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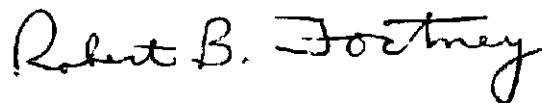
Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company to Update each Company's Transmission Cost Recovery Rider, Case No. 10-477-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendation in regard to Columbus Southern Power Company and Ohio Power Company application to update each Company's transmission cost recovery rider (TCRR).

Sincerely,



Robert B. Fortney
Chief, Rates & Tariffs, Energy & Water Division
Public Utilities Commission of Ohio

Enclosure

Cc: Parties of Record

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Technician OK Date Processed 6-14-2010

**Columbus Southern Power Company
Ohio Power Company
Case No. 10-477-EL-RDR**

SUMMARY

On April 14, 2010, Columbus Southern Power Company and Ohio Power Company (Companies) filed an application for approval to update their Transmission Cost Recovery Rider (TCRR). On June 10, 2010, the Companies filed an update to their original filing.

As a member of PJM, the Companies are assessed various costs/credits by PJM as a result of providing service to retail customers in Ohio. The costs and credits included in the TCRR vary on a periodic basis and are appropriately included in a rider that is subject to an annual true-up and adjustment.

Columbus Southern Power's proposed rates, as updated on June 10, 2010, reflect a \$25.6M reduction to revenues that would be collected under current rates for the July 2010 thru June 2011 time frame. The proposed rates include an adjustment of approximately -\$13.1M to reflect the prior year over-collection of revenues. The total proposed revenue to be collected over July 2010 thru June 2011 time frame is approximately \$135M.

Ohio Power's proposed rates, as updated on June 10, 2010, reflect a \$29M reduction to revenues that would be collected under current rates for the July 2010 thru June 2011 time frame. The proposed rates include an adjustment of approximately -\$12.7M to reflect the prior year over-collection of revenues. The total proposed revenue to be collected over the July 2010 thru June 2011 time frame is approximately \$159M.

STAFF REVIEW

On June 10, 2010, the Companies filed an update to their April 14, 2010 filing to incorporate a change in their Network Integration Transmission Service (NITS) formula rates that will become effective July 1, 2010. The NITS charges are a significant component of the TCRR rate. The Companies are required to file their updated TCRR rates on or about April 15 of each year. However, the NITS formula rate is updated annually on July 1 of each year and the rate is unknown by the companies until late May of each year. As a result, the annual April TCRR filing does not reflect the latest NITS rates that will become effective July 1 of each year. Since the July 1, 2010 NITS rate will be significantly lower than the current NITS rate, an over-recovery of NITS costs would occur during the July 1, 2010 through June 30, 2011 period. As a result, on June 10, 2010, the Companies filed an update to their April 14, 2010 filing to incorporate the NITS rate that will become effective July 1, 2010.

The Staff has completed its review of the filing, as updated in June 10, 2010, and finds that each Company has appropriately included in its TCRR only those costs and credits that are incurred as a result of serving its retail customers in Ohio.

CONCLUSION

The Companies request that their proposed updated TCRR rates become effective on a bills- rendered basis, beginning on June 29, 2010 – the first day of the July 2010 billing cycle. The Staff recommends the Application, as updated on June 10, 2010, be approved.