursuant to its supervisory authority under §§4905.04 through 4905.06, Ohio Rev. Code. *See e.g., In the Matter of the Application of The East Ohio Gas Company and The River Gas Company for Authority to Merge*, Case No. 94-791-EL-UNC, Entry (June 23, 1994); and *In the Matter of the Application of The East Ohio Gas Company and West Ohio Gas Company for Authority to Merge*, Case No. 96-991-EL-UNC, Finding and Order (December 19, 1996), Entry on Rehearing (February 18, 1997), *rev'd Tongren v. Pub. Utilities Comm'n*, 85 Ohio St.2d 87 (1999), and Entry (October 12, 2000) (*reaffirming and adopting the December 19, 1996 Finding and Order*). If the Commission does assert jurisdiction over the instant merger of CSP and OPCo, the Companies contend that approval of their application will promote the public convenience and result in the provision of adequate service for a reasonable rate, rental, toll, or charge.

5. In addition, CSP and OPCo are each an “electric supplier” within the meaning of §4933.81(A), Ohio Rev. Code, and each of them has the rights and authority to provide electric service granted by §§4933.81 through 4933.84, Ohio Rev. Code. Pursuant to §4933.85, Ohio Rev. Code, “upon the merger or consolidation of electric suppliers, the surviving ... electric supplier shall, without further action, succeed to all rights and authority previously granted to the merged or consolidated electric suppliers.” Accordingly, upon completion of the merger, OPCo, as the surviving electric supplier shall, without further action by the Commission, succeed to all certified territory rights and authority previously granted to CSP by §§4933.81 through 4933.84, Ohio Rev. Code. If the Commission determines that its express approval is required by §4933.85, the Companies request approval of the assignment or transfer of CSP’s certified territory rights and authority to OPCo as the surviving electric supplier.

6. The Companies have been jointly managed and operated for a number of years. This has resulted in substantial efficiencies, which have benefitted their customers. Even so, the merger of the Companies will produce additional incremental efficiencies that they are not currently able to realize. For example, the need to keep two separate sets of records and prepare two separate sets of audited annual financial statements and tax returns and other financial and regulatory reports will be eliminated. This will result in incremental efficiencies due to the consolidation and reduction of administrative requirements as well as the reduction in annual fees paid to independent auditors. The merger also will result in regulatory efficiencies by eliminating regulatory filings currently made separately for both CSP and OPCo. In addition, it is anticipated that there will be less expense, as a result of less rating agency and internal labor expense, associated with fewer bond issuances than would be necessary absent the merger.

7. Furthermore, the additional scale that will result from the merger will provide the merged Company with greater flexibility and, potentially a more efficient basis for: meeting the advanced energy portfolio standards and the energy efficiency and peak demand reduction requirements of §§4928.64 and 4928.66, Ohio Rev. Code, as well as current and future mandates for environmental controls. The larger customer base and scale that the merger provides also will reduce barriers to the deployment of new technologies, such as gridSMART<sup>sm</sup>, and the conduct of research and development projects.

8. After the merger OPCo will continue to provide retail electric services to customers within the pre-merger certified territories of CSP and OPCo in accordance with their respective rates and terms and conditions in effect for CSP and OPCo prior to the merger until such time as the Commission approves new rates and terms and conditions. More specifically, approval of the merger will not affect CSP's and OPCo's rates. It is the Companies intent to blend its retail rates in future proceedings. The merged Company intends to implement rates, terms and conditions so that customers in each pre-merger Company's pre-merger service territory will continue to be charged pre-merger rates, terms and conditions until such time as the Commission approves new rates, terms and conditions for the merged Company. The merged Company also intends to utilize blended depreciation rates upon implementation of the merger and until such time as the Commission approves new depreciation rates.

9. The merger of CSP into OPCo will have no detrimental impact on CSP's and OPCo's customers, either in the cost of obtaining utility service or in the adequacy and reliability of the service that they receive.

10. All existing pre-merger regulatory obligations of CSP and OPCo under Ohio law, such as their obligations to comply with the Commission's electric service and safety standards

(ESSS), and each Company's commitments to meet those obligations, will be maintained after the merger until such obligations are modified in accordance with Ohio law. In addition, upon the completion of the merger, OPCo will submit, to the extent necessary, proposed modifications to its corporate separation plan.

11. In addition to the approvals required by this Commission, CSP and OPCo also will obtain all other approvals required by law to complete their merger, including, but not limited to: approvals that the Federal Energy Regulatory Commission (FERC) requires to modify existing FERC-jurisdictional agreements to which CSP and OPCo are parties, such as reducing the number of companies which are parties to the AEP Interconnection Agreement from five to four companies.

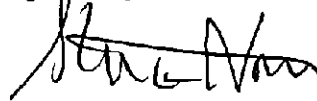
12. Accordingly, CSP and OPCo request that the Commission find that the approval of the merger will promote the public convenience and result in the provision of adequate service for a reasonable rate, rental, toll, or charge, and, to the extent that the Commission determines it has jurisdiction, approve the merger. Nothing in Title 49, Ohio Rev. Code, requires any particular procedure for the Commission's review of the merger, and there is no reason for notice and a hearing because the change in corporate status resulting from the merger will not result in any change in control of CSP or in any changes in the services provided or in the rates charged for those services. The expeditious approval of the merger by the Commission will benefit the affected customers by ensuring that service is provided in the most efficient and cost effective manner and that the regulatory efficiencies resulting from the merger flow through to customers as quickly as possible.

13. The Companies will be filing their next Standard Service Offer application soon. The Companies also plan to file a general distribution rate case within the next several months.

In order to efficiently prepare, file, and process these rate applications the Companies request that the Commission review and approve their proposed merger as expeditiously as possible.

WHEREFORE, CSP and OPCo respectfully request that the Commission approve the proposed merger within ninety (90) days, grant any and all authority it deems necessary to consummate and fully implement the merger of OPCo and CSP, approve the continuation of each Company's existing rates, terms and conditions, and grant whatever other authority that the Commission finds to be necessary or required.

Respectfully submitted,



Steven T. Nourse, Counsel of Record  
Anne M. Vogel  
American Electric Power Service Corporation  
1 Riverside Plaza, 29<sup>th</sup> Floor  
Columbus, Ohio 43215  
Telephone: (614) 716-1606  
Fax: (614) 716-2950  
Email: stnourse@aep.com

Daniel R. Conway  
Porter Wright Morris & Arthur  
Huntington Center  
41 S. High Street  
Columbus, Ohio 43215  
Telephone: (614) 227-2770  
Fax: (614) 227-2100  
Email: dconway@porterwright.com

**Counsel for Columbus Southern Power  
Company and Ohio Power Company**

**Exhibit A**

**AGREEMENT AND PLAN OF MERGER  
OF  
OHIO POWER COMPANY AND  
COLUMBUS SOUTHERN POWER COMPANY**

This Agreement and Plan of Merger is entered into as of this \_\_\_ day of \_\_\_\_\_, \_\_\_\_, under Ohio Revised Code §1701.78, between Ohio Power Company ("Ohio Power") and Columbus Southern Power Company ("CSP") (collectively, the "Companies"), both Ohio corporations, and Witnesses that:

**RECITALS**

1. Ohio Power and CSP are corporations duly organized, validly existing and in good standing under the laws of the state of Ohio, and are regulated public utilities engaged in the business of providing electric power and related services to their customers.
2. Ohio Power and CSP are subsidiaries of American Electric Power Company, Inc., a New York corporation ("AEP"), which is a public utility holding company.
3. Ohio Power currently has authorized 40,000,000 shares of common stock, no par value, of which 27,952,473 are issued and outstanding and are held by AEP. Ohio Power also has authorized four series of cumulative preferred stock, of which 14,595 shares of the 4.08% Series; 22,824 shares of the 4.20% Series; 31,482 of the 4.40% Series, and 97,358 of the 4.50% Series, each of which has a par value of \$100 per share, are outstanding. Approval of the preferred shareholders of Ohio Power is not required.
4. CSP currently has authorized 24,000,000 shares of common stock, no par value, of which 16,410,426 are issued and outstanding and are held by AEP.

5. The Federal Energy Regulatory Commission and the Public Utilities Commission of Ohio have authorized the merger of CSP with and into Ohio Power. An unexecuted copy of this Agreement and Plan of Merger was submitted to the federal and state commissions for review.
6. The Boards of Directors of Ohio Power and CSP have each determined that it is in the best interests of both companies and their shareholders to consolidate Ohio Power and CSP into a single corporation through the merger of CSP with and into Ohio Power, and have, by resolutions, duly approved and adopted this Agreement and Plan of Merger. The Board of Directors of CSP and Ohio Power have, in addition, determined to recommend that this Agreement and Plan of Merger be approved and adopted by each company's common shareholder and has directed that this Agreement and Plan of Merger be submitted to each company's common shareholder, as required by law, for consideration, approval and adoption.

### **AGREEMENT**

Now, therefore, in consideration of the premises and agreements contained herein, the parties agree as follows:

#### **ARTICLE I**

##### **Names of Corporations**

The names of the constituent corporations to the merger are "Ohio Power Company" and "Columbus Southern Power Company." In accordance with the laws of the state of Ohio and this Agreement and Plan of Merger, CSP shall be merged with and into Ohio Power which shall be, and is herein referred to as, the "Surviving Corporation."

#### **ARTICLE II**



### Effective Time

As soon as practicable after the execution hereof, in accordance with Ohio Revised Code §1701.81, a Certificate of Merger shall be filed in the office of the Secretary of State of the state of Ohio. The merger shall become effective at 11:59 p.m., Columbus, Ohio time, on the last day of the month that the Certificate of Merger is filed. Such date and time shall be the "Effective Time" referred to in this Agreement and Plan of Merger.

### ARTICLE III

#### Effect of Merger: Articles of Incorporation; By-Laws; Directors and Officers on the Effective Date

- 3.1 At the Effective Time, CSP shall be merged with and into Ohio Power (the "Merger"), the separate corporate existence of CSP shall cease, and Ohio Power shall be the continuing and Surviving Corporation in the merger and shall continue to exist under the laws of the state of Ohio.
- 3.2 The Surviving Corporation shall have all the rights, privileges, immunities and powers and shall be subject to all of the duties and liabilities of a corporation organized under Ohio law. Title to all real estate and other property owned by CSP and Ohio Power shall be vested in the Surviving Corporation and the Surviving Corporation shall have all the liabilities of CSP and Ohio Power. Any proceeding pending against CSP or Ohio Power at the Effective Time may be continued as if the Merger did not occur or the Surviving Corporation may be substituted in such proceeding in the case of any such proceeding against CSP.
- 3.3 The Restated Articles of Incorporation of Ohio Power, as in effect immediately prior to the Effective Time, shall be the Restated Articles of Incorporation of the Surviving Corporation, until they shall thereafter be duly altered or amended.

- 3.4 The Code of Regulations of Ohio Power, as in effect immediately prior to the Effective Time, shall be the By-Laws of the Surviving Corporation, until they shall thereafter be duly altered or amended.
- 3.5 The directors and officers of Ohio Power immediately prior to the Effective Time shall continue to be the directors and officers of the Surviving Corporation until changed in accordance with law.

#### ARTICLE IV

##### Extinguishment of CSP Common Stock

The manner of carrying into effect the Merger, and the manner and the basis of converting and canceling the capital stock of the constituent companies, shall be as follows: At the Effective Time 1) each share of capital stock of CSP then issued and outstanding shall, by virtue of the Merger and without any action by the holder thereof, be canceled and extinguished; and 2) no new or additional stock of the Surviving Corporation shall be issued in consummating the Merger.

#### ARTICLE V

##### Miscellaneous

- 5.1 The parties to this Agreement and Plan of Merger shall pay the expenses incurred by each of them, respectively, in connection with the transactions contemplated herein.
- 5.2 The title of this Agreement and Plan of Merger and the headings herein set out are for the convenience of reference only and shall not be deemed to be part of this Agreement and Plan of Merger.
- 5.3 Subject to applicable law, at any time before or after approval and adoption hereof by the shareholder of the respective Companies, this Agreement and Plan of Merger may be

amended by agreement among the parties hereto and approved by their respective Board of Directors.

5.4 This Agreement and Plan of Merger may be terminated by appropriate action taken by the Board of Directors of the Companies at any time prior to the effective time, with out liability on the part of CSP or Ohio Power.

5.5 This Agreement and Plan of Merger and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the state of Ohio.

IN WITNESS WHEREOF, each of CSP and Ohio Power has caused this Agreement and Plan of Merger to be executed on its behalf and in its corporate name as of the date first written above.

OHIO POWER COMPANY

Attest: \_\_\_\_\_

By: \_\_\_\_\_  
Joseph Hamrock  
President

COLUMBUS SOUTHERN POWER COMPANY

Attest: \_\_\_\_\_

By: \_\_\_\_\_  
Joseph Hamrock  
President