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BEFORE
THE PUBLIC UTILITIES 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-SSO
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-SSO

DIRECT TESTIMONY OF JOSEPH G. BOWSER
ON BEHALF OF INDUSTRIAL ENERGY USERS-OHIO

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October 31, 2008

Attorneys for Industrial Energy Users-Ohio

{C26348:3}

Before The Public Utilities 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-SSO
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DIRECT TESTIMONY OF JOSEPH G. BOWSER

I. INTRODUCTION

Q1. Please state your name and business address.

A1. Joseph G. Bowser, 21 East State Street, 17th Floor, Columbus, Ohio 43215.

Q2. By whom are you employed and in what position?

A2. I am a Technical Specialist for McNees Wallace and Nurick, LLC ("McNees") providing testimony on behalf of Industrial Energy Users-Ohio ("IEU-Ohio"). IEU-Ohio is an association of commercial and industrial customers and functions to address issues that affect the price and availability of energy they need to operate their Ohio plants and facilities.

Q3. Please describe your educational background.

A3. In 1976, I graduated from Clarion State College with a Bachelor of Science degree in Accounting. In 1988, I graduated from Rensselaer Polytechnic Institute with a Master of Science degree in Finance.

Q4. Please describe your professional experience.

A4. I have been employed by McNees for over 3 years where I focus on helping IEU-Ohio meet the needs of its members. Prior to joining McNees, I worked with the Ohio Consumers' Counsel as Director of Analytical Services. There I managed the analysis of financial, accounting, and ratemaking issues associated with utility regulatory filings. I also previously worked for Northeast Utilities, where I held positions in the Regulatory Planning and Accounting departments of the company, provided litigation support in regulatory hearings and assisted in the preparation of the financial/technical documents filed with state and federal regulatory commissions. I began my career with the Federal Energy Regulatory Commission ("FERC"), where I lead and conducted audits of gas and electric utilities in the Eastern and Midwestern regions of the United States. I am also a member of the American Institute of Certified Public Accountants.

Q5. Have you previously submitted expert testimony before this Commission?

A5. Yes, I have submitted expert testimony in the following cases: *In the Matter of the Application of The East Ohio Gas Company for Authority to Implement Two New Transportation Services, for Approval of New Pooling Agreement, and for Approval of a Revised Transportation Migration Rider*, Case No. 96-

1019-GA-ATA; *In the Matter of the Applications of Columbus Southern Power Company and Ohio Power Company for Approval of Their Electric Transition Plans and for Receipt of Transition Revenues*, Case Nos. 99-1729-EL-ETP, *et al.*; *In the Matter of the Commission's Investigation into the Policies and Procedures of Ohio Power Company, Columbus Southern Power Company, The Cleveland Electric Illuminating Company, Ohio Edison Company, The Toledo Edison Company, and Monongahela Power Company Regarding the Installation of New Line Extensions*, Case No. 01-2708-EL-COI, *et al.*; *In the Matter of the Application of Columbus Southern Power Company to Adjust its Power Acquisition Rider Pursuant to its Post-Market Development Period Rate Stabilization Plan*, Case No. 07-333-EL-UNC; *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Increase Rates for Distribution Service, Modify Certain Accounting Practices and for Tariff Approvals*, Case No. 07-551-EL-AIR, et al.; and *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to R. C. Section 4928.143 in the Form of an Electric Security Plan*, Case No. 08-935-EL-SSO.

Q6. What does your expert testimony address in this case?

A6. My expert testimony addresses several aspects of the Electric Security Plan ("ESP") proposed by Columbus Southern Power Company ("CSP") and Ohio

Power Company ("OP"), collectively known as the "Companies" or "AEP-Ohio". Specifically, I address the following issues:

- Inclusion of slice-of-system purchased power costs in the proposed fuel adjustment clause;
- The need for the Companies to reflect the Internal Revenue Service ("IRS") Code Section 199 tax deduction in customers' generation rates;
- The proposed automatic annual distribution rate increases of 7% for CSP and 6.5% for OP;
- The Companies' request for authority to sell or transfer generating assets; and
- The proposal regarding recovery of Gavin scrubber costs

II. IRS CODE SECTION 199 DEDUCTION

Q7. What is the IRS Code Section 199 deduction?

A7. Beginning in 2005, a deduction against federal taxable income became available for "qualified production activities income", which includes the production of electricity. The deduction is phased-in, with the deduction equal to 6% of qualified income in years 2007 through 2009, and 9% for 2010 and thereafter.

Q8. Have the Companies reflected the tax benefits of the Section 199 deduction into the costs that they seek recovery for, in the ESP?

A8. No. In response to IEU-Ohio Interrogatory Set 1, Question 4, which is attached to my testimony as Exhibit JGB-1, the Companies indicated that they have not reflected in carrying cost calculations the Section 199 tax deduction. However, Mr. Nelson indicates at page 7 of his testimony that one of the costs that may be included in the fuel adjustment clause ("FAC") in the future is a federally mandated carbon or energy tax, if such a tax were to be implemented. I believe that there needs to be symmetry in the treatment of taxes. If customers will be asked to pay for the costs of new taxes imposed on the Companies that result from the generation of electricity, customers should also receive the tax benefits associated with the Section 199 deduction, which are also related to the generation of electricity. The idea that tax decreases should be reflected as well as tax increases is consistent with general rate-making principles my understanding of the requirements in Senate Bill 221 ("SB 221") (specifically Sections 4928.142 and 4928.143, Revised Code), and is also necessary in order to make a comparison of the ESP vs. a Market Rate Option ("MRO"). For instance, it is my understanding that under an MRO, when making any adjustment to the most recent Standard Service Offer ("SSO"), the Commission is to include the benefits that may become available to the Electric Distribution Utility ("EDU") as a result of or in connection with the costs included in the adjustment, including, for example, the utility's receipt of tax benefits.[1]

Q9. Is there any precedent for the Commission giving recognition to the Section 199 deduction in an electric utility's rates?

A9. Yes. In an Entry on Rehearing dated November 28, 2007, in Case No. 07-63-EL-UNC, the Commission adjusted the revenue requirement associated with

[1] Section 4928.142(D), Revised Code.

an increase in generation rates (generation cost recovery rider) for the Companies, to reflect the impacts of the Section 199 deduction. In that proceeding, CSP and OP were permitted the recovery of carrying costs on certain incremental generation-related environmental expenditures. Accordingly, the Section 199 deduction impact was reflected by a reduction in the carrying cost rate to be applied to this generation plant investment. More specifically, the equity component of the rate of return was grossed-up using a federal income tax rate that was net of the Section 199 deduction. This resulted in a lower carrying cost rate to be applied to the generation plant balances.

Q10. How should the Section 199 tax deduction be reflected in this proceeding?

A10. According to Mr. Nelson's testimony at page 15, the revenue increase requested by the Companies in this case is needed, in part, to cover carrying charges on generation-related environmental expenditures that are not currently reflected in rates. As indicated on Exhibits PJN-10 and PJN-11 of Mr. Nelson's testimony, the carrying cost rate includes, among other components, an income tax component, and a rate of return based upon a weighted cost of capital calculation. The carrying charge rate should be adjusted to reflect the lower effective tax rate that results from application of the Section 199 deduction. This has the effect of reducing the carrying charge rates that are applied to environmental investments on Exhibit PJN-8 as follows:

OP – from 13.98% to 13.83% for 2007-2009, and from 13.98% to 13.76% for 2010-2011.

CSP – from 14.94% to 14.78% for 2007-2009, and from 14.94% to 14.71% for 2010-2011.

I provide a calculation of the adjusted carrying charge rates on Exhibit JGB-2. In addition, as discussed at page 8 of Mr. Assante's testimony, the Companies are proposing a carrying cost on the unrecovered balance of any deferred incremental FAC costs. The carrying cost development is noted in an illustrative example on Exhibit LVA-1 of Mr. Assante's testimony. Like the carrying charge rates on environmental investments discussed above, the carrying charge rates applied to the FAC deferrals should also be adjusted to reflect the lower effective tax rate that results from the application of the Section 199 deduction.

I have seen no information that indicates that the tax benefit of the Section 199 deduction has been reflected in the generation rate component of the Companies, which accounts for a large portion of the revenue dollars that the Companies are proposing to recover in this case. It is necessary to determine how this tax benefit has been accounted for in the development of the generation rates. I believe this determination is necessary to properly align costs and benefits and to also provide a proper foundation for any excess earnings analysis. Given the time available as a result of this and the other ESP and MRO cases before the Commission, I have not attempted to make this determination. Pending a closer examination of the tax costs and benefits reflected in the generation prices that are the foundation for the Companies' proposed price adjustments, the Commission should not permit new adjustments for taxes such as a new carbon tax, or should only permit adjustments subject to refund with interest.

III. SLICE-OF-SYSTEM PRICING FOR THE PROPOSED FAC COMPONENT

Q11. What is the effect of the Companies' slice-of-system pricing proposal?

A11. The Companies are proposing as part of the ESP to purchase power on a slice-of-system basis in increasing increments for each year of the ESP. The increments are expressed in terms of percentages of each Company's loads: 5% of load in 2009, 10% of load in 2010, and 15% of load in 2011.

Q12. What costs have the Companies reflected in the ESP for the slice-of-system purchased power costs?

A12. On Exhibit JCB-2 of Mr. Baker's testimony, the Companies have estimated slice-of-system purchased power costs during the ESP as follows:

	2009	2010	2011	
	(millions of dollars)			Total
CSP	$100	$200	$300	$600
OP	$120	$240	$360	$720
Total	$220	$440	$660	$1,320

In response to data request IEU-Ohio Interrogatory Set 1, Question 7, which is included in my testimony as Exhibit JGB-3, the Companies confirmed that the 2009 estimated costs in the table above were included in the costs that they are seeking to recover through the 2009 FAC, as reflected for CSP and

OP in Exhibits PJN-2 and Exhibit PJN-5 of Mr. Nelson's testimony, respectively.

Q13. What rationale did the Companies offer for including these costs in the FAC?

A13. Mr. Baker indicated that the purchases will reflect the Companies' agreement to accept the Ormet and Monongahela Power Company loads into their service territories, and that reflecting the purchases in the FAC is consistent with the cost recovery mechanisms approved by the Commission for both the Ormet and Monongahela Power situations. In addition, Mr. Baker stated that the Companies believe that during the time they will not be on the MRO track they should be able to rely to some extent on the market as a source to serve the equivalent of those new loads.

Q14. Should the Commission approve this aspect of the Companies ESP?

A14. No. It appears to me that the Companies have confused their ESP with the MRO that exists under SB 221. On the advice of counsel, it is my understanding that for companies that own generation, SB 221 permits a portion of the SSO service to be priced at market rates through a blending of purchases and the most recent SSO price. However, to pursue this blending approach, an electric distribution company must elect the market-rate track under SB 221. Moreover, this proposal to purchase power appears to be somewhat at odds with the Companies' request that the Commission authorize them to sell or transfer generating assets including the Waterford and Darby generating assets, and the Ohio Valley Electric Corporation

("OVEC") generating assets, which I address later in my testimony. On the one hand the Companies want to have the authority to reduce, through sale or transfer, their ability to use existing generating capacity to serve Ohio retail customers while on the other they indicate that they have the need to make additional purchases of power. The Companies have not made a clear demonstration of the need for the proposed purchases of power, and it is difficult to assess whether those purchases, if made, are prudent. I would also note that the portfolio requirements in SB 221 include effective reductions in annual kWh consumption as well as peak demands. SB 221 also requires that a portion of the Companies' SSO load be satisfied by advanced technologies. The Companies have the opportunity to recover the cost of complying with these portfolio mandates. At a minimum, the Commission should encourage the Companies to act promptly on the customer-sited, portfolio compliance opportunities provided for in SB 221 before resorting to purchased power or other supply side options to meet SSO service needs.

IV. AUTOMATIC ANNUAL DISTRIBUTION RATE INCREASES

Q15. What have the Companies proposed in terms of automatic annual increases to customers' distribution rates?

A15. The Companies have proposed three automatic annual increases in distribution rates of 7% for CSP and 6.5% for OP. According to the Companies, these increases cover proposed capital outlays and operation and maintenance ("O&M") expenditures designed to enhance distribution reliability for both Companies, as well as proposed gridSMART spending for CSP.

Q16. Do you believe that the Companies' proposal for 3 automatic annual percentage increases to distribution rates should be approved as part of the Companies' ESP?

A16. Not in its present form. On page 37 of Mr. Boyd's testimony, Mr. Boyd provides a chart which indicates that OP and CSP expect to spend \$163 million in O&M expenses for enhanced distribution reliability, as well as an additional \$283 million in capital expenditures, over the proposed three-year ESP period. In addition, as indicated on Exhibit KLS-1 to Ms. Sloneker's testimony, the estimated Phase I gridSMART costs over the three-year ESP period add another \$20.5 million in O&M costs and \$89.2 million in capital expenditures. Combined, the Companies have forecasted that the enhanced distribution reliability and gridSMART proposals amount to over \$550 million over the ESP term. Rather than permit the Companies to implement automatic annual increases to recover costs of this magnitude, which would cumulatively increase the distribution rates of CSP and OP, by 22.5% and 20.8%, respectively, over a three-year period, I believe the Commission should require the Companies to address distribution reliability issues and gridSMART issues, as well as the related cost recovery, in the Companies' next distribution rate cases. At that time a full review of the Companies' distribution rates, service quality and the means by which additional capital and O&M expenditures can be connected to reliability benefits, could be undertaken. Under an ESP, utilities are permitted to request provisions regarding distribution service, including a long-term delivery infrastructure modernization plan, and the Commission, in determining whether to allow such a provision, is to examine the reliability of the EDU's distribution system and ensure that customers' and the utility's expectations are aligned and that the EDU is placing sufficient emphasis on and dedicating sufficient resources to the reliability of its distribution system. (Section 4928.143(B)(2)(h), Revised Code.) In view of the magnitude of the expenditures contemplated in this proceeding, efforts should be made to assure that customers' and the Companies' expectations are aligned and that sufficient benefits will accrue for the costs incurred. In my opinion, the best way to do this is through a distribution rate case.

Moreover, it is my understanding that the timeline provided for this ESP proceeding is that a decision will be issued within 150 days of the application. Rather than attempt to address the issues associated with distribution reliability in such a short time frame (which will end in approximately 2 months), it would be better to do so in a distribution rate case, in which the case timeline runs for 275 days. In the alternative, if the Commission is inclined to permit the Companies to recover some amount of dollars associated with either distribution reliability or gridSMART costs in the ESP, an increase should be limited to a single year's rate increase, and any subsequent increases should be evaluated as part of a full distribution rate case.

V. PROPOSED AUTHORITY TO SELL OR TRANSFER GENERATING ASSETS

Q17. What have the Companies proposed with respect to the sale or transfer of generating assets in this case?

A17. First, CSP is requesting the authority, as part of the ESP, to sell or transfer the Waterford and Darby generating assets. However, Mr. Baker testifies that CSP has no current plan to sell or transfer either of these assets. In addition, the Companies are requesting authority to sell or transfer their contractual entitlements to a portion of the output from the generating facilities of OVEC. As Mr. Baker notes in his testimony, however, not only does CSP have the contractual entitlement to OVEC power, but CSP also has equity ownership in OVEC. According to OVEC's 2007 Annual Report, CSP is a current shareholder in OVEC, with a 4.30% equity ownership. A copy of the Annual Report page is attached to my testimony as Exhibit JGB-4. Therefore, CSP is a partial owner of the OVEC generating assets. Mr. Baker cites to Section 4928.17(E), Revised Code, as addressing the sale or transfer of generating assets. I have been advised by counsel that this Code section provides that an EDU shall not sell or transfer any generating asset it wholly or partly owns at any time without obtaining prior Commission approval.

Q18. Are these generating assets currently being utilized by CSP?

A18. Yes. As the Companies indicated in response to Interrogatory OCC-2-32, which is attached to my testimony as Exhibit JGB-5, the Waterford and Darby facilities have both, at times during 2006 – 2008, been a source of generation supply for members of the AEP East Interconnection Agreement, including CSP and OP. Moreover, as the Companies indicated in response to Interrogatory OEG-2-3, which is attached to my testimony as Exhibit JGB-6, these facilities are included in CSP's Member Primary Capacity in the AEP East Interconnection Agreement, and the Companies have not quantified the change in CSP's equalization payments if CSP is authorized to sell or transfer the units. According to data in CSP's 2007 FERC Form 1, the OVEC generating assets have also been producing power, with CSP receiving 650,373 MWH from OVEC in 2007, at a cost of $23,101,836, or $35.52 per MWH. A copy of the FERC Form 1 pages are attached to my testimony as Exhibit JGB-7.

Q19. Should the Commission grant the authority that CSP is seeking?

A19. No. CSP has owned its share of the OVEC generation assets for a number of years, and as Mr. Baker notes in his testimony, CSP is part of an Inter-Company Power Agreement which provides for the sale of power to CSP, among others, through March 2026. Moreover, CSP presumably purchased the Waterford and Darby generating assets because there was a need for additional generating capacity within the AEP system. It appears that this need has not changed, as Mr. Baker indicates at page 56 of his prefiled testimony that CSP has acquired additional generating capacity since the Company originally proposed the Integrated Gasification Combined Cycle ("IGCC") facility in Meigs County, Ohio. Moreover, the Companies' request to transfer ownership appears to be at odds with positions the Company has advanced in other proceedings before the Commission. Specifically, in Case No. 05-376-EL-UNC, *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Recover Costs Associated with the Construction and Ultimate Operation of an Integrated Gasification Combined Cycle Electric Generating Facility*, the Companies' stated (at page 40 of their initial brief) that ownership by the companies of generation output results in a commitment to serve Provider of Last Resort ("POLR") loads that is highly reliable. The Companies also indicated that ownership of that generation would also provide a long-term hedge against the volatility in both the availability and pricing of wholesale capacity and energy supplies.

As indicated on Exhibit JGB-4, OP also has a contractual entitlement to OVEC's generating output, of 15.49%. It is difficult to understand why it would be prudent in the current situation, to sell or transfer an entitlement to the output of a generating asset. In effect, this entitlement is a hedge against the EDU's ability to meet its physical SSO obligations, and the wholesale supply from OVEC, which is subject to FERC jurisdiction, is priced based upon traditional, cost based regulation.

By implication, approving the sale or transfer of these assets will result in SSO service that is subject to wholesale pricing volatility and may lead to lower reliability.

VI. RECOVERY OF GAVIN SCRUBBER RELATED COSTS

Q20. What are the Companies proposing with respect to the recovery of Gavin scrubber costs for OP?

A20. OP seeks to reserve the right to seek a modification to its ESP rates, either in 2010 or whenever the determination is made, as to how the scrubbers will be treated after the current lease expires.

Q21. What options are being considered for the scrubber after the current lease expires, and what is the cost of the current lease?

A21. Mr. Baker discusses several options in his testimony and indicates that the Company has not made a determination on how to proceed at this time.

Q22. Has the Commission provided any guidance to OP with respect to the scrubber after the current lease ends?

A22. Yes. It is my understanding that in a June 4, 2008 Order issued in Case No. 08-498-EL-AIS, the Commission directed OP to address how it planned to address the expiring lease as part of its ESP.

Q23. Do the Companies address the expiring lease in their ESP application?

A23. No. Mr. Baker testifies that because the current lease does not end until 2010, OP has not completed discussions with the lessor to hire an appraiser, which would then lead to an appraiser's report, and ultimately, to agreement on a market value for the scrubber. Mr. Baker noted that knowing the market value of the scrubber at the termination date is necessary in order to determine which option is the least-cost option when the current lease expires. Therefore, the Companies have not made a determination on how they plan to proceed and OP is seeking to reserve the right to modify its ESP rates in the future.

Q24. What is your recommendation on this issue?

A24. Once the Company has the information needed to determine the future scrubber costs, it should seek Commission approval before exercising the option to purchase the scrubber and/or terminate the lease. However, the Company should not be permitted to reserve the right to seek modification to its future ESP rates for future consideration as such a reservation impacts the ability to assess whether the ESP is favorable versus the MRO.

Q25. Does this conclude your prepared direct testimony?

A25. Yes, at the present time. However, I reserve the right to submit supplemental testimony.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Prepared Direct Testimony of Joseph G. Bowser on Behalf of Industrial Energy Users-Ohio* was served upon the following parties of record this 31st day of October 2008, *via* electronic transmission, hand-delivery or first class mail, postage prepaid.

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AEP OHIO'S RESPONSE TO
INDUSTRIAL ENERGY USERS-OHIO'S
DISCOVERY REQUEST
FIRST SET
CASE NO. 08-917-EL-SSO & CASE NO. 08-918-EL-SSO

INTERROGATORY REQUEST NO. 1-4

Have the Companies reflected in taxes or carrying cost calculations, the IRS Code Section 199 deduction for production of electricity?

RESPONSE:

No. In calculating the carrying cost rate the federal tax rate used should be the statutory rate.

Prepared by: P. J. Nelson

1 **Exhibit JGB-2**

2 **Calculation of Carrying Cost Rate to Reflect Section 199 Deduction**

3 Companies' proposed rates:	**CSP Rate**	**OP Rate**	**Source**
4 Return	8.11%	8.11%	Exhibit PJN-10
5 Depreciation	2.23%	2.23%	
6 Federal income tax	1.64%	1.64%	
7 Property tax, A&G expense	2.95%	2.00%	
8 Total carrying charge rate	14.93%	13.98%	
9 Adjusted federal income tax	**2007 to**	**2010 and**	
10 rate to reflect Section 199:	**2009**	**After**	
11 Statutory FIT rate	35.00%	35.00%	
12 Section 199 deduction	6.00%	9.00%	
13 FIT rate x Section 199 ded.	2.10%	3.15%	
14 Adjusted FIT rate	32.90%	31.85%	
15 Revised FIT portion of carrying charge	1.49%	1.42%	IEU-1-10, FIT Annuity Calc.
16 Per Exhibit PJN-10	1.64%	1.64%	
17 Difference	0.15%	0.22%	
18 Revised carrying charge rates:	**CSP**	**OP**	
19 2007 - 2009	14.78%	13.83%	
20 2010 and after	14.71%	13.76%	

AEP OHIO'S RESPONSE TO
INDUSTRIAL ENERGY USERS-OHIO'S
DISCOVERY REQUEST
FIRST SET
CASE NO. 08-917-EL-SSO & CASE NO. 08-918-EL-SSO

INTERROGATORY REQUEST NO. 1-7

Referencing Exhibit JCB-2 and the estimated 2009 purchase cost of slice of system purchases under the electric security plan ("ESP"), of $100 million for CSP and $120 million for OP.

a. Is the estimated market purchase price of $100 million for CSP also reflected in Nelson Exhibit PJN-2?
b. If the answer to 7a is affirmative, please identify the Line number and Account on Exhibit PJN-2 that includes the estimated $100 million cost of CSP.
c. Is the estimated market purchase price of $120 million for OP also reflected in Nelson Exhibit PJN-5?
d. If the answer to 7c is affirmative, please identify the Line number and Account on Exhibit PJN-2 that includes the estimated $120 million cost for OP

RESPONSE:

a. Yes.
b. Exhibit PJN-2, line 11.
c. Yes.
d. Exhibit PJN-5, line 11

Please note that Exhibit JCB-2 uses a 3-year average price for each year of the ESP.

Prepared by: P. J. Nelson and J. C. Baker

Ohio Valley Electric Corporation

GENERAL OFFICES, 3932 U.S. Route 23, Piketon, Ohio 45661

Ohio Valley Electric Corporation (OVEC) and its wholly owned subsidiary, Indiana-Kentucky Electric Corporation (IKEC), collectively, the Companies, were organized on October 1, 1952. The Companies were formed by investor-owned utilities furnishing electric service in the Ohio River Valley area and their parent holding companies for the purpose of providing the large electric power requirements projected for the uranium enrichment facilities then under construction by the Atomic Energy Commission (AEC) near Portsmouth, Ohio.

OVEC, AEC and OVEC's owners or their utility-company affiliates (called Sponsoring Companies) entered into power agreements to ensure the availability of the AEC's substantial power requirements. On October 15, 1952, OVEC and AEC executed a 25-year agreement, which was later extended through December 31, 2005 (DOE Power Agreement). On September 29, 2000, the DOE gave OVEC notice of cancellation of the DOE Power Agreement. On April 30, 2003, the DOE Power Agreement terminated in accordance with the notice of cancellation.

OVEC and the Sponsoring Companies signed an Inter-Company Power Agreement (ICPA) on July 10, 1953, to support the DOE Power Agreement and provide for excess energy sales to the Sponsoring Companies of power not utilized by the DOE or its predecessors. Since the termination of the DOE Power Agreement on April 30, 2003, OVEC's entire generating capacity has been available to the Sponsoring Companies under the terms of the ICPA. In 2004, the Sponsoring Companies and OVEC entered into an Amended and Restated ICPA, which extends its term from March 13, 2006 to March 13, 2026.

OVEC's Kyger Creek Plant at Cheshire, Ohio, and IKEC's Clifty Creek Plant at Madison, Indiana, have nameplate generating capacities of 1,086,300 and 1,303,560 kilowatts, respectively. These two generating stations, both of which began operation in 1955, are connected by a network of 776 circuit miles of 345,000-volt transmission lines. These lines also interconnect with the major power transmission networks of several of the utilities serving the area.

The current Shareholders and their respective percentages of equity in OVEC are:

Allegheny Energy, Inc.	3.50
American Electric Power Company, Inc.*	39.17
Buckeye Power Generating, LLC[1]	9.00
Columbus Southern Power Company**[2]	4.30
The Dayton Power and Light Company[3]	4.90
Duke Energy Ohio, Inc.***[4]	9.00
Kentucky Utilities Company[5]	2.50
Louisville Gas and Electric Company[5]	5.63
Ohio Edison Company[6]	16.50
Southern Indiana Gas and Electric Company[7]	1.50
The Toledo Edison Company[6]	4.00
	100.00

These investor-owned utilities comprise the Sponsoring Companies and currently share the OVEC power participation benefits and requirements in the following percentages:

Appalachian Power Company[2]	15.69
Buckeye Power Generating, LLC[1]	9.00
Columbus Southern Power Company[2]	4.44
The Dayton Power and Light Company[3]	4.90
Duke Energy Ohio, Inc.[4]	9.00
FirstEnergy Generation Corp.[6]	20.50
Indiana Michigan Power Company[2]	7.85
Kentucky Utilities Company[5]	2.50
Louisville Gas and Electric Company[5]	5.63
Monongahela Power Company[8]	3.50
Ohio Power Company[2]	15.49
Southern Indiana Gas and Electric Company[7]	1.50
	100.00

Some of the Common Stock issued in the name of:

*American Gas & Electric Company
**Columbus and Southern Ohio Electric Company
***The Cincinnati Gas & Electric Company

Subsidiary of:

[1]Buckeye Power, Inc.
[2]American Electric Power Company, Inc.
[3]DPL Inc.
[4]Duke Energy Corporation
[5]E.ON U.S. LLC
[6]FirstEnergy Corp.
[7]Vectren Corporation
[8]Allegheny Energy, Inc.

**AEP OHIO'S RESPONSE TO
THE OFFICE OF THE OHIO CONSUMER COUNSEL
INTERROGATORY REQUESTS
SECOND SET
CASE NO. 08-917-EL-SSO & CASE NO. 08-918-EL-SSO**

INTERROGATORY REQUEST NO. INT-32.

Referring to Waterford Energy Center ("Waterford") and the Darby Electric Generating Station ("Darby") units discussed on pages 42 and 43 of the Direct Testimony of J. Craig Baker:

a. Under the Companies' current RSP for 2006 - 2008, has and/or will Waterford and/or Darby be a source of generation supply for CSP and/or OP retail customers?
b. If the response to part (a) is affirmative, what RSP rate components reflected costs associated with each unit?
c. Under the Companies' proposed ESP for 2009 - 2011, will Waterford and/or Darby be a source of generation supply for CSP and/or OP retail customers?
d. If the response to part (c) is affirmative, what ESP rate components will reflect costs associated with each unit?
e. What are the costs, by type of costs and amounts, which will be reflected in ESP rate components associated with unit?

RESPONSE:

a. At times during the period 2006-2008 these units have been a source of generation supply for members of the AEP East Interconnection Agreement, including CSP and OP.

b. The RSP rates were not cost based.

c. This question cannot be answered at this time.

d. See the response to part c. above.

e. Other than in the operation of the fuel adjustment clause there are no cost-based components in the ESP relating to Darby or Waterford.

Prepared by: J. C. Baker and P. J. Nelson

Exhibit JGB 6

AEP OHIO'S RESPONSE TO
OHIO ENERGY GROUP'S
DISCOVERY REQUESTS
SECOND SET
CASE NOS. 08-917-EL-SSO & 08-918-EL-SSO

INTERROGATORY REQUEST NO:

2.3 At page 14 of your Application the Companies seek authority to sell or transfer the Waterford Energy Center and the Darby Electric Generation Station.

a. Is the Waterford Energy Center included in CSP's Member Primary Capacity for Capacity Equalization purposes under the Interconnection Agreement? If yes, how much would CSP's capacity equalization payment increase if CSP is authorized to sell or transfer the unit?

b. Is the Darby Electric Generation Station included in CSP's Member Primary Capacity for Capacity Equalization purposes under the Interconnection Agreement? If yes, how much would CSP's capacity equalization payment increase if CSP is authorized to sell or transfer the unit?

c. Please provide all studies, memoranda, documents or e-mails that discuss the financial or operational effects of the requested sale or transfer.

d. Please provide all documents demonstrating that such a sale or transfer is in the best interests of CSP's ratepayers.

RESPONSE:

a. The Waterford Energy Center is included in CSP's Member Primary Capacity in the East Interconnection Agreement. AEP has not quantified the change in equalization payment if CSP is authorized to sell or transfer the unit.

b. The Darby Generation Station is included in CSP's Member Primary Capacity in the East Interconnection Agreement. AEP has not quantified the change in equalization payment if CSP is authorized to sell or transfer the unit.

c. CSP has no present plan to sell or transfer the Darby or Waterford units and there are no responsive materials.

d. Section 4928.17, Ohio Rev. Code, reflects the Ohio General Assembly's determination that corporate separation is in the best interest of electric utility company customers.

Prepared by: J. C. Baker and Counsel

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Columbus Southern Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2007/Q4

PURCHASED POWER (Account 555)
(Including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service expect that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service expect that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Actual Demand (MW) Average Monthly CP Demand (f)
1	AEP GENERATING COMPANY	RQ	Note 1			
2	NATIONAL POWER COOPERATIVE INC	LF	Note 1			
3	OVEC POWER SCHEDULING	LF	Note 1			
4	ALLEGHENY ENERGY SUPPLY CO LLC	IF	Note 1			
5	DTE ENERGY TRADING INC.	IF	Note 1			
6	MONONGAHELA POWER COMPANY	IF	Note 1			
7	PPL ENERGY SUPPLY, LLC	IF	Note 1			
8	AMERICAN ELECTRIC POWER SERVICE	OS	APCO 21			
9	BP AMOCO	OS	Note 1			
10	BUCKEYE RURAL ELECTRIC ADMIN	OS	Note 1			
11	CITADEL ENERGY PRODUCTS LLC	OS	Note 1			
12	CITIGROUP ENERGY INC.	OS	Note 1			
13	CONSTELLATION ENGY COMMODITIES	OS	Note 1			
14	CREDIT SUISSE ENERGY	OS	Note 1			
	Total					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Columbus Southern Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of

PURCHASED POWER(Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monnthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	
972,189			13,556,203	50,246,831		63,803,034	1
32,394			75,167	2,691,829		2,766,996	2
650,373				23,101,836		23,101,836	3
407,198				22,499,056		22,499,056	4
203,602				11,293,994		11,293,994	5
699,898				31,106,057		31,106,057	6
407,198				22,575,720		22,575,720	7
13,329,388				297,933,640		297,933,640	8
				-23,260		-23,260	9
				-1,181,592		-1,181,592	10
				94,642		94,642	11
				-15,712		-15,712	12
7,572				478,417		478,417	13
				-53,632		-53,632	14
18,626,407			13,631,370	565,312,763		578,944,133	