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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 to Establish)
Environmental Investment Carrying Cost)
Riders.)

Case No. 10-155-EL-RDR

**COLUMBUS SOUTHERN POWER COMPANY'S
AND OHIO POWER COMPANY'S
ADDITIONAL REPLY COMMENTS IN RESPONSE TO THE
OHIO CONSUMER'S COUNSEL**

I. BACKGROUND

Columbus Southern Power Company (CSP) and Ohio Power Company (OPCo), collectively the "Companies" or "AEP Ohio," filed an Electric Security Plan (ESP) in Case Nos. 08-917-EL-SSO and 08-918-EL-SSO. On February 8, 2010, the Companies filed this application as the initial Environmental Investment Carrying Cost (EICC) Riders, in order to recover incremental capital carrying costs associated with environmental investments made during their three-year ESP. This recovery process was explicitly provided for in AEP Ohio's ESP case at page 30 of the Commission's March 18, 2009 Opinion and Order.

On April 8, 2010, the Commission issued an Entry establishing a comment cycle in this case, whereby initial comments were due April 30, 2010 and reply comments are due on May 10, 2010. After the comment cycle, all of the parties engaged in discussions in an attempt to mutually resolve the outstanding issues. While no

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settlement was reached, the Companies updated their position on July 21, 2010 in an effort to address Staff's concerns and offer a unilateral compromise in recognition of intervening parties' positions.¹ In response, the Staff filed a letter on July 30, 2010 indicating that it agreed with the Companies' proposed resolution in this case and that no issue remained that require a formal adjudicatory hearing. The Ohio Consumers' Counsel (OCC) filed additional comments regarding the Companies' updated position. No other party filed additional comments.

II. ADDITIONAL REPLY COMMENTS

OCC claims (at 2) that the Commission did not specify a carrying charge for 2009 environmental investments in the ESP case, and that AEP Ohio has not shown that the proposed annual carrying charge rates are just and reasonable. OCC ignores that the Commission's explicit approval of the WACC for the environmental investments in the March 18, 2009 Opinion and Order in Case Nos. 08-817-EL-SSO and 08-918-EL-SSO ("*ESP Cases*") at 28 and the July 23, 2009 Entry on Rehearing at 12. Moreover, the Staff comments in this case stated (at 3) that "The carrying charge rates on these schedules were approved by the Commission in Applicants' ESP cases." Further, after the Companies filed its updated position, Staff explicitly agreed with the Companies' updated position for purposes of resolving this case (based on additional clarifications with which the Companies explicitly agreed).

¹ OCC relies (at 2) on OAC 4901-1-06 regarding applications amendments to suggest that the Commission should not act on the application in light of the Companies' updated position. The updated position letter was not an application amendment as the Companies continue to request approval of the EICC Riders. Any party can unilaterally compromise its position through an updated position without leave to do so, either through correspondence or testimony or a pleading. It is hardly uncommon to do so and is not properly considered an application amendment.

More importantly, the Commission has recently rejected the very same arguments advanced by OCC in Case No. 10-164-EL-RDR:

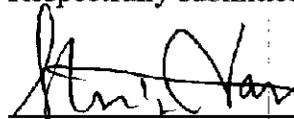
As part of AEP-Ohio's ESP cases, *the Commission evaluated and approved the carrying cost rate for the Companies' gridSMART and environmental investments*. The carrying cost in the ESP case is the most recent approved for AEP-Ohio. While we are mindful that using the most recent approved carrying cost rate increases the carrying charges, as OCC notes, it is the Commission's practice in subsequent proceedings to use the most recently approved carrying cost rate. Accordingly, we find it reasonable and appropriate to use the carrying cost rate approved in CSP's ESP case in the gridSMART rider calculation, except as to the amendments recommend by Staff and agreed to by CSP to correct the property tax component.

August 11, 2010 Opinion and Order at 10 (emphasis added; footnote omitted). OCC's final argument (at 3) that an evidentiary hearing is needed was also made and rejected in 10-164 case and should also be rejected here. Staff's July 30 letter also indicated Staff's view that no evidentiary hearing was needed.

CONCLUSION

For the foregoing reasons, the Commission should adopt AEP Ohio's updated position filed in this case on July 21, 2010 and clarified on August 9, 2010.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Columbus Southern Power Company's and Ohio Power Company's Additional Reply Comments has been served upon the below-named counsel via First Class mail, postage prepaid, this 13th day of August, 2010.



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