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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 Approval of an)
Additional Generation Service Rate Increase)
Pursuant to Their Post-Market Development)
Period Rate Stabilization Plans)

Case No. 07-1132-EL-UNC

**COLUMBUS SOUTHERN POWER COMPANY'S AND
OHIO POWER COMPANY'S APPLICATION TO
INCREASE THEIR RATES FOR GENERATION SERVICE
PURSUANT TO THEIR POST-MARKET DEVELOPMENT
PERIOD RATE STABILIZATION PLANS
AND REQUEST FOR PREHEARING CONFERENCE**

1. Columbus Southern Power Company (CSP) and Ohio Power Company (OP) referred to collectively as the "Companies," are public utilities and electric light companies as those terms are defined in §§4905.02 and 4905.03 (A) (4), Ohio Rev. Code, respectively.
2. The Companies are subsidiary companies of American Electric Power Company, Inc. (AEP) and are electric utility operating companies within the AEP System.
3. In Case No. 04-169-EL-UNC the Public Utilities Commission of Ohio (Commission) approved Rate Stabilization Plans (RSP) for CSP and for OP.*
4. In that proceeding, the Commission approved fixed generation service rate increases for CSP and OP of 3% per year and 7% per year, respectively, for each of the years 2006, 2007 and 2008. (Opinion and Order, pp. 15-19). As the Commission noted in its discussion, "these increases will be avoidable during the rate stabilization period.

* In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of a Post-Market Development Period Rate Stabilization Plan, Opinion and Order, dated January 26, 2005.

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Customers who choose another competitive generation supplier can avoid AEP's increased generation rates . . . We believe this is an important point to note." (Id. at 18).

5. The Commission also approved the portion of the Companies' application regarding limits on additional generation service rate increases during the rate stabilization period. (See pp. 8 and 9 of the application in Case No. 04-169-EL-UNC and the Opinion and Order, pp. 20-22 and 39). As relevant to this proceeding, the Companies were authorized to adjust their generation rates and related riders to their Standard Service Offer (SSO) rate schedules, beyond the increases described in the prior paragraph. The bases for such adjustments must relate to changes in laws, rules or regulations related to environmental requirements, security, taxes and any new generation-related regulatory requirement imposed by statute, rule, regulation or administrative or court order.
6. The procedure for implementing such adjustments also was set forth in this portion of the RSP application which the Commission approved. After filing an application with the Commission, such as this application now being brought before the Commission, there will be a hearing. If the Commission has not issued a final order concerning that application within 90 days of the filing, the proposed increase will become effective on an interim basis and will remain in effect until such time as the Commission's final order is implemented. That final order will provide for a reconciliation, if necessary, of the authorized increase, compared to the interim increase that had been in effect.

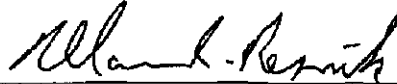
7. Finally, that approved provision provided: "In no case shall the combination of any increase from this Section and that of Section 2, above, for either CSP or OP be greater than an average 7% per year or 11% per year, respectively, for the years 2006, 2007 and 2008, not including the effects of the expiration of the temporary residential discount."
8. Neither CSP nor OP sought to implement the provision of their RSP described in the preceding three paragraphs in 2006. In other proceedings, however, the amount of rate increase available under the provision has been diminished for CSP and OP. In Case No. 05-376-EL-UNC, the Phase I generation rate surcharge associated with the construction of an Integrated Gasification Combined Cycle generating facility counted against the amount of rate increase available under that provision. That surcharge was in effect for the twelve months beginning July 2006. Also CSP's Power Acquisition Cost Rider approved in the proceeding in which the Commission directed CSP to acquire the Ohio certified service territory of Monongahela Power Company, counts against the amount of rate increase available under that provision for CSP. (See Case No. 05-765-EL-UNC). In Case No. 07-63-EL-UNC, CSP and OP applied to increase their generation service rates pursuant to that provision. The Commission's October 3, 2007 Opinion and Order in that docket authorized CSP and OP to implement a Generation Cost Recovery Rider calculated to recover \$32.8 million and \$6.0 million, respectively, for the period May 2007 through December 2008.
9. As explained in greater detail in the pre-filed testimony being filed along with their application, the Companies are and will continue pursuing in 2007 and 2008 certain

activities, which have related expenditures, which give rise to additional generation service rate impacts that are recoverable under the RSP. These activities, as relevant to this application, relate to compliance with environmental requirements including primarily the CAIR (Clean Air Interstate Rule) and CAMR (Clean Air Mercury Rule) rules which became effective July 11, 2005 and July 18, 2005, respectively. Further, recent changes by PJM Interconnection have resulted in additional generation-related expenses being incurred by the Companies. As with the 3% and 7% annual increases, the Companies' customers can avoid the increases sought by this application if they switch to a competitive generation supplier.

10. In recognition of the expenditures associated with the activities identified above and testified to by the Companies' witnesses in this proceeding, the Commission should authorize CSP and OP to implement their proposed riders to recover additional generation-related revenues of \$35,167,037 and \$11,944,953 respectively, in billings from the January 2008 first billing cycle through the December 2008 final billing cycle. In addition, as explained in the testimony of Companies' witness David Roush, the proposed riders contain a monthly adjustment mechanism to modify the initial rider levels in a manner to reflect the change in recoverable costs as subsequent month-ending cost levels vary from the cost levels used to set the initial riders.
11. Many of the issues involved in this docket have been resolved, subject to rehearing, by the Commission's Opinion and Order in Case No. 07-63-EL-UNC. Therefore, the Companies request that the Commission promptly convene a prehearing conference regarding this application so that the Staff and potential intervenors can discuss this matter and an appropriate procedural schedule. To that end, the Companies are

serving copies of this application on the Staff and intervenors in Case No. 07-63-EL-UNC. Further, the Companies state that they do not oppose intervention in this proceeding by intervenors in Case No. 07-63-EL-UNC.

Respectfully submitted,



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