



Legal Department

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1 Riverside Plaza
Columbus, OH 43215-2373
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July 21, 2010

Hon. Greta See, Attorney Examiner
Public Utilities Commission of Ohio
180 East Broad Street
Columbus Ohio 43215-3793

Re: *In the Matter of the Application of Columbus Southern Power Company to
Update its gridSMART Rider, Case No. 10-164-EL-RDR*

Steven T. Nourse
Senior Counsel –
Regulatory Services
(614) 716-1608 (P)
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stnourse@aep.com

Dear Ms. See:

On February 11, 2010 Columbus Southern Power Company (CSP) filed its application to initiate this proceeding. Pursuant to your scheduling order, interested parties filed comments on April 30, 2010 and reply comments on May 10, 2010. The Staff of the Public Utilities Commission of Ohio (Staff) filed in this docket a document entitled "Comments and Recommendations" on April 30, 2010. CSP has met with the Staff and other interested parties to discuss all of the comments that were filed in this docket.

As a result of those discussions and in response to the Staff's Comments and Recommendations, CSP would like to update its position as originally reflected in the application as follows:

- 1.) Capital investment in Advanced Metering Infrastructure (AMI) – due to timing of unvouchered liabilities from December 2009, \$8,789,680 will be excluded from the 2009 recovery. (Staff Comments and Recommendations at p. 11)
- 2.) O&M internal labor expense – of the \$602,605.45 total internal labor included in the application, \$435,877.45 should be excluded so that a total of \$166,728 labor costs remain. (Staff Comments and Recommendations at p. 11)
- 3.) Consistent with the Companies' updated position in Case Nos. 10-155-EL-RDR and 10-163-EL-RDR (reflecting Staff's carrying charge recommendations), the Companies agree to revise the as-filed carrying cost to use the same weighted average cost of capital, debt/equity ratio, depreciation factor and FIT factor, property taxes and A&G factor approved in the ESP – except that the property tax component should be adjusted to reflect that the gridSMART facilities are not exempt from personal property taxes. (Staff Comments and Recommendations at p. 12-14)

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- 4.) Based on the ARRA stimulus funding of \$75 million and the additional non-affiliated in kind contributions of \$10.85 million, the Commission should approve CSP's continued implementation of the enhanced gridSMART initiative described in the application. Recovery of CSP's enhanced gridSMART implementation costs will continue to be subject to cost recovery review in future gridSMART rider proceedings. The 2009 costs reviewed in this proceeding are appropriate for recovery.
- 5.) CSP agrees to establish a gridSMART working group open to participation by interested stakeholders, including Staff, the Ohio Consumers Counsel and other interested parties. The gridSMART working group would meet quarterly and discuss ongoing matters involving customer education programs, implementation milestones, metrics for evaluation of various aspects of the initiative, updated projections of operational cost savings, cost recovery issues and other such matters of interest. The primary goals of the working group would be to allow for input by stakeholders and provide updates on CSP's implementation progress and plans. Except for the discussion of cost recovery issues that is ongoing in nature, the focus of the working group's efforts would be on post-2012 plans for expanding beyond phase 1 of the gridSMART initiative for both CSP and Ohio Power Company.
- 6.) Regarding the customer-interfacing functionalities of the gridSMART initiative, CSP agrees through the end of 2011: (a) not to utilize prepaid metering; (b) not to require mandatory time-of-use rates (*e.g.*, an opt-out program would be permissible); and (c) the Company will not seek a waiver from Rule 4901:1-18-05(A), OAC, regarding personal or written notice, prior to utilizing any remote disconnection capabilities for non-payment (but once properly noticed, the Companies may still utilize remote disconnect functionality). In this context, the Commission should confirm that no rule waiver is needed to utilize remote disconnect capabilities when disconnecting service at the customer's request.
- 7.) The proposed rider, as set forth in the application and updated in this letter, should be adopted.

Exhibit A updates the information presented with the application in this case in support of the proposed gridSMART rider and provides a new corresponding FAC rider, assuming that the Commission adopts CSP's updated position in time to implement new rates effective August 2010. Exhibit B provides FAC information assuming that the Commission adopts CSP's updated position in time to implement new rates effective September 2010. While CSP fully supports an expedited decision


Hon. Greta See

July 21, 2010

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in this case that adopts the Company's updated position, as reflected in the application and the above updates, CSP reserves the right to seek rehearing on any aspect of the Commission's decision that varies from the updated position.

Very truly yours,

 Via Matthew
Sotterwhite

Steven T. Nourse

cc: Counsel of Record

gridSMART Exhibit A

2009 Columbus Southern Power Company gridSMART Rider True-Up

CSP - gridSMART

2009 Over/(Under) Recovery

	2009 Estimated Spending	2009 Actual Spending	2009 Actual Carrying Charge*	2009 Actual Revenue Requirement
O&M	\$ 4,597,804	\$ 345,613		\$ 345,613
Capital - 5 Year Life	\$ 655,000	\$ 426,854	\$ 23,373	\$ 23,373
Capital - 7 Year Life	\$ 26,204,563	\$ 14,261,688	\$ 14,670	\$ 14,670
Capital - 15 Year Life	\$ 446,925			
Capital - 30 Year Life	\$ 2,621,700	\$ 1,610,261	\$ 69,331	\$ 69,331
Capital - 35 Year Life	\$ -	\$ 984,841	\$ 11,808	\$ 11,808
Capital - 40 Year Life	\$ -	\$ 6,856		
Total Capital	\$ 29,928,188	\$ 17,190,500	\$ 119,182	\$ 119,182
Total			2009 Actual Revenue Requirement	\$ 464,795
			2009 gridSMART Rider Collections	\$ 8,400,840
			2009 Over/(under) Recovery	\$ 7,936,045

CSP - gridSMART

2010 Incremental Investment

	2010 Estimated Spending	Adjusted 2010 gridSMART Spending	Carrying Charge Rate	2010 gridSMART Revenue Requirement
O&M	\$ 3,024,750	\$ 6,841,084		\$ 6,841,084
Capital - 5 Year Life	\$ -	\$ 228,146	32.02%	\$ 36,526 (a)
Capital - 7 Year Life	\$ 5,690,350	\$ 17,623,225	27.29%	\$ 2,404,689 (a)
Capital - 15 Year Life	\$ 2,234,625	\$ 2,681,550	18.86%	\$ 253,138 (a)
Capital - 30 Year Life	\$ 3,786,900	\$ 4,788,339	15.71%	\$ 376,910 (a)
Capital - 35 Year Life	\$ -	\$ -	15.27%	\$ -
Capital - 40 Year Life	\$ -	\$ -	14.96%	\$ -
Total Capital	\$ 11,701,875	\$ 25,331,260		\$ 9,912,327
			2009 Capital Carrying Costs	\$ 4,417,806 (b)
			Over/(Under) Recovery (From Above)	\$ 7,936,045
			Total 2010 Revenue Requirement	\$ 6,384,088
			Base Distribution Revenues	\$ 325,881,559
			2010 gridSMART Rider	1.96208%
			Current gridSMART Rider	2.55030%
			Change in gridSMART Rider	-0.58821%

* The actual 2009 carrying charges were based on the actual 2009 monthly long-term debt rate and actual depreciation expense.

(a) Annual carrying charge rate times adjusted 2010 spending times one-half year

(b) Annual carrying charge rate times 2009 actual spending

Line No.	Voltage Loss Factors	Residential	GS-1	GS-2	GS-3	GS-4/IRP-D
2009 Revenues						
1	Non-FAC	531,278,381	\$34,265,272	\$144,312,958	\$341,199,875	\$58,108,094
2	FAC	226,219,544	\$11,130,384	\$53,499,313	\$211,431,528	\$74,939,120
3	Total	757,497,925	45,395,657	197,812,269	552,631,403	133,047,214
4	2010 Allowable % Increase	6%	6%	6%	6%	6%
5	2010 Target Revenues	802,947,800	48,119,396	209,681,006	585,789,287	141,030,047
6	Less:					
	Non-FAC	531,278,381	34,265,272	144,312,958	341,199,875	58,108,094
	2010 Increases Under Cap					
7	Environmental	2,864,041	288,082	1,397,872	2,789,820	488,528
8	ESRP Rider	359,588	15,486	46,234	105,275	8,181
9	gridSMART™	(514,330)	(22,150)	(66,131)	(150,578)	(11,701)
10	Subtotal	533,987,680	34,546,690	145,690,931	343,944,392	58,593,102
11	2010 FAC Target	268,960,120	13,572,706	63,990,074	241,844,895	82,436,945
12	Fuel Recovered (Jan-July)	180,780,017	8,149,775	37,819,916	140,749,219	48,473,775
13	Revised FAC Target	108,180,103	5,422,931	26,370,158	101,095,676	33,963,170
kWh by Voltage (August-Dec)						
14	Secondary	3,036,473,117	149,179,738	727,030,182	1,952,874,832	
15	Primary			25,913,945	1,070,590,785	
16	Sub/Tran					1,105,270,702
Loss Adjusted kWh						
17	Secondary	1.0578	3,211,981,263	157,802,327	769,052,527	2,065,750,897
18	Primary	1.0233	0	0	26,517,740	1,095,535,550
19	Sub/Tran	1.0039	0	0	0	0
20	Total		3,211,981,263	157,802,327	795,570,267	3,161,286,547
21	FAC Rate @ Generation		0.033680178	0.034365339	0.033148234	0.031979283
						0.030608997
FAC Rate @ Meter						
22	Secondary	1.0578	0.0356269	0.0383517	0.0350621	0.0338277
23	Primary	1.0233			0.0339185	0.0327244
24	Sub/Tran	1.0039				
						0.0307284
Revenue Verification						
25	Secondary		108,180,124	5,422,937	25,491,205	66,061,264
26	Primary		0	0	878,962	35,034,441
27	Sub/Tran		0	0	0	0
28	Total		108,180,124	5,422,937	26,370,167	101,095,705
29	Difference		21	6	9	28
						30

* Same as GS-4

** Composite of GS-2, GS-3 & GS-4

Line 1 - 2009 Non-FAC Revenue

Line 2 - 2009 FAC Revenue

Line 3 - Line 1 Plus Line 2

Line 4 - Allowable 2010 ESP rate increase

Line 5 - Line 6 Times Line 4

Line 6 - Line 1

Line 7 - Environmental Revenue Requirement

Line 8 - ESRP Rider

Line 9 - gridSMART™ Rider

Line 10 - Sum of Lines 6,7,8 & 9

Line 11 - Line 5 Minus Line 10

Line 12 - Fuel Recovered from January through July 2010

Line 13 - Line 11 Minus Line 12

Line 14 through Line 16 - kWh by class per ESP rate Schedules

Line 17 through Line 19 - Lines 14 through 16 Times Voltage Loss Factors

Line 20 - Sum of Lines 17 through 19

Line 21 - Line 13 Divided by Line 20

Lines 22 through Line 24 - Line 21 Times Voltage Loss Factors

Line 25 - Line 22 times Line 14

Line 26 - Line 23 Times Line 15

Line 27 - Line 24 Times Line 16

Line 28 - Sum of Lines 25 through 27

Line 29 - Line 13 Minus Line 28

Line No.	Voltage Loss Factors	Joint S.T.	Joint S.T.	AL	SL	SBS	Shopping	Total
2009 Revenues								
1	Non-FAC	\$33,453,486	\$110,622	\$8,694,139	\$3,711,923		\$3,883,200	\$1,159,017,948
2	FAC	\$62,301,979	\$57,528	\$1,794,969	\$1,273,644		\$0	\$642,648,009
3	Total	95,755,465	168,149	10,489,108	4,985,567	0	3,883,200	1,801,665,957
4	2010 Allowable % Increase	6%	6%	6%	6%	6%	6%	6%
5	2010 Target Revenues	101,500,793	178,238	11,118,454	5,284,701	0	4,116,192	1,909,765,915
6	Less:							
6	Non-FAC	33,453,486	110,622	8,694,139	3,711,923	0	3,883,200	1,159,017,948
7	2010 Increases Under Cap							
7	Environmental	218,881	1,097	26,514	7,937	0	0	\$8,082,752
8	ESRP Rider	5,098	27	8,733	3,707		3,984	\$556,313
9	gridSMART™	(7,292)	(39)	(12,491)	(5,302)		(5,698)	
10	Subtotal	33,670,153	111,707	8,716,895	3,718,265	0	3,881,486	1,167,100,700
11	2010 FAC Target	67,830,640	66,531	2,401,559	1,566,436		234,706	\$742,904,612
12	Fuel Recovered (Jan-July)	34,782,484	34,566	1,436,356	937,754			\$432,963,862
13	Revised FAC Target	33,048,156	31,965	965,203	628,682			\$309,706,044
kWh by Voltage (August-Dec)								
14	Secondary			21,911,562	16,064,821			
15	Primary							
16	Sub/Tran	930,000,000	868,928					
Loss Adjusted kWh								
17	Secondary	1.0578	0	23,178,050	16,993,368			
18	Primary	1.0233	0	0	0			
19	Sub/Tran	1.0039	933,627,000	872,317	0			
20	Total		933,627,000	872,317	23,178,050	16,993,368	0	
21	FAC Rate @ Generation	0.0353976	0.03664429	0.041642989	0.036995729			
FAC Rate @ Meter								
22	Secondary	1.0578	0.0323782 *	0.0323782 *	0.04405	0.0391341	0.0341626 **	
23	Primary	1.0233	0.0313222	0.0313222			0.0327526 **	
24	Sub/Tran	1.0039	0.0307284	0.0307284			0.0307284 **	
Revenue Verification								
25	Secondary		0	965,204	628,682	0		
26	Primary		0	0	0	0		
27	Sub/Tran		28,577,412	26,701	0	0		
28	Total		28,577,412	26,701	965,204	628,682	0	
29	Difference		(4,470,744)	(5,264)	1	(0)	0	

* Same as GS-4

** Composite of GS-2, GS-3 & GS-4

Line 1 - 2009 Non-FAC Revenue

Line 2 - 2009 FAC Revenue

Line 3 - Line 1 Plus Line 2

Line 4 - Allowable 2010 ESP rate increase

Line 5 - Line 6 Times Line 4

Line 6 - Line 1

Line 7 - Environmental Revenue Requirement

Line 8 - ESRP Rider

Line 9 - gridSMART™ Rider

Line 10 - Sum of Lines 6, 7, 8 & 9

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Line 13 - Line 11 Minus Line 12

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Line 20 - Sum of Lines 17 through 19

Line 21 - Line 13 Divided by Line 20

Lines 22 through Line 24 - Line 21 Times Voltage Loss Factors

Line 25 - Line 22 times Line 14

Line 26 - Line 23 Times Line 15

Line 27 - Line 24 Times Line 16

Line 28 - Sum of Lines 25 through 27

Line 29 - Line 13 Minus Line 28

gridSMART Exhibit B

Line No.		Voltage Loss Factors	Residential	GS-1	GS-2	GS-3	GS-4/IRP-D
1	2009 Revenues						
2	Non-FAC		531,278,381	\$34,265,272	\$144,312,958	\$341,199,875	\$58,108,094
3	FAC		226,219,544	\$11,130,384	\$53,499,313	\$211,431,528	\$74,939,120
4	Total		757,497,925	45,395,657	197,812,269	552,631,403	133,047,214
5	2010 Allowable % Increase		6%	6%	6%	6%	6%
6	2010 Target Revenues		802,947,800	48,119,396	209,681,005	585,789,287	141,030,047
7	Less:						
8	Non-FAC		531,278,381	34,265,272	144,312,958	341,199,875	58,108,094
9	2010 Increases Under Cap						
10	Environmental		2,124,126	246,595	1,175,719	2,371,079	423,625
11	ESRP Rider		274,796	12,233	36,383	82,872	8,549
12	gridSMART™		(383,050)	(17,497)	(52,040)	(118,534)	(9,367)
13	Subtotal		533,284,253	34,508,603	145,473,018	343,535,292	58,528,901
14	2010 FAC Target		269,663,547	13,612,793	64,207,987	242,253,995	82,501,146
15	Fuel Recovered (Jan-Aug)		186,521,600	9,375,383	43,806,974	163,277,492	55,343,169
16	Revised FAC Target		83,141,947	4,237,410	20,401,013	78,976,503	27,157,977
17	kWh by Voltage (September-Dec)						
18	Secondary		2,331,593,112	117,127,732	563,824,686	1,530,903,082	
19	Primary				21,271,175	836,560,917	
20	Sub/Tran						884,865,419
21	Loss Adjusted kWh						
22	Secondary	1.0578	2,466,359,194	123,897,715	596,413,753	1,619,389,259	0
23	Primary	1.0233	0	0	21,766,793	856,052,786	0
24	Sub/Tran	1.0039	0	0	0	0	888,316,394
25	Total		2,466,359,194	123,897,715	618,180,546	2,475,442,045	888,316,394
26	FAC Rate @ Generation		0.033710397	0.034200869	0.033001706	0.031904	0.030572414
27	FAC Rate @ Meter						
28	Secondary	1.0578	0.0356559	0.0361777	0.0349062	0.0337481	0.0323395
29	Primary	1.0233			0.0337706	0.0326474	0.0312848
30	Sub/Tran	1.0039					0.0306916
31	Revenue Verification						
32	Secondary		83,142,046	4,237,412	19,682,669	51,665,070	0
33	Primary		0	0	718,340	27,311,539	0
34	Sub/Tran		0	0	0	0	27,157,935
35	Total		83,142,046	4,237,412	20,401,009	78,976,609	27,157,935
36	Difference		99	2	(4)	106	(42)

* Same as GS-4

** Composite of GS-2, GS-3 & GS-4

Line 1 - 2009 Non-FAC Revenue

Line 2 - 2009 FAC Revenue

Line 3 - Line 1 Plus Line 2

Line 4 - Allowable 2010 ESP rate increase

Line 5 - Line 6 Times Line 4

Line 6 - Line 1

Line 7 - Environmental Revenue Requirement

Line 8 - ESRP Rider

Line 9 - gridSMART™ Rider

Line 10 - Sum of Lines 6,7,8 & 9

Line 11 - Line 5 Minus Line 10

Line 12 - Fuel Recovered from January through July 2010

Line 13 - Line 11 Minus Line 12

Line 14 through Line 16 - kWh by class per ESP rate Schedules

Line 17 through Line 19 - Lines 14 through 16 Times Voltage Loss Factors

Line 20 - Sum of Lines 17 through 19

Line 21 - Line 13 Divided by Line 20

Lines 22 through Line 24 - Line 21 Times Voltage Loss Factors

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Line No.	Voltage Loss Factors	Joint S.T.	Joint S.T.	AL	SL	SBS	Shopping	Total
2009 Revenues								
1	Non-FAC	\$33,453,486	\$110,622	\$8,694,139	\$3,711,923		\$3,883,200	\$1,159,017,948
2	FAC	\$62,901,979	\$57,528	\$1,794,969	\$1,273,644		\$0	\$842,648,009
3	Total	96,755,465	168,149	10,489,108	4,985,567	0	3,883,200	1,801,665,957
4	2010 Allowable % Increase	6%	6%	6%	6%	6%	6%	6%
5	2010 Target Revenues	101,600,793	178,238	11,118,454	5,284,701	0	4,116,192	1,909,765,915
6	Less:							
	Non-FAC	33,453,486	110,622	8,694,139	3,711,923	0	3,883,200	1,159,017,948
	2010 Increases Under Cap							
7	Environmental	189,498	837	22,758	7,005	0	0	\$6,561,242
8	ESRP Rider	4,105	21	6,908	3,183		3,262	\$430,312
9	gridSMART™	(5,672)	(30)	(9,881)	(4,552)		(4,666)	
10	Subtotal	33,641,217	111,460	8,713,924	3,717,559	0 0	3,881,796	1,166,679,190
11	2010 FAC Target	67,859,576	66,788	2,404,530	1,567,142		234,398	\$744,371,900
12	Fuel Recovered (Jan-Aug)	34,782,484	34,566	1,639,356	1,041,372			\$495,822,426
13	Revised FAC Target	33,077,092	32,222	765,144	525,770			\$248,315,078
kWh by Voltage (September-Dec)								
14	Secondary			17,408,647	13,443,480			
15	Primary							
16	Sub/Tran	744,000,000	612,285					
Loss Adjusted kWh								
17	Secondary	1.0578	0	18,414,867	14,220,513			
18	Primary	1.0233	0	0	0			
19	Sub/Tran	1.0038	746,901,600	614,673	0			
20	Total		746,901,600	614,673	18,414,867	14,220,513	0	
21	FAC Rate @ Generation	0.044285742	0.05242207	0.041550358	0.036972649			
FAC Rate @ Meter								
22	Secondary	1.0578	0.0323395 *	0.0323395 *	0.043852	0.0391097	0.0340606 **	
23	Primary	1.0233	0.0312848	0.0312848			0.0326753 **	
24	Sub/Tran	1.0038	0.0306916	0.0306916			0.0306916 **	
Revenue Verification								
25	Secondary		0	765,145	525,770	0		
26	Primary		0	0	0	0		
27	Sub/Tran		22,834,550	18,792	0	0		
28	Total		22,834,550	18,792	765,145	525,770	0	
29	Difference		(10,242,542)	(13,430)	1	(0)	0	

* Same as GS-4

** Composite of GS-2, GS-3 & GS-4

Line 1 - 2009 Non-FAC Revenue
 Line 2 - 2009 FAC Revenue
 Line 3 - Line 1 Plus Line 2
 Line 4 - Allowable 2010 ESP rate increase
 Line 5 - Line 6 Times Line 4
 Line 6 - Line 1
 Line 7 - Environmental Revenue Requirement
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