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BEFORE
THE PUBLIC UILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbus Southern Power Company for Approval of its Electric Security Plan; an Amendment to its Corporate Separation Plan; and the Sale or Transfer of Certain Generating Assets	)	**Case No. 08- 917-EL-~~UNC~~** SSD
and	)	
In the Matter of the Application of Ohio Power Company for Approval of its Electric Security Plan; and an Amendment to its Corporate Separation Plan	)	**Case No. 08- 918-EL-~~UNC~~** SSD

COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S
APPLICATION

I. INTRODUCTION

On May 1, 2008, Governor Strickland signed Amended Substitute Senate Bill No. 221 (S.B. 221). S.B. 221 represents a significant shift from the Ohio General Assembly's watershed decision in 1999 to convert Ohio's electric utility industry from generation rates based on long-standing cost-of-service principles to generation rates based on market forces. Instead, S.B. 221 adopts a hybrid process for setting generation rates – either an Electric Security Plan or a Market-Rate Offer. In addition, S.B. 221 provides authority and imposes requirements concerning a much broader range of issues than only rates for electric generation service.

Columbus Southern Power Company and Ohio Power Company, are subsidiary electric utility operating companies of American Electric Power Company, Inc. (AEP), and they conduct their combined business in Ohio as "AEP Ohio."[1] As relevant to this application, each Company is an "electric distribution utility," "electric light company," "electric supplier" and "electric utility" as those terms are defined in §4928.01 (A) (6), (7), (10) and (11), Ohio Rev. Code, respectively.

Section §4928.141 (A), Ohio Rev. Code, requires electric distribution utilities to establish a standard service offer (SSO) for all competitive retail electric services based on a Market-Rate Offer (MRO) under §4928.142, Ohio Rev. Code, or on an Electric Security Plan (ESP) under §4928.143, Ohio Rev. Code. The first SSO application filed under S.B. 221 at a minimum must include an ESP. Therefore, the Companies now file their ESPs. While the Companies are not filing an MRO at this time, they reserve their right to make such a filing as an alternative depending on the outcome of this ESP filing or in the future.

The Companies have approached their ESPs in a manner that is consistent with S.B. 221. That is, their ESPs address a range of issues that are broader than simply focusing on the SSO for competitive retail electric services. The Companies' ESPs also address provisions regarding their distribution service (see §4928.143 (B) (2) (d) and (h), Ohio Rev. Code); economic development and job retention (see §§4928.143 (B) (2) (i) and 4905.31 (E), Ohio Rev. Code); the alternative energy resource requirements of §4928.64, Ohio Rev. Code; the energy efficiency and peak demand reduction requirements of §4928.66, Ohio Rev. Code (see also §4905.31 (E), Ohio Rev. Code); the

[1] Depending on the context, these companies will also be referred to collectively as the "Companies" or individually as "CSP", "OPCO" or "the Company."

net metering requirements of §4928.67, Ohio Rev. Code; the corporate separation requirements of §4928.17, Ohio Rev. Code; and the governmental aggregation-related requirements of §4928.20, Ohio Rev. Code. In addition, the Companies' ESPs offer shareholder assistance in the amount of $25 million for each year of the ESP to further address low-income customer assistance and economic development in our service territories. Consistent with that effort the Companies also will promote the General Assembly's interest in: energy price risk management contracts for political subdivisions and state entities (see §9.835, Ohio Rev. Code); solar ready equipment in school buildings under the jurisdiction of the Ohio School Facilities Commission (see §3318.112, Ohio Rev. Code); and advanced energy manufacturing centers in Ohio, and research in Ohio to encourage innovation and refinement of advanced energy resources. (see §4928.621, Ohio Rev. Code). The Companies also discuss their long-term vision for the future in some detail and address how the proposed ESP is designed to implement that vision.

The Companies' ESPs which address this broad range of issues will have the effect of stabilizing and providing certainty regarding retail electric service (§4928.143 (B) (2) (d), Ohio Rev. Code) and are "more favorable in the aggregate as compared to the expected results that would otherwise apply under section 4928.142 of the Revised Code." (§4928.143, (C) Ohio Rev. Code). Therefore, the Companies request that the Commission:

1. approve their ESPs without modification including all accounting authority needed to implement the ESPs as proposed;

2. provide such approval sufficiently in advance of the scheduled termination of their Rate Stabilization Plans (RSP) approved by the Commission in Case No. 04-169-EL-UNC.[2] More specifically, the Companies propose that their ESPs be made effective with the beginning of their January 2009 billing cycle, which is December 30, 2008;
3. approve their application to modify their corporate separation plans; and
4. approve CSP's application to provide CSP the authority to sell or transfer certain of its recently acquired gas fueled generating assets.

II. GENERATION RATE

The Companies propose to establish their rate provisions relating to the supply and pricing of generation service in the following manner. The starting point is each Company's most recent standard service offer. To these existing SSOs the following components are proposed.

II. A. FUEL ADJUSTMENT CLAUSE

As permitted by §4928.143 (B) (2) (a), Ohio Rev. Code, the Companies propose implementing an adjustment mechanism that will apply to the cost of fuel and fuel-related components such as purchased power, emission allowances, including the gains and losses associated with the sales of such allowances, and consumables related to environmental compliance, as well as the costs associated with the Chicago Climate Exchange, carbon-based taxes and other carbon-related regulation. This mechanism is referred to as the Fuel Adjustment Clause (FAC). The FAC will operate in the following manner:

[2] The Companies' Rate Stabilization Plans established the SSO that will be in effect on the effective date of S.B. 221. Consequently, they are "rate plans" as that term is defined by §4928.01 (A) (33), Ohio Rev. Code.

- In the first year under the Plan the rider will reflect the projected FAC costs for 2009.

- The purchased power costs that will be recoverable through the FAC will include incremental power purchased on a slice of system basis to serve the Companies' loads. The incremental purchases will equal for each Company five percent of load in 2009, ten percent of load in 2010 and fifteen percent of load in 2011.

- The FAC also will reflect projected costs of the Companies' compliance with the renewable energy mandates, including solar energy requirements, set out in §4928.64, Ohio Rev. Code. In this regard the Companies are proposing a methodology for determining the extent of the renewable mandates and present projected cost estimates for achieving these mandates.

II. B. NON-FUEL GENERATION COMPONENT

The Companies propose to increase the non-FAC portion of the generation rate to recover current year (beginning in 2009) carrying costs associated with capitalized investments made between 2001 and 2008 to comply with environmental requirements. For CSP the percentage increase will be seven percent and for OPCO it will be eighteen percent in 2009. The percentage increases reflect a credit for the increases authorized by the Commission in the additional generating rate increase proceedings pursuant to the Companies' RSP. The increases will be added to the non-FAC portion of each Company's generation rates.

The Companies also will be making capitalized investments in 2009, 2010, and 2011 to comply with environmental requirements. The Companies propose to increase the non-FAC portion of the standard service offer, adjusted to reflect the recovery of the current year carrying costs associated with the 2001-2008 environmental investments by three percent per year for 2009, 2010 and 2011 for CSP and by seven percent per year for each of those years for OPCO. These percentage increases are intended to recover the additional carrying costs as well as the effects of inflation on the Company's non-FAC generation costs offer during the three years of the ESP.

II. C. ADDITIONAL FAC EXPENSE DEFERRAL

The Companies are aware that as the eight-year period of rate increase restrictions comes to a close the impact of the other rate increases resulting from the ESP, when coupled with the incremental FAC costs being phased-in, still suggests that it is in the interest of customers to limit customer increases over the next three years. To that end, the Companies will defer incremental FAC expenses so that for each year of the ESP no customer rate schedule will experience an increase in excess of approximately fifteen percent. Because any cost increases recoverable through the Transmission Cost Recovery Rider and cost increases associated with any new government mandates are expected to also be passed along through Commission-approved rates, those costs are not included in the rate increase target of approximately fifteen percent.

III. DISTRIBUTION RATE

The Companies intend to adjust their current distribution rates to reflect costs associated with the following eight components: 1) enhanced distribution service reliability; and 2) implementation of Phase 1 of gridSMART CSP's service territory. Cost recovery for the enhanced distribution service reliability programs and for gridSMART will be achieved through annual percentage increases to the Companies' distribution rates in the amounts of seven percent for CSP and six and one-half percent for OPCO. In addition, distribution rates will reflect the cost of: 1) the provider of last resort service obligation; 2) economic development/job retention programs; 3) energy efficiency/peak demand reduction requirements; 4) alternate feed service; 5) line extension charges; and 6) Commission-authorized distribution regulatory assets.

III. A. ENHANCED DISTRIBUTION SERVICE RELIABILITY

The Companies are proposing a program of enhanced distribution service reliability that would extend beyond the three-year ESP. The total costs during the ESP period, by company, are as follows:

CSP		OPCO	
O&M	**Capital**	**O&M**	**Capital**
$58.4 million	**$143 million**	**$105 million**	**$139.6 million**

III. B. IMPLEMENTATION OF gridSMART

CSP is proposing to implement phase 1 of its gridSMART initiative. This initiative will improve the information provided to customers with which they can control their energy consumption through modern grid management. The net costs of this first phase of gridSMART is estimated to be $19.7 million of O&M and $89.2 million of capital investment.

III. C. PROVIDER OF LAST RESORT RIDER

The proposed distribution rates include a non-bypassable Provider of Last Resort (POLR) Rider. The POLR Rider will reflect costs related to the optionality associated with the Companies meeting their POLR obligation. The POLR rider will be as shown in the following table.

	CSP	OP
	Rates in $ / kWh	
RS	0.0060793	0.0024910
GS-1	0.0052258	0.0028128
GS-2	0.0053260	0.0028772
GS-3	0.0041238	0.0020662
GS4/IRP	0.0034960	0.0016875
EHG	0.0030639	
EHS	0.0039633	
SS	0.0031444	
OL/AL	0.0017410	0.0006084
SL	0.0019844	0.0006066
SBS	0.0042648	0.0020105

III. D. ECONOMIC DEVELOPMENT AND JOB RETENTION RIDER

As part of their ESPs, the Companies are proposing to implement a non-bypassable Economic Development Rider (EDR). The EDR will act as the mechanism to recover foregone revenue associated with an economic development customer discount.

The Companies' economic development efforts, however, go far beyond the use of rate discounts. The Companies will continue their active economic development efforts and stand ready to work in partnership with government and community leaders, to expand their economic development efforts.

As part of the Companies' efforts in this regard, they are committing $75 million to create a "Partnership With Ohio" fund, a portion of which will be available to attract and retain business development within the Companies' service territories. The remaining portion of the fund will be available for programs which will provide assistance to low income customers.

Further, the Companies' economic development efforts will focus on other provisions of S.B. 221 which do not affect an ESP or MRO. These provisions include: §9.835, Ohio Rev. Code, which authorizes state entities and political subdivisions to enter into energy price risk management contracts; §3318.112, Ohio Rev. Code, which requires the adoption of rules by the Ohio School Facilities Commission that prescribe standards for solar-ready equipment in school buildings; § 4928.621, Ohio Rev. Code, which focuses on encouraging research in Ohio regarding innovation in, or refinement of advanced energy resources, or education outreach regarding such resources; and §4928.62, Ohio Rev. Code, which addresses assistance for educating small businesses concerning renewable energy resources and energy efficiency programs and for small businesses that utilize advanced energy projects or participate in energy efficiency programs.

III. E ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION PROGRAMS RIDER

As part of their ESPs the Companies are proposing to implement a non-bypassable Energy Efficiency and Peak Demand Reduction Programs Rider. Section 4928.66, Ohio Rev. Code, imposes certain requirements on electric distribution utilities regarding energy savings and peak demand reductions. The requirements focus on the extent, stated as a percentage of a baseline, to which the Companies must achieve energy savings and implement programs designed to reduce peak demand beginning in 2009 and through 2025 (for energy savings) and through 2018 (for peak demand reductions).

Since the requirements discussed above begin in 2009, it is important to establish in this proceeding how the baselines will be determined for 2009. In this regard, this application seeks to establish the 2009 baseline for energy savings by using total normalized retail kilowatt hours sold in 2006, 2007 and 2008, adjusted for new economic growth in the Companies' certified territories. The 2009 baseline for peak demand reduction will be each Company's average normalized peak demand for 2006, 2007 and

2008, as adjusted for new economic growth in the Companies' certified territories. The Companies also propose that the same processes they present for establishing the 2009 baselines be used for determining future baselines. The Companies propose to recover their cost of complying with the energy savings and peak demand reduction programs through a separate distribution rider.

The Companies are proposing to implement a variety of energy efficiency programs and the creation of a working collaborative to assist the Companies concerning future programs. OPCO also is proposing to increase the availability of interruptible service to its large non-residential customers.

III. F. ALTERNATE FEED SERVICE CHARGE

Where the Companies reasonably can provide available capacity in existing distribution facilities adjacent to a customer's requested delivery point, the Companies will accommodate a customer's request for an Alternate Feed Service (AFS). AFS acts as a back-up distribution circuit to the customer's primary distribution circuit. This premium service, to the extent available, is an optional customer service. The ESP proposes rates for each Company for those customers who receive the premium service provided by an AFS. Including these rates in each Company's distribution service rate schedules is consistent with §4928.143 (B) (2) (h), Ohio Rev. Code. For CSP the rate is \$2.54 per kW for service at primary voltage and \$4.19 per kW for service of secondary voltage. For OPCO the rate is \$3.07 per kW for service at primary voltage and \$4.92 per kW for service at secondary voltage. For both Companies, AFS at secondary voltage will not be offered to any additional customers. Customers that currently have AFS at secondary voltage will, if they choose, be able to retain that service at these rates.

III. G. LINE EXTENSION CHARGE

The Companies current line extension terms and conditions are the outgrowth of the Commission's investigation in Case No. 01-2708-EL-COI. Since the time of that investigation, expenses associated with line extensions have increased dramatically. In addition, the current surcharge provisions incorporated in these terms and conditions have proven to be cumbersome and time consuming.

S.B. 221 requires the Commission to address line extension policies and charges in the non-residential context. However, it is not expected that the Commission's statutory mandated rule making regarding non-residential line extensions will be completed prior to the effective date of the ESP. Therefore, it is appropriate to address all line extension issues in this ESP.

The Companies' residential line extension proposals are shown on the following table:

	Upfront payment	**Premium service cost**
Single-Family Development	$500 per lot	100% of incremental cost plus tax gross up
Multi-Family project	$200 per unit	100% of incremental cost plus tax gross up
Single-family – not in development	$500 per lot plus 100% of line extension cost in excess of $5000 (including tax gross up)	100% of incremental cost plus tax gross up

All non-residential line extension projects will be charged an up-front payment equal to forty percent of the total facility cost, plus tax gross up, for basic service plans.

For premium service projects, the customer also will pay one hundred percent of the premium cost, plus the tax gross up.

For both residential and non-residential projects line extension costs not recovered in the ESP period will be deferred along with the pre-2009 line extension costs deferred and recovered through the regulatory asset recovery rider discussed below.

III. H. DISTRIBUTION REGULATORY ASSETS

Pursuant to various Commission orders, the Companies have created distribution regulatory assets associated with customer choice implementation, the integration of the former Monongahela Power Company service territory into CSP's service territory, line extension carrying costs, rate case expenses associated with the RSP case and the voluntary Green Pricing Power program. The Companies propose to amortize these regulatory assets beginning in 2011 over an eight-year period. The projected total balance at the end of 2010 is $120.5 million for CSP and $80.3 million for OPCO. Carrying charges on the unamortized balances will be accrued through the eight-year amortization period and the deferrals will be recovered through the Regulatory Asset Recovery Rider.

IV. PHASE IN OF NEW STANDARD SERVICE OFFER RATE

In order to mitigate the immediate impact of the change from the current standard service offer to the standard service offer under the ESP on our customers and on the economy of Ohio while preserving the interests of the Companies' shareholders, the Companies propose to phase in the new ESP rates by deferring a portion of the proposed annual incremental FAC costs in 2009, 2010 and 2011. Under the Companies' phase-in plan the deferred FAC costs would be recovered with a carrying cost over seven years from 2012 to 2018.

The phase-in concept is specifically contemplated by §4928.144, Ohio Rev. Code. Consistent with that statue, the Companies' phase-in includes the creation of regulatory assets associated with the deferral of incurred FAC costs not collected, plus carrying charges on those amounts. Further, the deferrals, along with the associated carrying charges, will be collected through a non-bypassable surcharge.

The Companies' proposed phase-in of the incremental of FAC costs from the baseline to projected 2009 FAC costs, on average, would approximate the following schedule:

	CSP	OPCO
First Bill Cycle 2009	57%	18%
First Bill Cycle 2010	100%	62%
First Bill Cycle 2011	100%	100%

The Companies recognize that §4928.143 (B) (2) (f), Ohio Rev. Code, permits the securitization of such a phase-in and permits the Companies' recovery of the Companies' costs of securitization. While it is anticipated that a securitized phase-in would be less costly for customers, S.B. 221 fails to provide the financial assurances that are necessary to securitize the phase-in and achieve a AAA credit rating. If, however, appropriate legislation were enacted on a timely basis that would permit the securitized debt to qualify for a AAA credit rating the Companies, with Commission approval, would pursue the securitization opportunity.

V. OTHER ESP PROVISIONS

V. A. CORPORATE SEPARATION

In the Companies' Electric Transition Plan (ETP) proceeding (Case Nos. 99-1729-EL-ETP and 1730-EL-ETP), the Commission approved a corporate separation plan that contemplated each Company creating new distribution and transmission companies and retaining their respective generation assets. In the Companies' RSP proceeding, the Commission authorized the Companies' continued functional separation as permitted by §4928.17 (C), Ohio Rev. Code.

In this proceeding the Companies request that they be permitted to remain functionally separated but that their corporate separation plans be modified to provide that each Company retain its distribution and, for now, transmission assets and that upon the expiration of functional separation their generating assets would be transferred or sold.

In a matter related to corporate separation, CSP requests authority to sell or transfer two recently acquired generating facilities that never have been included in rate base for ratemaking purposes. These facilities are the Waterford Energy Center and the Darby Electric Generating Station. On September 28, 2005, CSP purchased the Waterford Energy Center located in southeastern Ohio. The Waterford generating facility is a natural gas combined cycle power plant. It has a nominal generating capacity of 821 MW. On April 25, 2007, CSP completed the purchase of the Darby Electric Generating Station. The Darby plant, located near Mount Sterling, Ohio, is a natural gas simple cycle generating facility with a nominal generating capacity of 480 MW and a summer capacity of approximately 450 MW. Pursuant to §4928.17 (E), Ohio Rev. Code, CSP seeks approval to sell or transfer these generating assets. CSP has no immediate plan to sell or transfer those facilities and, if authorized to do so, will notify the Commission prior to any such transaction.

Further, on May 16, 2007 AEP Generating Company, an affiliate of CSP purchased the Lawrenceburg Generation Station located in Lawrenceburg, Indiana. The Lawrenceburg plant is a combined-cycle natural gas power plant with a generating capacity of 1,096 MW. CSP has a contract for the entire output of the Lawrenceburg plant.

In addition, CSP and OPCO each have a contractual entitlement to a portion of the output from the generating facilities of the Ohio Valley Electric Corporation (OVEC). Those facilities are the Kyger Creek plant owned by OVEC and Clifty Creek plants owned by OVEC's subsidiary, Indiana-Kentucky Electric Corporation. The Companies intend in the future to sell or transfer the OVEC and Lawrenceburg entitlements. These are contractual arrangements and do not represent generating assets wholly or partly owned by either Company.

V. B. ALTERNATIVE ENERGY RESOURCES

Section 4928.64, Ohio Rev. Code, imposes certain requirements on electric distribution utilities regarding alternative energy resources. Alternative energy resources include "advanced energy resources" and "renewable energy resources" (Renewables), as those terms are defined in §4928.01 (A) (34) and (35), Ohio Rev. Code. The requirements focus on the extent, stated as a percentage of a baseline, to which the Companies must supply their standard service offer from alternative energy resources by 2009 and thereafter, the extent to which those alternative energy resources can be generated from advanced energy resources and must be generated by renewables, including solar energy resources, and the extent to which the renewables must be located in Ohio.

Since the requirements discussed above begin in 2009, it is important to establish in this proceeding what the baseline will be for 2009. In this regard, this application seeks to establish the 2009 baseline by using total normalized retail kilowatt hours sold in 2006, 2007 and 2008, adjusted for new economic growth in the Companies' certified territories. The Companies also propose that the same process they present for establishing the 2009 baselines be used for determining future baselines.

The Companies also address whether their reasonably expected cost of compliance will exceed the reasonably expected cost of otherwise producing or acquiring the requisite electricity by three percent or more.

Finally, the Companies propose to recover their cost of complying with these renewable energy resource requirements through the FAC mechanism described in Part II. A, above. Certain costs associated with advanced energy resources will be recovered through the cost recovery adjustment mechanism used to recover costs of energy efficiency and peak demand reduction programs. Such a rider is permissible under that statute, as these costs result from compliance with a government mandate. Consistent with §4928.64 (E), Ohio Rev. Code, that rider will accommodate the bypassability of such charges by customers who exercised choice of suppliers under §4928.03, Ohio Rev. Code.

V. C. GOVERNMENTAL AGGREGATION

A governmental aggregation or the legislative authority that formed or is forming the governmental aggregation can file with the Commission a written notice, on behalf of its customers, electing not to receive standby service from the Companies. In such an event, the Companies will not impose their POLR charge on those customers. However, any such customer that returns to the Companies for generating services will be required to pay the market prices of power incurred by the Companies to serve that customer plus any amount attributable to the Companies' cost of compliance with the alternative energy resource requirements set out in §4928.64, Ohio Rev. Code. This requirement will remain in place until the expiration of the ESP.

V. D. NET METERING

Section 4928.67, Ohio Rev. Code, requires electric utilities to develop a standard net metering contract or tariff for hospitals, as that term is defined in §3701.01, Ohio Rev. Code. In addition to a separate tariff for hospitals, the Companies are proposing changes to their net metering rate schedule to conform it to requirements of S.B. 221. The Companies propose that these changes be approved as part of their ESPs.

V. E. ELECTRIC SECURITY PLAN TIMING FACTOR

Section 4928.14(C) (1), Ohio Rev. Code, requires the Commission to issue an order for an initial ESP application not later than one hundred fifty days after the application is filed. The Companies believe that the Commission intends to take all necessary actions in order to comply with this requirement. However, in the event that the Commission is unable to meet the statutory requirement, the Companies include as part of its ESP a provision that establishes a one-time rider to reflect the difference between the ESP approved rates and the rates charged under the Companies' existing standard service offer and reflects the length of time between the end of the December 2008 billing month and the effective date of the new ESP rates. It is proposed that the amount to be recovered under this provision of the ESP would be recovered over the remaining billing months in 2009, with a true-up, if necessary, in the first quarter of 2010.

VI. MISCELLANEOUS PROVISIONS

VI. A. COSTS INCURRED IN CONJUNCTION WITH GOVERNMENT MANDATES

Section 4905.31 (E), Ohio Rev. Code, provides that a public utility electric light company can file a schedule providing for a financial device to recover costs incurred in conjunction with "compliance with any government mandate." With this in mind, the Companies' proposes that the ESP enable them to submit filings with the Commission during the ESP period to recover costs incurred in conjunction with compliance with a government mandate that is imposed after the filing of this application. This would include costs incurred in conjunction with any rules promulgated by the Commission.

VI. B. RECOVERY OF TRANSMISSION AND TRANSMISSION RELATED COSTS

The Companies propose to retain the Transmission Cost Recovery Rider mechanism as it is presently comprised, with one exception. The marginal loss fuel credit which currently is reflected in the TCRR now will be reflected in the FAC.

VI. C. POSSIBLE EARLY PLANT CLOSURE

Considering the number of generating units the Companies' own it is possible that one or more of their units may experience a failure or safety issue requiring a significant investment that would not be cost effective to make. It is possible, therefore, that the date which one of these units is no longer able to cost-effectively operate could be a date earlier than assumed for depreciation accrual purposes.

For unanticipated events the Companies propose to defer any net undepreciated plant investment and any other early closure costs for future recovery. For anticipated shut downs where the Companies decide to close a unit at a future date, which is still earlier that the retirement date for depreciation accrual purposes, the Companies would intend to come back to the Commission to determine the appropriate treatment for such accelerated depreciation and other early closure costs.

VII. CONCLUSION

THE COMPANIES' ELECTRIC PLANS ARE MORE FAVORABLE IN THE AGGREGATE AS COMPARED TO THE EXPECTED RESULTS THAT OTHERWISE WOULD APPLY UNDER §4928.142, OHIO REV. CODE

Section 4928.143 (C) (1), Ohio Rev. Code, mandates that the Commission approve, or modify and approve, an ESP that "is more favorable in the aggregate as compared to the expected results that would otherwise apply under section 4928.142 of the Revised Code."[3]

For the purpose of making such a comparison, the Companies present in this proceeding the results they would expect from a standard service offer based on a market-rate offer under §4928.142, Ohio Rev. Code. To make that comparison, certain assumptions need to be made regarding the appropriate market price during the Companies' three-year ESP, the percentages of those market prices that would be phased

[3] If the Commission modifies and approves an application for an Electric Security Plan, the applicant may withdraw its application and file a new standard service offer as either another Electric Service Plan or as a market-rate offer. (§4928.143 (C))

in during each of those years and the results of the adjustments permitted to the non-market price component of the SSO.

The Companies believe that based on reasonable market price projections for the years 2009, 2010 and 2011, the extent to which those market prices would reasonably be expected to be phased in during those three years and the adjustments to the non-market based portion of the standard service offer which are permitted under §4928.142 (D) (1) – (4), Ohio Rev. Code, the proposed ESP is more favorable than the results expected under an MRO.

Moreover, it is important to note that the comparison required by §4928.143 (C) (1), Ohio Rev. Code, requires more than simply comparing the SSO that would result from an ESP to the SSO that would result from a MRO. The ESP is to be considered "in the aggregate." The Companies assert that each of their plans, in the aggregate, is more favorable than the market-rate offer that would be expected under §4928.142, Ohio Rev. Code. Therefore, their ESPs should be approved without modification. Accordingly, the Companies request that the Commission:

1. approve their ESPs without modification including all accounting authority needed to implement the ESPs as proposed;
2. provide such approval sufficiently in advance of the scheduled termination of their Rate Stabilization Plans approved by the Commission in Case No. 04-169-EL-UNC. More specifically, the Companies propose that their ESPs be made effective with the beginning of their January 2009 billing cycle, which is December 30, 2008;

3. approve their application to modify their corporate separation plans; and

4. approve CSP's application to provide CSP the authority to sell or transfer certain of its recently acquired gas fueled generating assets.

Respectfully submitted,

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