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BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application )  
of Columbus Southern Power Company )  
and Ohio Power Company for Approval )  
of Their Corporate Separation Plans )

Case No. 09-464-EL-UNC

**COLUMBUS SOUTHERN POWER COMPANY'S  
AND OHIO POWER COMPANY'S  
COMMENTS REGARDING THE AUDITOR'S REPORT**

**INTRODUCTION**

Columbus Southern Power Company and Ohio Power Company, collectively referred to as AEP Ohio, filed their application in this docket on June 1, 2009, requesting approval of their Corporate Separation Plan. On November 18, 2009, the Commission selected the firm of Baker Tilly Virchow Krause, LLP (the "Auditor") to conduct an audit of AEP Ohio's Corporate Separation Plan. The Auditor filed its Audit Report with the Commission on March 19, 2010, finding that, with limited exceptions, "AEP Ohio has implemented their Corporate Separation Plan and in compliance with the rules set forth in section 4928.17, Revised Code and Chapter 4901:1-37 O.A.C." By Entry dated April 7, 2010, the Commission established a schedule for the filing of comments and reply comments concerning the Audit Report. In accordance with that schedule AEP Ohio submits the following comments.

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## COMMENTS

The Audit Report identifies six Findings and one item characterized as a "potential issue." AEP Ohio addresses these matters individually.

**Finding 1. Not all employees completed the code of conduct training as required by AEP Ohio's Corporate Separation Plan.**

This Finding refers to 19 employees for whom AEP Ohio was unable to demonstrate that they had received code of conduct training. To put this number into context, 7,859 individuals were verified as having taken the code of conduct training. As AEP Ohio indicated in response to the Auditor's Data Request Set No. 18, No. 2 these employees are physical workers - meter readers, linemen and plant workers who until recently did not have ready access to a computer. Their code of conduct training was taken as a group and their attendance was tracked on written attendance sheets. In part because some of the signatures on these attendance sheets were illegible, code of conduct training was moved to a totally on-line version of the training where certification of completion is done electronically. The 19 individuals now have completed the code of conduct training on-line and received electronic certification. AEP Ohio believes that the implementation of on-line training and electronic certification of completion address this Finding.

**Finding 2. AEP Ohio does not require employees outside Ohio to complete the Ohio code of conduct training.**

This Finding recommends that out-of-state employees of AEP Ohio, and employees of American Electric Power Service Corporation (AEPSC) who provide service to AEP Ohio, be required to take the code of conduct training. In the last seven

months of 2009, approximately 1,500 AEPSC employees located outside of Ohio, provided some service to AEP Ohio. If all AEP employees that might provide some service to AEP Ohio were required to complete the code of conduct training, that would encompass approximately 13,500 AEP System employees located outside Ohio. In many instances, however, those employees' service is incidental to their regular duties in which they primarily serve the needs of other AEP System companies. AEP Ohio submits that it would be unduly inefficient, expensive and burdensome to require training on that scale based on Ohio's regulations. Therefore, AEP Ohio proposes to address this Finding by requiring out-of-state AEPSC employees in departments with substantial numbers of employees who charge time to AEP Ohio to take the code of conduct training.

**Finding 3. AEP Ohio does not maintain a listing of shared employees and shared consultants and independent contractors and therefore is in non-compliance with the §4901:1-37-08 (D)(4)-(5) requirements.**

AEP Ohio's understanding is that an affiliate's employee who performs a service for AEP Ohio on only an incidental basis is not a "shared" employee. The same "incidental basis" standard also should apply to determine if a consultant or an independent contractor should be considered as being "shared." The Auditor believes that such a test would be too subjective and unsatisfactory. The only way to avoid a subjective test for determining "shared" status would be to include on the "shared" list every employee of all of AEP Ohio's affiliates and every consultant and independent contractor employed by those affiliates, whether or not they actually performed work for AEP Ohio. Such an approach, however, would result in an exhaustive list that would not provide any meaningful information. In consideration of the Auditor's Finding, AEP Ohio proposes to retain the "incidental basis" standard and then, at the end of each year,

AEP Ohio will add to the CAM a list of those additional affiliate employees and consultants and independent contractors that actually performed services for both AEP Ohio and one or more of its affiliates in that year.

**Finding 4. The allocation methodology subject to the Affiliate Transactions Agreement (dated December 31, 1996) was modified without proper amendment to the agreement.**

The Affiliate Transactions Agreement will be updated.

**Finding 5. Although there have been internal and external audits for other state jurisdictions, Ohio CAM & the Corporate Separation Rules have not been reviewed since 2001.**

An internal audit of compliance with the Commission's directives in this proceeding will be conducted this year. In 2012, and every four years thereafter, a full internal audit will be conducted. To the extent those audits identify a compliance issue, a follow-up audit of that issue will be conducted the next year to assure that it has been resolved.

**Finding 6. A variable interest entity (VIE) and subsidiary of OP was not included in the CAM. The affiliate listing in the CAM has not been accurately maintained.**

AEP Ohio will implement a biannual process to maintain the subsidiary list used in the CAM.

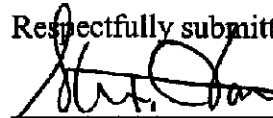
**Potential Finding. AEP companies with no employees may not receive their fair share of corporate cost allocation if costs are allocated based on the number of employees.**

This issue will be audited this year as part of the internal audit performed regarding the follow-up to the Commission's order in this proceeding.

## **CONCLUSION**

Based on the Auditor's findings and AEP Ohio's responses thereto, the Commission should approve AEP Ohio's Corporate Separation Plan and close this proceeding.

Respectfully submitted,



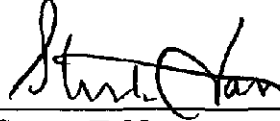
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## CERTIFICATE OF SERVICE

I hereby certify that a copy of Columbus Southern Power Company's and Ohio Power Company's Comments was served by U.S. Mail upon the individuals listed below this 28<sup>th</sup> day of April, 2010.



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