FILE

PUCO EXHIBIT FILING

Date of Hearing: 5/21/12

Case No. 11-346-EL-SSO, et al.

PUCO Case Caption: Volume III

Columbus Southern Power

Ohio Power

List of exhibits being filed:

AEP Ex. 106

IEU Ex. 117 and First Page of 116

FES Exs. 108 and 109

OCC Exs. 103, 104 and 105

Reporter's Signature: Maria DiPaolo Jones

Date Submitted:

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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

\- - -

In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan.	Case No. 11-346-EL-SSO Case No. 11-348-EL-SSO
In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Certain Accounting Authority.	Case No. 11-349-EL-AAM Case No. 11-350-EL-AAM

\- - -

PROCEEDINGS

before Ms. Greta See and Mr. Jonathan Tauber, Attorney Examiners, and Commissioner Andre Porter, at the Public Utilities Commission of Ohio, 180 East Broad Street, Room 11-A, Columbus, Ohio, called at 8:30 a.m. on Monday, May 21, 2012.

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VOLUME III

\- - -

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AEP 106

NEWS RELEASE

FOR IMMEDIATE RELEASE

PJM CAPACITY AUCTION SECURES RECORD AMOUNTS OF NEW GENERATION, DEMAND RESPONSE, ENERGY EFFICIENCY

Auction Maintains Reliable Power Supplies for Consumers

(Valley Forge, Pa. – May 18, 2012) – With an unprecedented amount of electric generation retiring within the next three years, PJM Interconnection's capacity market secured record amounts of new generation, demand resources and energy efficiency to keep the grid reliable.

PJM today announced the results of its capacity market, the annual Reliability Pricing Model (RPM) auction, for resources to meet power supply needs between June 1, 2015, and May 31, 2016. The RPM auction procured a record amount of new generation in one year, 4,900 megawatts (MW). In addition, capacity imported from west of PJM increased about 8 percent from last year to 4,335 MW.

The RPM establishes contracts with power producers who commit to make their facilities available to provide electricity for the PJM system for a year. Prices are established through competitive bidding. PJM's auction also includes demand response and energy efficiency providers.

This year, the auction procured 164,561 MW of capacity resources at a base price of $136 per MW. A megawatt is enough electricity to power 800 to 1,000 homes. PJM's all-time peak demand is 158,448 MW. Prices were higher in northern Ohio and the Mid-Atlantic region.

"PJM is effectively, efficiently and reliably handling a massive shift in generation from coal to natural gas," said Andy Ott, PJM senior vice president – Markets. "The RPM auction is addressing, in a quick and orderly manner, what could have been a prolonged and uncertain process to identify replacement resources. Simply put, RPM was put to the test and performed well."

Ott added, "Nevertheless, much work needs to be done, including transmission upgrades required by plant retirements in order to deliver power supplies to population centers."

In addition to new generation, most of it natural gas-fired, the capacity auction also procured 14,833 MW of demand response, a 5 percent increase over last year, and energy efficiency, a 12 percent increase. The amount of demand response was also a record for PJM, as well as for renewable generation. Solar increased to 56 MW of solar — a 22 percent increase over last year – and wind increased to 796 MW – a 15 percent increase.

– MORE –

"Capacity prices were higher than last year's because of retirements of existing coal-fired generation resulting largely from environmental regulations which go into effect in 2015," Ott said. "The retirements impacted northern Ohio to a larger extent than the rest of PJM for several reasons including inherent transmission restrictions, and the level of retirements in that area relative to the rest of PJM. Yesterday, PJM's board approved significant upgrades to address the transmission issues."

In northern Ohio served by FirstEnergy, the price will be $357 per megawatt.

The price of capacity in much of the Mid-Atlantic area will be $167 per megawatt. The area includes the regions served by Atlantic City Electric, Baltimore Gas and Electric Company, Delmarva Power, Jersey Central Power and Light Company (JCP&L), Metropolitan Edison Company (Met-Ed), PECO, Pennsylvania Electric Company (Penelec), Pepco, PPL Electric Utilities, Public Service Electric and Gas Company (PSE&G) and Rockland Electric Company.

Ott noted that the 2015 capacity prices' overall effect on retail consumers' electricity rates is expected to be moderated by other factors. "Capacity is a fairly small component of the retail price of electricity, and the cost of capacity at the retail level tends to be averaged out over several years," Ott explained. "In addition, if natural gas prices remain low, that would tend to restrain retail electricity prices."

Concurrent with the capacity auction, PJM's planning process is ensuring that electric transmission improvements are built to deliver power where it is needed. Yesterday, the PJM Board approved $2 billion in electric transmission system upgrades to strengthen the transmission grid in response to the announced retirements of nearly 14,000 MW of coal-fired generation because of environmental regulations.

"The transparent way in which PJM's planning process identifies needed transmission upgrades is working in tandem with the capacity market results we are announcing today," said Terry Boston, president and chief executive officer. "Together, they are proving to be the best mechanisms for responding to the challenges of this unprecedented change in fuel mix and will help us keep the lights on."

Although the RPM auction procured sufficient resources to meet the projected demand, some generating units may need to remain available beyond their proposed retirement dates until transmission upgrades are completed. These units would be operated under "reliability must run" agreements.

PJM Interconnection, founded in 1927, ensures the reliability of the high-voltage electric power system serving 60 million people in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia. PJM coordinates and directs the operation of the region's transmission grid, which includes 62,000 miles of transmission lines; administers a competitive wholesale electricity market; and plans regional transmission expansion improvements to maintain grid reliability and relieve congestion. Visit PJM at www.pjm.com.

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IEU-Ohio Ex. 116

OHIO POWER COMPANY'S RESPONSES
TO IEU-OHIO'S DISCOVERY REQUESTS
PUCO CASE 11-346-EL-SSO and 11-348-EL-SSO - Modified ESP
FIRST SET

INTERROGATORY

IEU-1-013 AEP has provided notice to PJM of its intent for AEP's load to participate in the reliability pricing model ("RPM") beginning with the 2015/2016 delivery year. Which AEP generating units does AEP plan to bid into the base residual auction ("BRA") scheduled for May 2012 for the 2015/2016 delivery year?

RESPONSE

The Company objects to the extent the request seeks information which is outside the scope of the case and is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Notwithstanding and without waiving this objection, AEP Ohio has provided notice to PJM of its intent for AEP Ohio's load to participate in the reliability pricing model ("RPM") beginning with the 2015/2016 delivery year. AEP Ohio has not yet submitted its plan to PJM for the generating units or resources that it plans to bid into the base residual auction ("BRA") scheduled for May 2012 for the 2015/2016 delivery year.

Prepared by: P.J. Nelson/Counsel

IEU 117

OHIO POWER COMPANY'S RESPONSES
TO IEU-OHIO'S DISCOVERY REQUESTS
PUCO CASE 11-346-EL-SSO and 11-348-EL-SSO - Modified ESP
SIXTH SET

INTERROGATORY

IEU-INT-6-001 In response to OCC-5-092, AEP provided a memorandum on the following subject: ASC 360 - Cross-State Air Pollution Rule: Recoverability Test – East Fleet (hereinafter referred to as "Recoverability Test Memo"). In the Recoverability Test Memo, AEP describes the forecasted cash flows of the "East Fleet" for the next ten, twenty, and thirty years. For the purpose of performing the recoverability test described in the Recoverability Test Memo, what was the assumed price for capacity to be charged to competitive retail electric service providers in Ohio for OP and CSP for each year of the cash flow forecast described in the Recoverability Test Memo?

RESPONSE

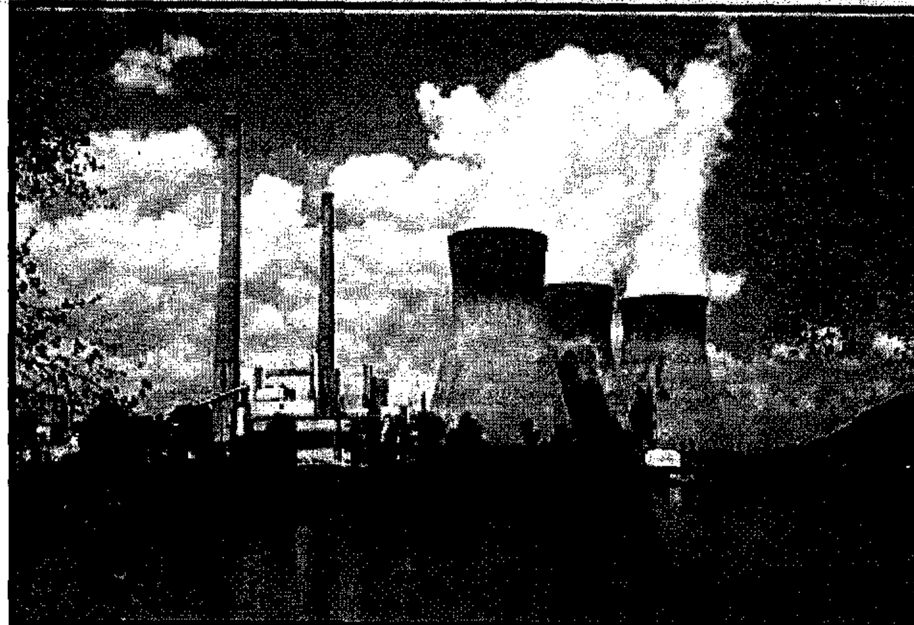
At the time the study was prepared, which was before the initial December 14, 2011 approval of the ESP Stipulation, the conservative assumptions for CRES capacity rates, before adjustment, for customer switching were: $174.29/MW-day for May 2011, $110.00/MW-day for June 2011 through May 2012, $16.46/MW-day for June 2012 through May 2013; $27.73/MW-day for June 2013 through May 2014; and $125.99/MW-day for June 2014 through May 2015.

Cash flows subsequent to May 2015 were developed on a bundled basis assuming total revenues sufficient to produce a ROE of 11.5% and no specific CRES rates were assumed.

Prepared by: T.E. Mitchell/Oliver Sever

FES 108

AEP AMERICAN® ELECTRIC POWER



Japan Road Show

Tokyo, Japan
February 21 - 24, 2012

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although AEP and each of its Registrant Subsidiaries believe that their expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are: the economic climate and growth in, or contraction within, our service territory and changes in market demand and demographic patterns, inflationary or deflationary interest rate trends, volatility in the financial markets, particularly developments affecting the availability of capital on reasonable terms and developments impairing our ability to finance new capital projects and refinance existing debt at attractive rates, the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material, electric load, customer growth and the impact of retail competition, particularly in Ohio, weather conditions, including storms, and our ability to recover significant storm restoration costs through applicable rate mechanisms, available sources and costs of, and transportation for, fuels and the creditworthiness and performance of fuel suppliers and transporters, availability of necessary generating capacity and the performance of our generating plants, our ability to resolve I&M's Donald C. Cook Nuclear Plant Unit 1 restoration and outage-related issues through warranty, insurance and the regulatory process, our ability to recover regulatory assets and stranded costs in connection with deregulation, our ability to recover increases in fuel and other energy costs through regulated or competitive electric rates, our ability to build or acquire generating capacity, and transmission lines and facilities (including our ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs (including the costs of projects that are cancelled) through applicable rate cases or competitive rates, new legislation, litigation and government regulation including oversight nuclear generation, energy commodity trading and new or heightened requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances or additional regulation of fly ash and similar combustion products that could impact the continued operation and cost recovery of our plants and related assets, timing and resolution of pending and future rate cases, negotiations and other regulatory decisions including rate or other recovery of new investments in generation, distribution and transmission service and environmental compliance, resolution of litigation, our ability to constrain operation and maintenance costs, our ability to develop and execute a strategy based on a view regarding prices of electricity, natural gas and other energy-related commodities, changes in the creditworthiness of the counterparties with whom we have contractual arrangements, including participants in the energy trading market, actions of rating agencies, including changes in the ratings of debt, volatility and changes in markets for electricity, natural gas, coal, nuclear fuel and other energy-related commodities, changes in utility regulation, including the implementation of ESPs and the expected legal separation and transition to market for generation in Ohio and the allocation of costs within regional transmission organizations, including PJM and SPP, accounting pronouncements periodically issued by accounting standard-setting bodies, the impact of volatility in the capital markets on the value of the investments held by our pension, other postretirement benefit plans, captive insurance entity and nuclear decommissioning trust and the impact on future funding requirements, prices and demand for power that we generate and sell at wholesale, changes in technology, particularly with respect to new, developing or alternative sources of generation, our ability to recover through rates or market prices any remaining unrecovered investment in generating units that may be retired before the end of their previously projected useful lives, our ability to successfully manage negotiations with stakeholders and obtain regulatory approval to terminate or amend the Interconnection Agreement and break up modify, or replace the AEP Power Pool, evolving public perception of the risks associated with fuels used before, during and after the generation of electricity, including nuclear fuel and other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes, cyber security threats and other catastrophic events.

Investor Relations Contacts

Chuck Zebula	Bette Jo Rozsa	Julie Sherwood	Sara Macioch
Treasurer	Managing Director	Director	Analyst
SVP Investor Relations	Investor Relations	Investor Relations	Investor Relations
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AEP®

Brian Tierney

Executive Vice President
& Chief Financial Officer

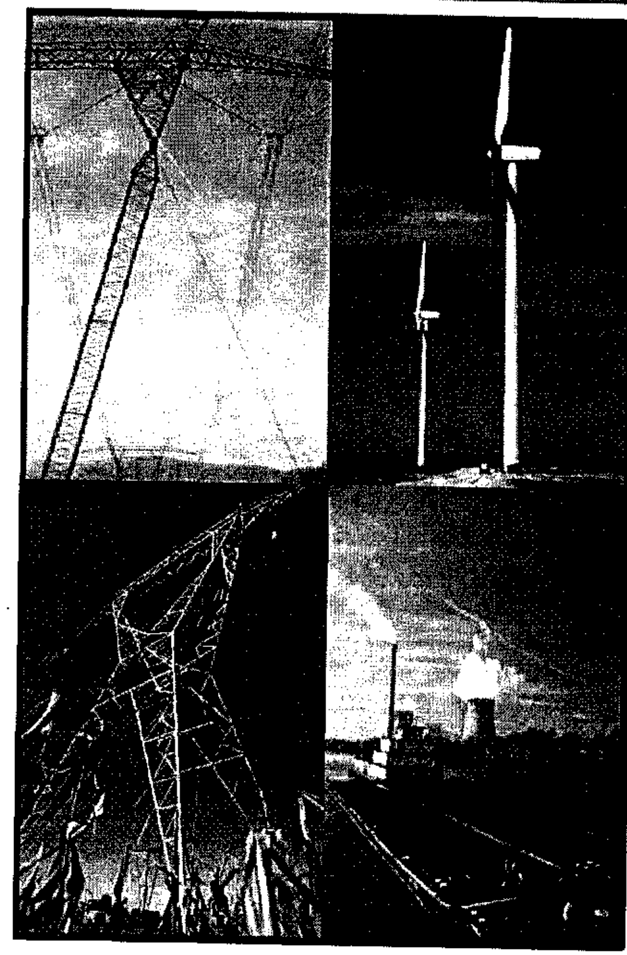
Chuck Zebula

Senior Vice President
& Treasurer

U.S. Utility Industry

AEP®

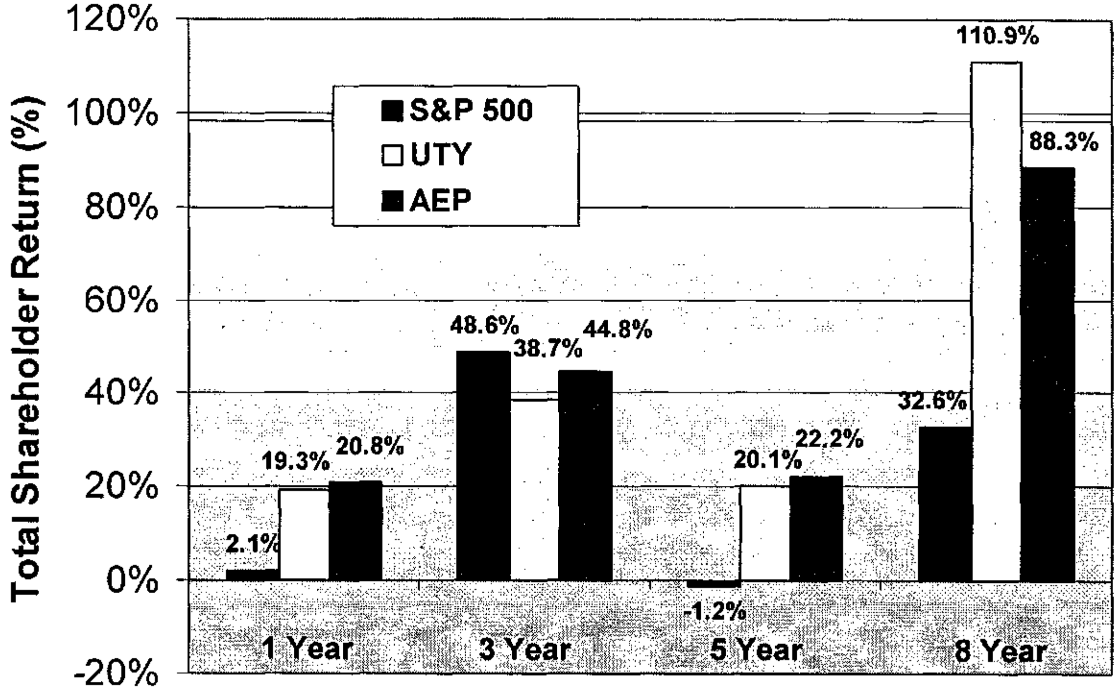
- **Solid platform to invest capital**
  - The average awarded return on equity for the industry in 2011 was 10.25%
  - Capital spending on infrastructure created growth in rate base for utilities
- **Supportive regulation**
  - State level
  - Federal Energy Regulatory Commission
- **Upcoming challenges**
  - Significant capital investment
  - Increasing customer utility bills



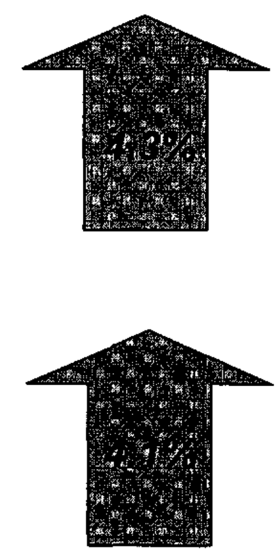
The U.S. Utility Industry provides a low risk investment coupled with a healthy dividend yield

AEP's Track Record since 2004

Total Shareholder Return



2004-2011 Period



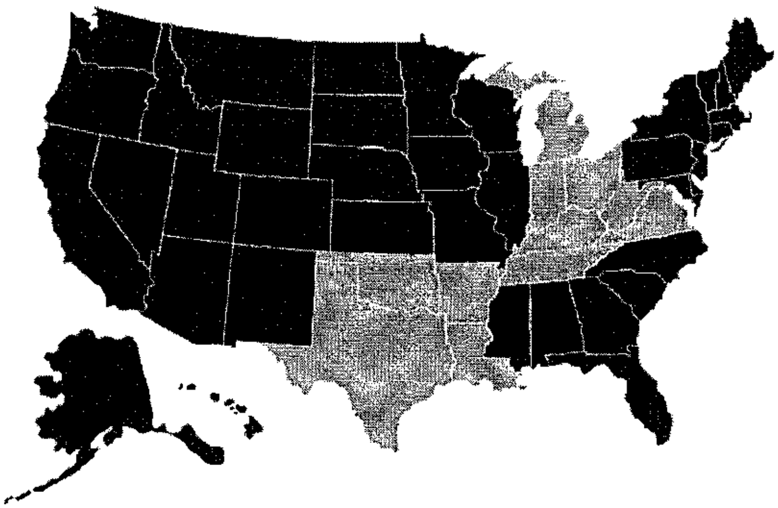
Earnings CAGR

Dividend Growth CAGR

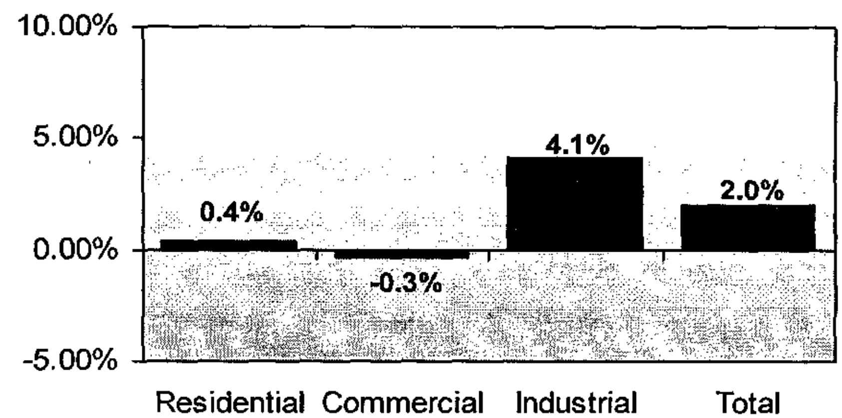
Our re-dedication to the regulated business model in 2004 has rewarded shareholders well

Highly Diversified Regulated Utility Platform

5.3 million customers in eleven states



AEP Total Normalized GWh Sales 2011 % Change vs. Prior Year



Ohio Generation business transitioning to competitive model by 2015

Diversified territory and steady economic recovery contributed to an overall ROE of 10.6% in 2011

Total Assets – Regulated/Competitive

TOTAL ASSETS, based on Y/E 2011 in 2013 business structure *

** Subsequent to corporate separation*

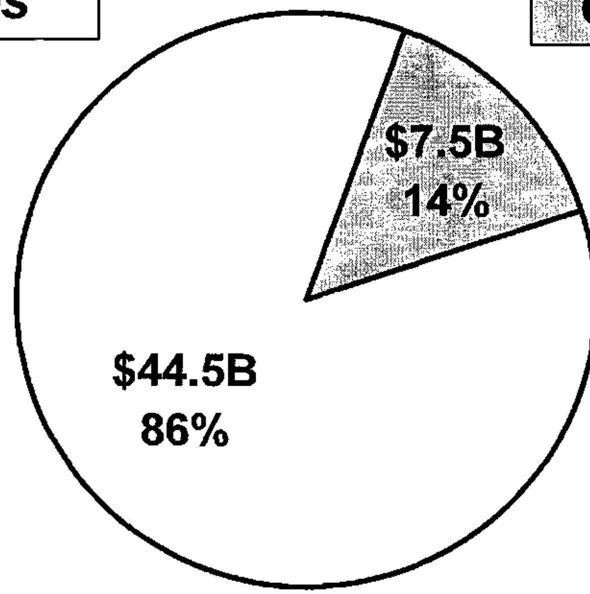
Regulated Companies

Vertically-Integrated
Appalachian Power
Kentucky Power
Indiana Michigan Power
Public Service Co of Oklahoma
Southwestern Electric Power

Regulated Generation Co
AEP Generating Company

Wires Companies
Ohio Power
Texas Central
Texas North

Transmission Companies
AEP Ohio Transco
AEP Indiana Michigan Transco
AEP Oklahoma Transco
Joint Ventures (ETT, Pioneer, etc.)



Transmission Companies Awaiting Approval
AEP Southwestern Transco (AR, LA)
AEP Kentucky Transco
AEP Virginia Transco
AEP West Virginia Transco

Competitive Companies

Power Related
AEP Generation Resources
AEP Energy Partners
AEP Retail Energy

Bulk Commodity Transport
AEP River Operations

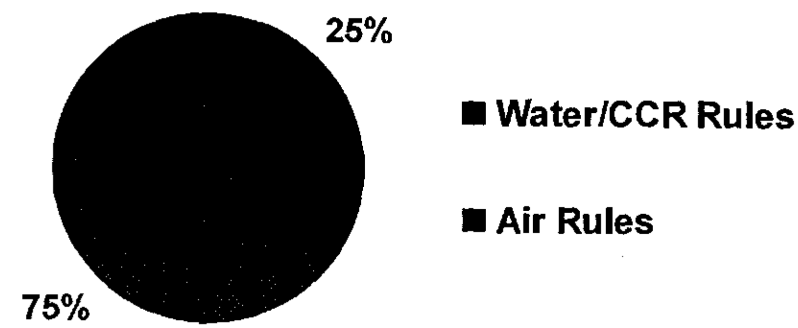
Following corporate separation, we expect earnings contributions to approximate asset split

Regulated Fleet Repositioning

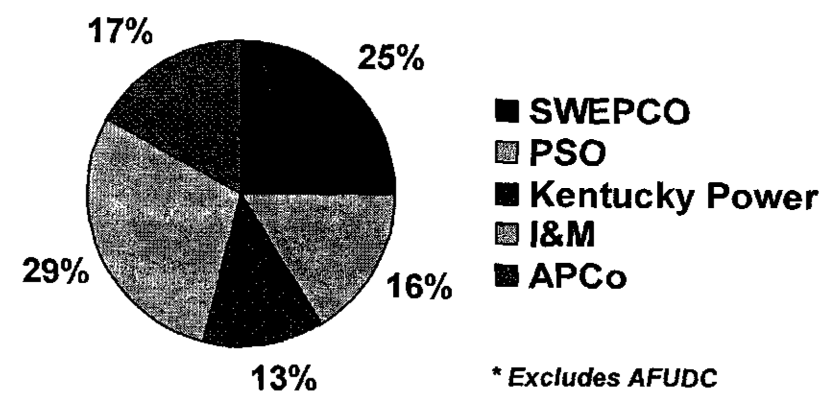
Expected 2012-2020 regulated environmental capex forecast of $5 – $6 billion*

- Retire older, less efficient regulated plants (~2,600MW) note: this figure excludes Ohio retirements
- New capacity added to rate base to replace portion of retirements
  - Dresden Combined Cycle (580MW, on-line January 2012)
  - Turk Coal Plant (440MW, scheduled 4Q 2012)
- Particulate matter requirements in MATS Rule reduced overall environmental CAPEX needs
- Concerns still exist over timing of rules and reliability impacts

Regulated Environmental CAPEX by Rule for 2012-20 period



Regulated Environmental CAPEX by OPCO for 2012-20 period *



* Excludes AFUDC

Reposition fleet to controlled coal and natural gas-fired units

Transmission Segment Growth

AEP Transmission HoldCo Growth Opportunities

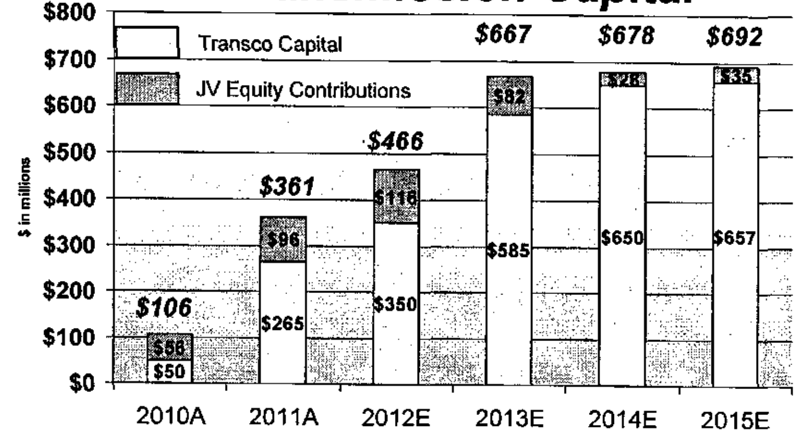
❑ Transcos

- Increased project flow
- FERC formula rates (updated annually)
- Approved in OH, MI, OK, IN
- Pending approval in WV, VA, KY, AR, LA
- ROE : 11.49% (PJM) / 11.20% (SPP)

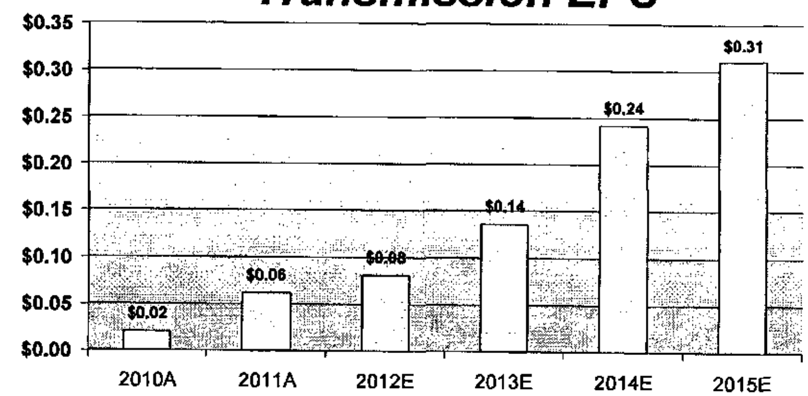
❑ Joint Ventures

- Electric Transmission Texas (ETT)
- Others: Prairie Wind, Pioneer
- Longer term projects with FERC formula rates/bi-annual rate mechanisms
- Continue to pursue new opportunities
- ROE range: 9.96% to 12.8%

Transmission Capital



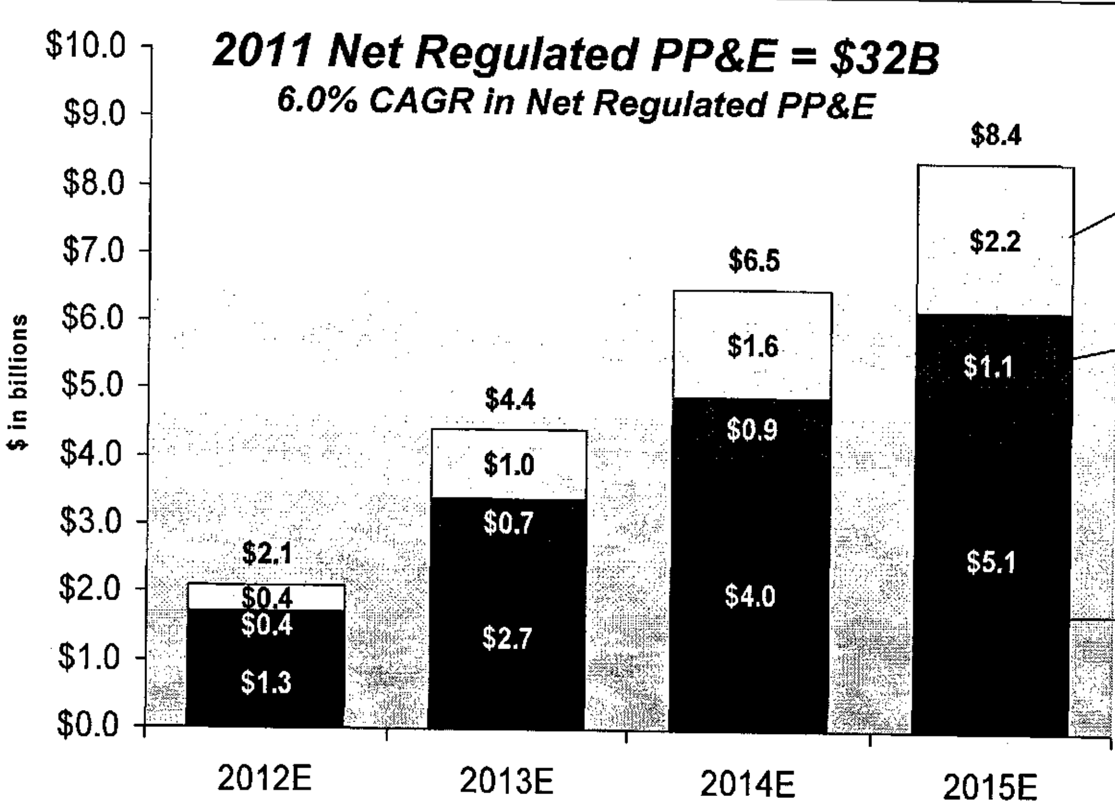
Transmission EPS



Investing capital in transmission for reliability and growth

Capital Recovery & Growth

Cumulative Change in Net Regulated PP&E by Function



Note: 2012 annual regulated depreciation is $1.14B; Transmission JV investments discussed on the previous page are not reflected above as the ventures are not consolidated on AEP's financial statements

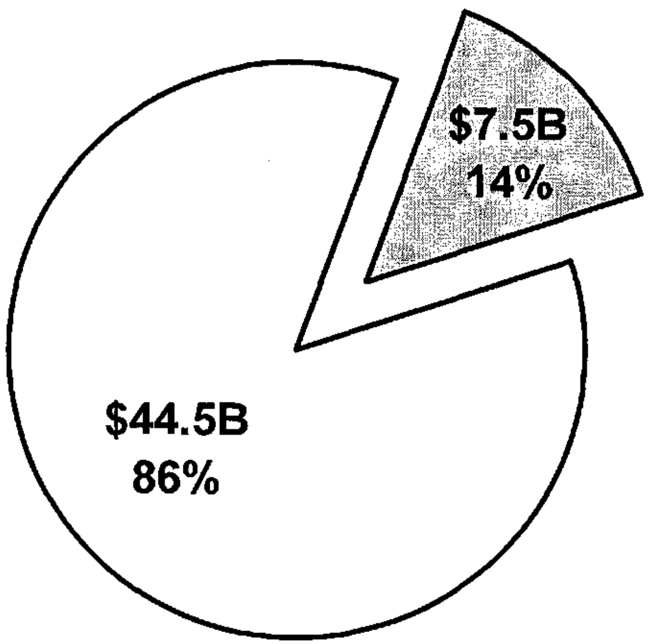
- Transcos. Rate recovery via FERC formula rates. ROEs 11.49% (PJM) / 11.20% (SPP).
- Operating company investment in Transmission. Rate recovery via trackers/TCOS mechanisms in OH, TN, VA, MI, TX. ROEs range from 9.96% to 11.49%.
- Operating company investment in Generation & Distribution. G & D rate adjustments via base rate cases with certain tracker mechanisms for environmental and reliability investments. ROEs range from 10.0% to 10.9%.

Growth in regulated PP&E supports overall earnings growth of 4-6%

Total Assets – Competitive

TOTAL ASSETS, based on Y/E 2011 in 2013 business structure *

** Subsequent to corporate separation*



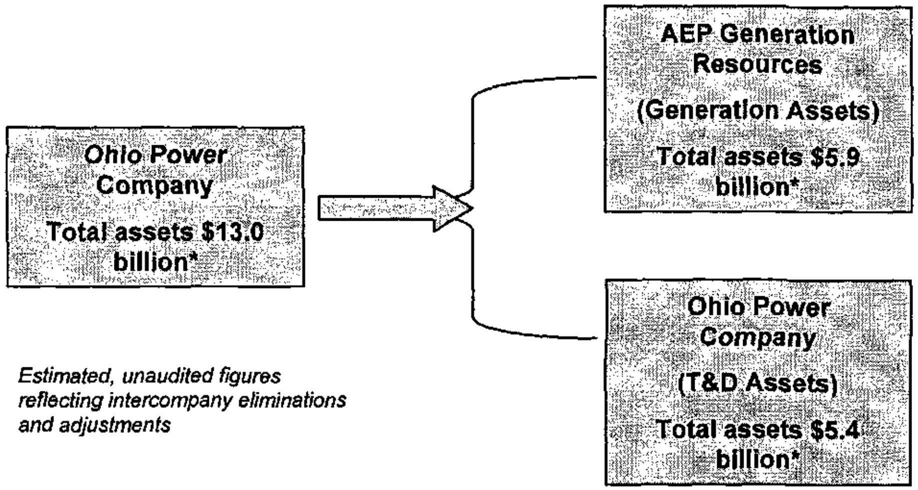
Competitive Companies

Power Related
AEP Generation Resources
AEP Energy Partners
AEP Retail Energy

Bulk Commodity Transport
AEP River Operations

Following corporate separation, we expect earnings contributions to approximate asset split

Corporate Separation in Ohio



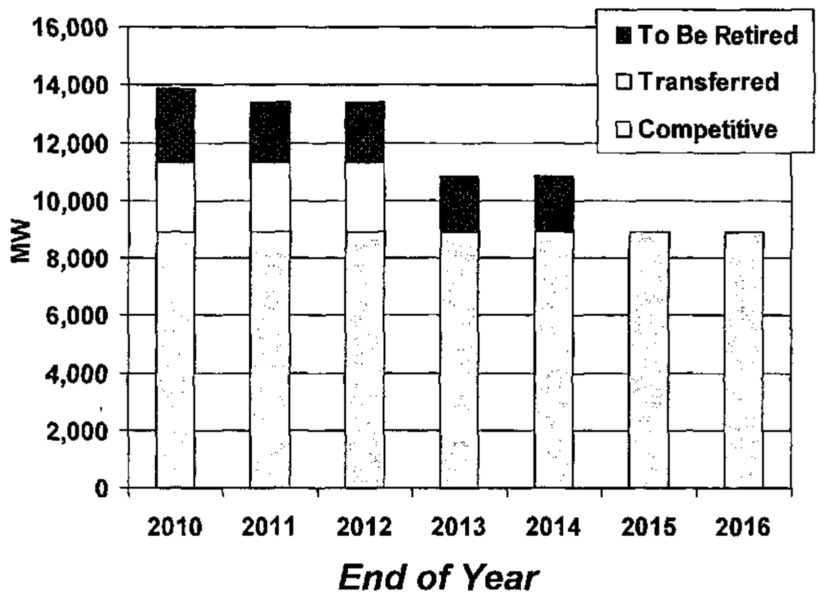
* *Estimated, unaudited figures reflecting intercompany eliminations and adjustments*

- Corporate separation approved by PUCO in January 2012
- Corporate separation filings at FERC made in February 2012
- Transfer Mitchell and Amos Unit 3 to APCo/KPCo

Corporate Separation filings made at FERC; expect final orders in early 2013

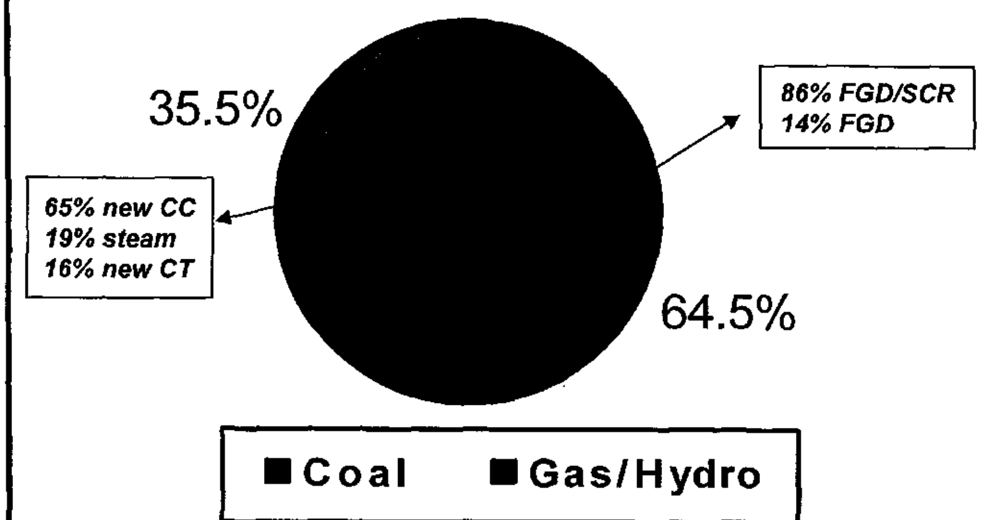
AEP Generation Resources Inc.

Capacity Profile, 2010-16



Transfers – Mitchell (1,560 MW), Amos Unit 3 (870 MW)
Retirements – 2,538 MW

Capacity Mix



<u>2011 Fuel Statistics (Ohio fleet average)</u>
Delivered coal price -- $2.35/mmBtu ($56/ton)
Delivered gas price -- $4.23/mmBtu

AEP Generation Resources capacity position of 8,900 MW in 2015 consists primarily of competitive, controlled coal and natural gas-fired resources

2012 Ongoing Earnings Guidance

AEP®

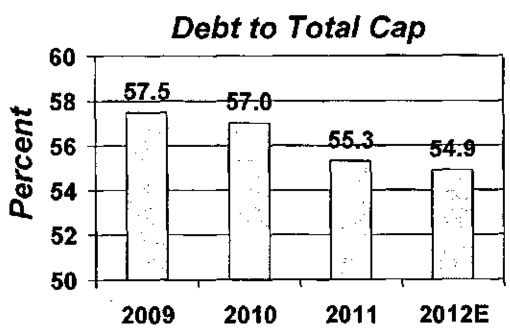
2011A: $3.12/share

2012E: $3.05 - $3.25/share

Near-Term Earnings Drivers

- Recovering economy
- Rate recovery from returns on capital investment
- Continued O&M discipline
- Ohio customer switching
- Off-System Sales/Power Prices

AEP's Financial Strength



55.3%
Year-end 2011
Debt to Total Cap

$3.25B Credit Facilities

- *$1.5B credit facility extended to June 2015*
- *$1.75B credit facility renewed to July 2016*
- *Supported by 27 bank institutions*

Balance Sheet | **Liquidity**

Pension | **Credit Ratings**

86% Funded Status at Y/E 2011

- *$950M contributions in 2010-11*
- *$200M contribution planned for 2012 expected to bring funded status >90%*
- *Investment strategies being reviewed*

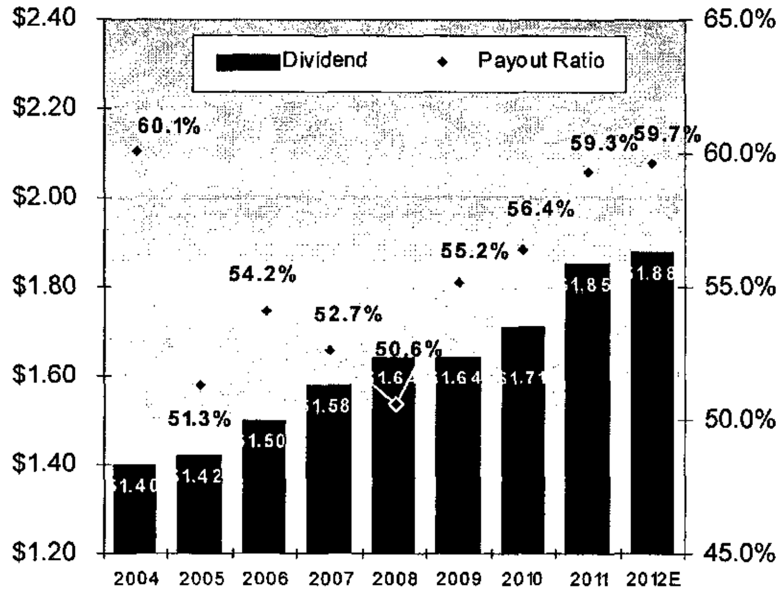
Investment Grade Credit Rating

Moody's – Baa2 (stable)
S&P – BBB (stable)
Fitch – BBB (stable)

Solid investment grade credit profile

Dividend Policy and EPS Growth Rate

Dividend Policy



- **50-60% Payout Ratio**
  - Expect dividend growth < EPS growth
  - Dividend supported by regulated operations
- **Dividend History**
  - 407th consecutive quarterly dividend declared
  - Dividend growth 4.1% CAGR since 2004
- **Current Yield of 4.8%**

EPS Growth Rate expected to average 4-6% over several years

- **Regulated net PP&E expected to grow at 6%**
  - Supports overall earnings growth at the high end of range
  - Efficient allocation of capital
- **Ohio Generation in Transition**
  - Switching levels and low capacity and energy prices could put pressure on near-term growth
  - Expect uplift in capacity prices due to environmental retirements
- **Equity needs over 2012-14 period about $300M through dividend reinvestment program**

25 Analysts Cover AEP: 8 Buy, 16 Hold, 1 Sell
AEP Total Return Opportunity is 9 - 10%

Appendix

Detailed Ongoing Earnings Guidance

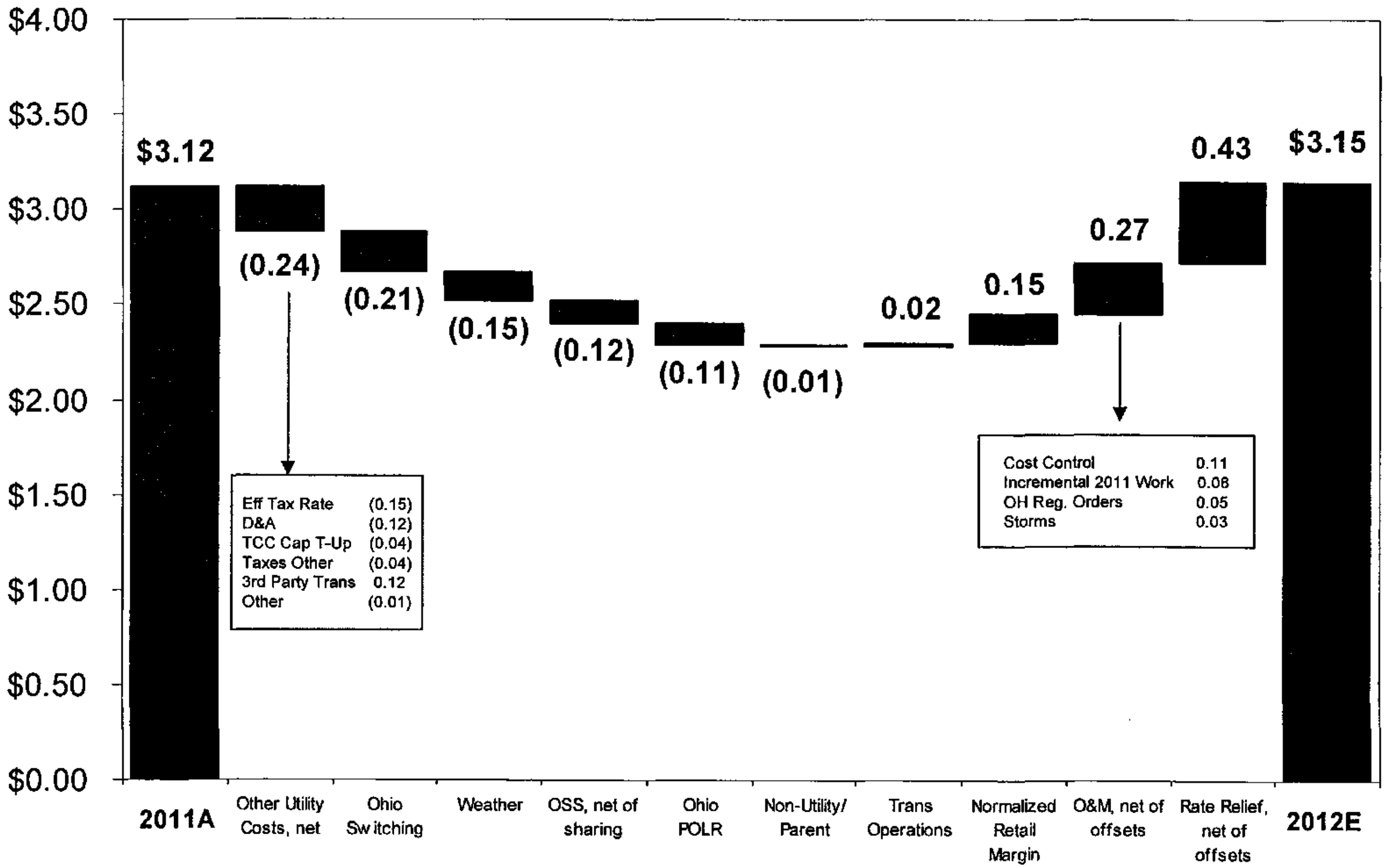
2011A: $3.12

AEP Consolidated
Financial Results for 2011 Actual Vs 2012 Guidance

2012E: $3.05 - $3.25

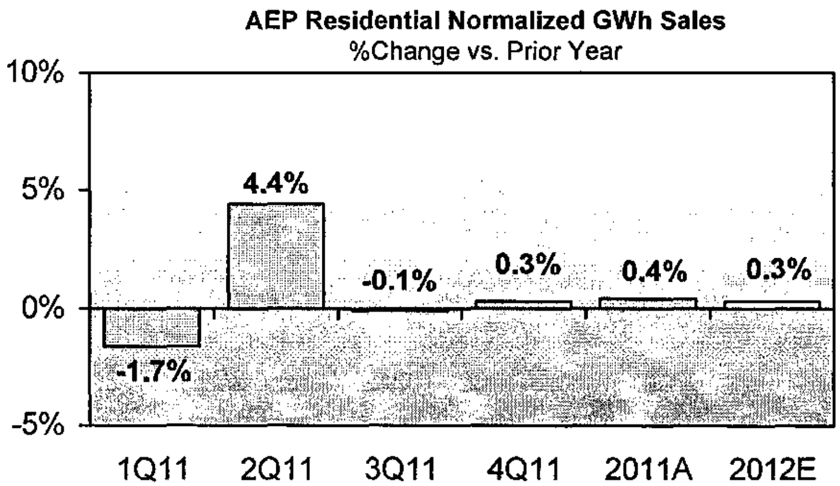
		Performance Driver	2011 Actual ($ millions)	Performance Driver	2012 Guidance ($ millions)
	UTILITY OPERATIONS:				
	Gross Margin:				
1	East Regulated Integrated Utilities	66,832 GWH @ $ 41.1 /MWhr	2,749	68,339 GWH @ $ 45.2 /MWhr	3,087
2	Ohio Companies	51,445 GWH @ $ 52.0 /MWhr	2,673	48,349 GWH @ $ 52.3 /MWhr	2,530
3	West Regulated Integrated Utilities	43,380 GWH @ $ 32.5 /MWhr	1,408	42,476 GWH @ $ 32.4 /MWhr	1,377
4	Texas Wires	29,288 GWH @ $ 22.1 /MWhr	648	28,274 GWH @ $ 22.1 /MWhr	625
5	Off-System Sales, net of sharing	25,693 GWH @ $ 13.3 /MWhr	343	27,742 GWH @ $ 9.0 /MWhr	250
6	Transmission Revenue - 3rd Party		417		504
7	Other Operating Revenue		507		546
8	**Utility Gross Margin**		8,745		8,919
9	Operations & Maintenance		(3,544)		(3,416)
10	Depreciation & Amortization		(1,613)		(1,718)
11	Taxes Other Than Income Taxes		(812)		(842)
12	Interest Exp & Preferred Dividend		(891)		(906)
13	Other Income & Deductions		239		214
14	Income Taxes		(669)		(779)
15	**Utility Operations On-Going Earnings**		1,455		1,472
16	**Transmission Operations On-Going Earnings**		30		38
	NON-UTILITY OPERATIONS:				
17	**AEP River Operations**		45		57
18	**Generation & Marketing**		14		(13)
19	**Parent & Other On-Going Earnings**		(40)		(31)
20	**ON-GOING EARNINGS**		1,504		1,523

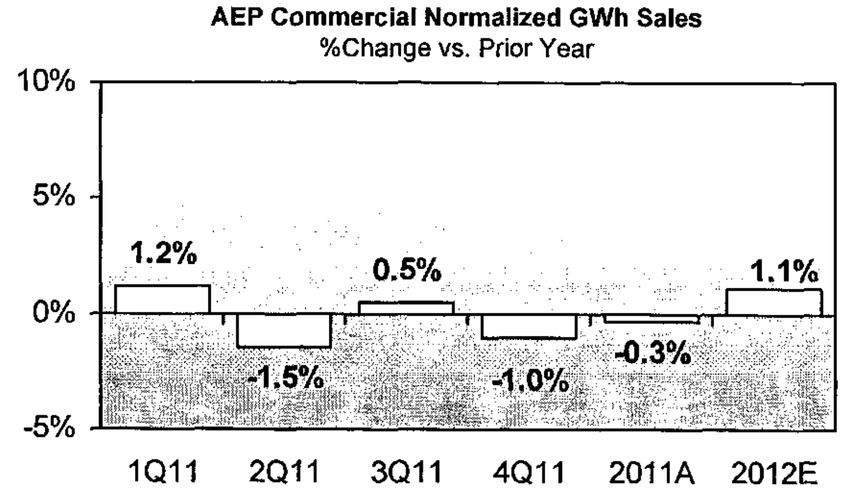
2012 Ongoing Earnings Guidance

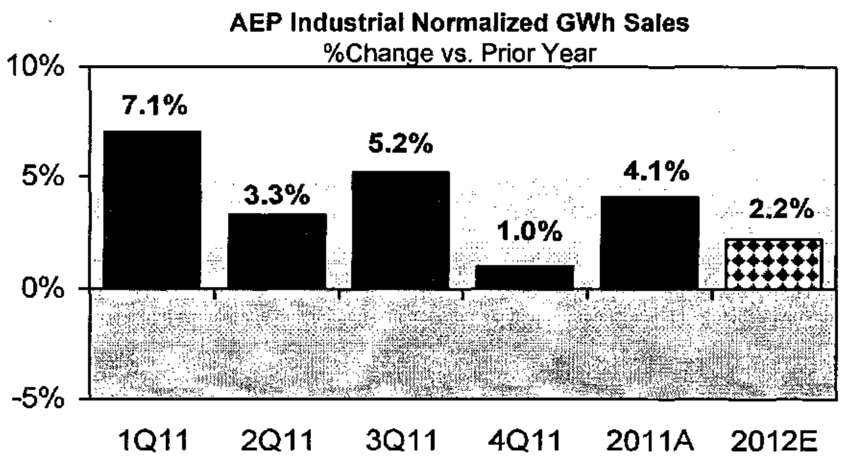


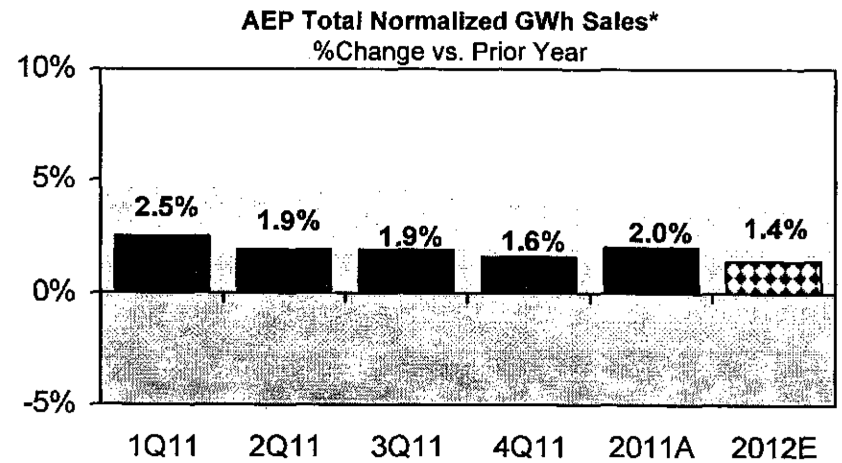
2012 Ongoing Guidance Range: $3.05- $3.25 per share

Normalized Retail Load Trends









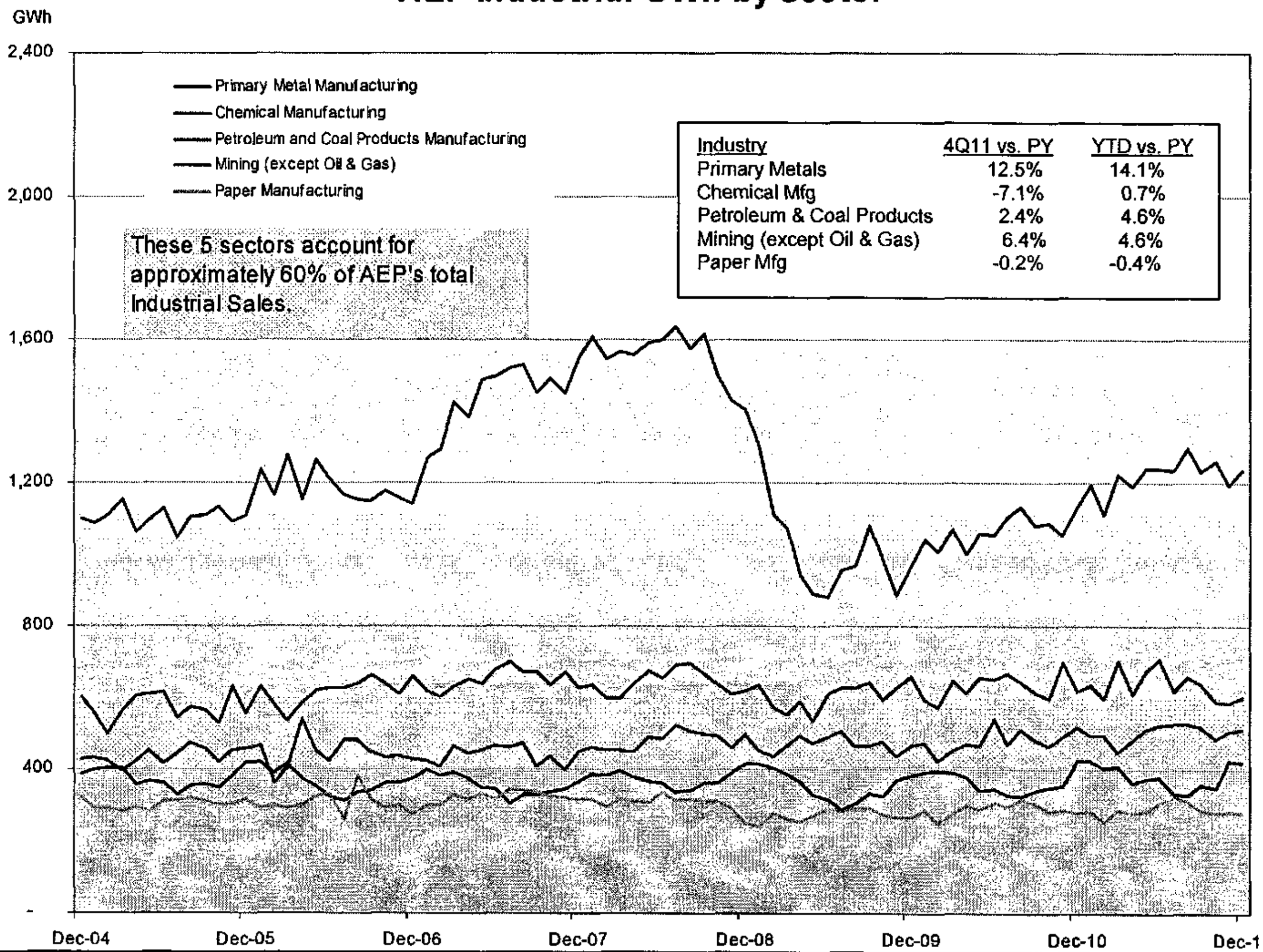
Note: Chart represents connected load

*includes firm wholesale load

Modest load growth of 1.4 percent for 2012

Industrial Sales Volumes

AEP Industrial GWh by Sector



Industry	4Q11 vs. PY	YTD vs. PY
Primary Metals	12.5%	14.1%
Chemical Mfg	-7.1%	0.7%
Petroleum & Coal Products	2.4%	4.6%
Mining (except Oil & Gas)	6.4%	4.6%
Paper Mfg	-0.2%	-0.4%

Industrial load near pre-recession levels

FES 109

OHIO POWER COMPANY'S RESPONSES
TO THE OFFICE OF THEOHIO CONSUMERS' COUNSEL'S
DISCOVERY REQUESTS
PUCO CASE 11-346-EL-SSO and 11-348-EL-SSO - Modified ESP
THIRD SET

INTERROGATORY

INT-3-046 Referring to AEP slide presentation entitled Japan Road Show, February 21-24, 2012, at 18, entitled "Detailed Ongoing Earnings Guidance:"

a. Line 5, 2011 Actual Off-system Sales, net of sharing shows 25,693 GWH at $13.3 /MWhr. Please identify how the $13.3 / MWhr gross margin figure shown for 2011 was derived;

b. Line 5, 2012 Guidance Off-System Sales, net of sharing shows 27,742 GWH @ $9.0/MWhr. Please identify how the $9.0/MWhr gross margin figure was derived;

c. Please identify the portions of GWH for 2011 actual and 2012 guidance that is attributable to customer switching impacts for the Ohio companies;

d. Do the figures reported on line 5 include capacity revenues? If not, what were the capacity revenues for the same two time periods?;

e. Does the "net of sharing" referenced on line 5 refer to the sharing that occurs under the pooling agreement? If not, what does it refer to?;

f. With respect to line 2 "Ohio Companies," what does the 51,445 GWH represent?; and

g. With respect to line 2 "Ohio companies" what does the 48,349 GWH represent?

RESPONSE

a. Off System Sales realizations are calculated by dividing the OSS Net Margin by the OSS GWh; $343M / 25,693 GWh = $13.3 / MWh. The OSS margins represent OSS revenues net of OSS costs recovered, and include physical sales, trading and marketing activities, capacity revenues from CRES providers, and various PJM credits and charges.

b. The 2012 Guidance Off System Sales realizations at the time of this presentation were derived by dividing the forecasted OSS net margin of $250M by the forecasted GWh, 27,742 = $9.0 / MWh.

INT-3-046 (Continued)

c. In 2011, 3,960 GWh of the 4,935 GWh that switched to other retail providers were included in Off System Sales reported in Line 5. In addition, approximately $55M in CRES capacity revenues were included in OSS margins. We did not quantify the portion of OSS GWh attributable to the switched load in the 2012 Guidance Forecast. Incremental switching GWh is not recovered in OSS margins on a one-for-one basis. Lower gas prices have resulted in lower projected power prices in the forecast period. The lower forecasted market prices result in periods where coal generation costs exceed market prices. The 2012 Earnings Guidance presentation included $44M of CRES capacity revenues. The forecast assumes CRES capacity revenues based on the RPM clearing prices which are significantly lower in 2012 than in 2011.

d. Line 5 includes capacity revenues paid by CRES suppliers. See response to item c above.

e. Net of sharing references in Line 5 does not refer to the sharing from the power pool. OSS margins shown in this line exclude the portion shared with retail customers through various recovery mechanisms.

f. Line 2 GWh for 2011 represents the Retail and Municipal & Cooperative sales for Columbus Southern Power and Ohio Power Companies. The line includes connected load, so both customers served by AEP Ohio and CRES providers are included.

g. Similar to item f above, Line 2 in the 2012 Guidance includes Retail and Municipal & Cooperative sales for AEP Ohio and includes the connected load.

Prepared by: Oliver Sever

OCC Ex 103

**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S RESPONSE TO
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL
DISCOVERY REQUEST
CASE NO. 11-346-EL-SSO AND 11-348-EL-SSO
FOURTH SET**

INTERROGATORY

INT-140. What is the most recent estimate of the total margin (profits) from all off-system sales each year, for each year of the ESP term proposed for CSP and for OPCo?

RESPONSE

OSS Pre Tax Margins

	$000		
Period	**CSP**	**OPC**	**Total**
2012	130,254	83,791	214,045
2013	147,378	107,615	254,993
Jan - May 2014	70,767	55,992	126,759

Prepared By: Philip J. Nelson

OCC 104

AEP AMERICAN ELECTRIC POWER

Date: November 4, 2011

To: File

From: Michael Baird and Paul Pennino

Subject: ASC 360 - Cross-State Air Pollution Rule: Recoverability Test – East Fleet

I. Background

On July 6, 2011, the US Environmental Protection Agency (EPA) finalized the Cross-State Air Pollution Rule (CSAPR) which is to be implemented by January 2012. This rule replaces EPA's 2005 Clean Air Interstate Rule. The rule provides much less flexibility and fails to consider improvements in air quality that have occurred under the Clean Air Interstate Rule (CAIR), which it will replace. AEP is evaluating several compliance options to meet the emissions limits established by the CSAPR. There are numerous unresolved questions associated with the impacts of the CSAPR on the PJM system.

II. ASC 360 – Property, Plant and Equipment

A. When to Test a Long-Lived Asset for Recoverability – Triggering Event

ASC 360-10-35-21 states:

> A long-lived asset (asset group) shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The following are examples of such events or changes in circumstances:

- a. A significant decrease in the market price of a long-lived asset (asset group)
    - Not applicable.
- b. A significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition
    - Not applicable.
- c. A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator.
    - Met.
        - Legal Factors: The implementation of the CSAPR could have a significant adverse affect on the East Fleet.

- d. An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group).
    - Not applicable.

- e. A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group)

    - Not met. The units are reviewed for recoverability purposes at the East Company generation only level, where there is no issue.

- f. A current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term *more likely than not* refers to a level of likelihood that is more than 50 percent.

    - Not met. There is no current expectation that, more likely than not, any of the units will be sold or otherwise disposed of significantly before the end of its previously estimated life.

<u>Conclusion</u>
Since a trigger has been met, a test for recoverability will be performed.

As cost-based rate regulated entities, APCo, KYPCo and I&M file rate cases to recover their incurred costs and as such any net cash flow projections presume the fact that costs will be fully recovered over the life of the assets. These cost-based regulated units will be included in the asset group (discussed below) and in accordance with ASC 360, any potential impairment for the APCo, KYPCo or I&M units will be evaluated if and when there is notification of potential disallowance by state regulators as provided under ASC 980 - Regulated Operations.

Since the Ohio companies generation assets are not cost-based rate regulated and do not fall under ASC 980 Regulated Operations, a recoverability test for these generating assets should be performed to determine if gross cash flows from the asset group are sufficient to recover the book value of the asset group as required under ASC 360. A discounted cash flow impairment test is necessary only if the gross cash flows fail to recover the book cost of the asset.

B. <u>Held and Used Requirement: Test for Recoverability using Gross Cash Flows</u>

<u>East Pool</u>
It is appropriate to use the East Pool as the lowest level of identifiable cash flows as described below. No other alternative courses of action to recover the carrying amount of the asset group were considered since the all of the assets are included in the East Pool.

<u>Asset Group</u>
An asset group is the unit of accounting for a long-lived asset or assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities.

In determining how to group assets at the lowest level for which there are identifiable cash flows that are largely independent of cash flows from other assets groups, we considered whether to include generation, transmission and distribution assets all in one entity level group or use the generation assets as a stand-alone asset group. Also, we considered whether to include all East operating companies together in one asset group versus just the assets of a stand-alone operating company. We considered all of the East company generation assets as the lowest level.

The non-cost based rate generation assets are not operated separately, but are coordinated and dispatched with the generation assets owned by the other East cost-based regulated operating companies (APCo, KYPCo and I&M). The costs and benefits of the generation assets are shared among all of the East operating companies in the Interconnection Agreement (Agreement). The output of the Ohio Companies' generation plants is available to fulfill the continuing native load obligations of those jurisdictions through the Power Pool Agreements. Due to the nature of electrical energy and the operation of the plants through the Pool, it is impossible to match cash inflows from the sales to cash outflows from either purchased or generated power by unit or by plant.

Based on the above considerations, the generation function group including all East companies that are part of the Agreement, is the lowest level where cash flows can be identified and are largely independent of other assets and thus is the asset group to be used in the recoverability test.

Cash Flow

Since we do not have cash flow statements by function, nor do we forecast by function, we used the attached 2011 Preliminary Long Range Plan to develop the required cash flow. The forecast reflects the capital expenditures necessary to extend the service potential of certain assets. This is inconsistent with the recoverability cash flow analysis required in ASC 360, which calls for cash flows to be based on the existing service potential of the assets at the date they are tested. To compensate for this we deducted the cash flows used for investing activities from the operating cash flows and used the resulting net cash flows to reflect the estimated cash flows achieved from the units existing service potential.

The forecast we used was for 10 years. The forecast model does not project past the 10 year period. We used the year 2020 net cash flows to estimate an additional 20 years cash flow. The use of the 2020 net cash flows was used because these cash flows are believed to be the best estimate of the forecasted cash flows due to the inclusion of significant capital expenditures to comply with environmental requirements which extends the useful lives beyond the current depreciable lives. The current average depreciable life of the Least Exposed units is 23 years; however, the model includes significant cash outflows for construction expenditure to extend the life of the plants, thus a thirty year expected useful life is reasonable. Due to immateriality to the total cash flow, the first 6 months of 2011 were not removed.

Finally, the model does not include any effect of cash from the ultimate sale of any of the plants since these plants are operated in a regulated environment and it would be anticipated that any gain would be returned to the customer.

We applied a 49.8% factor to the 2011 Preliminary Long Range Plan cash flows to estimate the cash flows from the generation function. The June 30, 2011 estimated gross margin was used because it reflects the current rates in effect related to sales other than OSS and also the over/underrecovery of fuel clause in effect in each jurisdiction. The factor represents the estimated generation gross margin for all of the East companies as a percentage of the total gross margin of the combined East companies. This approach is appropriate since the revenues and fuel expenses of the generation function are clearly identifiable on each operating company. (Note that even though the cash flows are clearly identifiable at the operating level, as mentioned previously the cash flows from each unit is dependent upon the other units in the Agreement.) The revenue is comprised of Sales for Resale (affiliated and non-affiliated) and the portion of Retail sales related to generation as described below. The fuel and purchased power expenses relate only to the generation function.

As information, the Retail sales related to generation are unbundled from the total rate charged customers in one of two ways, depending on the way the billing rates are designed. For an unbundled rate company (OPCO, CSP, APCO-VA and I&M-MI), the billing rates are entered into the MACSS system for G, T and D. Unbundled revenue reports provide the billed and unbilled revenues that support the journal entries to unbundle the revenues.

For a bundled rate company (APCO-WV, WPCO, I&M-IN, and KPCO), the various Rate Departments provide factors by rate schedule that are used to unbundle the revenues. These factors are based on rate studies and are input into the MACSS system, which generates unbundled revenue reports which are used to support the journal entries to unbundle the revenues.

A reduction was made to the cash flows for the effect of the CSPAR rules on Off System Sales. An estimated $100 million per year for 2012-2014 was made to reflect this effect. After 2014, the affected plants are forecasted to be retired.

C. Conclusion

As shown below, the estimated generation function cash flows are sufficient to recover the companies' generating assets. No further action is required.

($ millions)						
Total Company Estimated Cash Flows			East Generation Only			
10 year Forecast	20 years based on 2020	30 years (less than average remaining life of assets)	Estimated Generation 49.8% of total Revenues Less Est. CSAPR OSS Impact	Generation PP&E Balance July 2011	Excess Estimated Cash Flow versus Balance	Are Assets Recoverable?
18,843.5	51,336.0	70,179.5	34,798.8	12,528.6	22,270.3	Yes

D. Depreciation

ASC 360-10-35-22 states that if a long-lived asset (asset group) is tested for recoverability, it also may be necessary to review current depreciation estimates and method.

The plants are all being depreciated on their estimated remaining life. All of the unit's lives have been revised to reflect the NSR settlement or the most recent lives approved or filed in recent rate cases.

We are analyzing the current CSAPR rules and timelines, the related political discussions and possible outcomes in conjunction with the Ohio Settlement to determine the action to take related to the Ohio units and their related lives. As of the end of the 3rd Quarter 2011, no final decisions have been made to adjustment the depreciation lives. The current lives are appropriate given the possible outcomes.

Attachment

C: J. M. Buonaiuto
J. R. Huneck
J. H. Istvan
T. J. Festi
T. H.Ross
H. E. McCoy
D. A. Davis
O. J. Seever / J. E. Tully-Green
Deloitte

OCC 105

**OHIO POWER COMPANY'S RESPONSES
TO THE OFFICE OF THEOHIO CONSUMERS' COUNSEL'S
DISCOVERY REQUESTS
PUCO CASE 11-346-EL-SSO and 11-348-EL-SSO - Modified ESP
FIRST SET**

INTERROGATORY

OCC-INT-1-022. Please identify all pro forma or actual accounting entries that have been developed that will be used or are expected to be used to effectuate the transfer of assets and liabilities from AEP Ohio to the new generating company affiliate.

RESPONSE

See OCC Set-1-INT 22 Attachment 1. These proposed accounting entries reflecting the proposed transfer of OPCo's generation assets and related liabilities to a new generating company affiliate (AEP Generation Resources) were included in AEP's FERC filing in February 2012 that was subsequently withdrawn by AEP after the PUCO reversed its decision to approve the September 7, 2011 Stipulation in the instant case.

The proposed accounting entries are based on account balances as of September 30, 2011. While these balances reasonably represent the expected assets, liabilities and total capitalization to be transferred, the actual account balances at the time of corporate separation will be different.

Company witness: Thomas E. Mitchell

TRANSFER OF JURISDICTIONAL ASSETS

A. TO BE RECORDED ON THE BOOKS OF OHIO POWER COMPANY:

TO RECORD THE TRANSFER OF OHIO POWER COMPANY GENERATION ASSETS & RELATED LIABILITIES TO AEP GENERATION RESOURCES INC. (Based on 9/30/11 Balances)

		(in thousands)	
Account	**Account Description**	**Debit**	**Credit**
108, 111, 115	Accum Prov for Depreciation & Depletion - Utility	3,786,558	
122	Accum Prov for Depreciation & Amortization - Nonutility	231,873	
201-226	Proprietary Capital & Long-term Debt	4,851,697	
123.1	Investment in Subsidiary Companies	1,927	
144	Accum Prov For Uncollectible Accounts - Credit	55	
227	Obligations Under Capital Leases - Noncurrent	23,651	
228.2	Accumulated Provision for Injuries and Damages	499	
228.3	Accumulated Provision for Pensions and Benefits	154,474	
228.4	Accumulated Miscellaneous Operating Provisions	712	
230	Asset Retirement Obligations	194,075	
232	Accounts Payable	169,935	
233	Notes Payable to Associated Companies	245,831	
234	Accounts Payable to Associated Companies	215,098	
235	Customer Deposits	279	
236	Taxes Accrued	47,871	
237	Interest Accrued	2,232	
238	Dividends Declared	28	
241	Tax Collections Payable	113	
242	Miscellaneous Current and Accrued Liabilities	47,060	
243	Obligations Under Capital Leases-Current	6,873	
244	Derivative Instrument Liabilities	35,639	
245	Derivative Instrument Liabilities-Hedges	550	
253	Other Deferred Credits	25,099	
254	Other Regulatory Liabilities	6,872	
255	Accumulated Deferred Investment Tax Credits	12,458	
281	Accum. Deferred Income Taxes-Accel. Amort.	339,088	
282	Accum. Deferred Income Taxes-Other Property	1,061,091	
283	Accum. Deferred Income Taxes-Other	179,950	
101-106, 114	Utility Plant		9,692,350
107	Construction Work in Progress		132,383
121	Nonutility Property		243,629
123	Investments in Associated Companies		430
124	Other Investments		102,686
132-134	Special Deposits		19,972
142	Customer Accounts Receivable		51,512
143	Other Accounts Receivable		2,136
146	Accounts Receivable from Assoc. Companies		511,868
151	Fuel Stock		209,980
152	Fuel Stock Expenses Undistributed		8,119
154	Plant Materials and Operating Supplies		123,830
158.1, 158.2	Allowances		53,187
165	Prepayments		21,030
171	Interest and Dividends Receivable		1,122
174	Miscellaneous Current and Accrued Assets		5,640

Proposed Accounting Entries

TRANSFER OF JURISDICTIONAL ASSETS

A. TO BE RECORDED ON THE BOOKS OF OHIO POWER COMPANY:

TO RECORD THE TRANSFER OF OHIO POWER COMPANY GENERATION ASSETS & RELATED LIABILITIES TO AEP GENERATION RESOURCES INC. (Based on 9/30/11 Balances)

Account	Account Description	Debit (in thousands)	Credit (in thousands)
175	Derivative Instrument Assets		73,114
176	Derivative Instrument Assets - Hedges		988
182.3	Other Regulatory Assets		1,225
183	Prelim. Survey and Investigation Charges (Electric)		1,088
186	Miscellaneous Deferred Debits		31,679
190	Accumulated Deferred Income Tax		353,620
	Total	11,641,588	11,641,588