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FILE

EXHIBIT NO.________

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the 2009 Annual Filing) of Columbus Southern Power Company) And Ohio Power Company Required by) Rule 4901:1-35-10, Ohio Administrative) Code)	Case No. 10-1261-EL-UNC

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PUCO

DIRECT TESTIMONY
OF
THOMAS E. MITCHELL
ON BEHALF OF
COLUMBUS SOUTHERN POWER COMPANY
AND
OHIO POWER COMPANY

Filed: September 1, 2010

INDEX TO DIRECT TESTIMONY OF
THOMAS E. MITCHELL
CASE NO. 10-1261-EL-UNC

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
DIRECT TESTIMONY OF
THOMAS E. MITCHELL
ON BEHALF OF
COLUMBUS SOUTHERN POWER COMPANY
AND
OHIO POWER COMPANY
CASE NO. 10-1261-EL-UNC

PERSONAL BACKGROUND

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Thomas E. Mitchell and my business address is 1 Riverside Plaza Columbus, Ohio 43215.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Columbus Southern Power Company (CSP) and Ohio Power Company (OPCo) or collectively AEP Ohio or the Companies.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by American Electric Power Service Corporation (AEPSC), a subsidiary of American Electric Power Company, Inc. (AEP), as Managing Director of Regulatory Accounting Services. AEP is the parent company of CSP and OPCo.

Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGING DIRECTOR OF REGULATORY ACCOUNTING SERVICES?

A. My primary responsibilities include providing the AEP System operating subsidiaries, including CSP and OPCo, with accounting support for regulatory filings. This support includes the preparation of cost-of-service adjustments, accounting schedules, and accounting testimony. I direct fourteen professionals who provide accounting expertise, compile necessary historical accounting schedules, present expert accounting testimony and respond to data requests in connection with rate filings with eleven regulatory commissions and the Federal Energy Regulatory Commission (FERC).

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science Degree in Accounting from Virginia Polytechnic Institute and State University (Virginia Tech) in 1977. I also hold a Master of Business Administration Degree from Virginia Tech and a Bachelor of Arts Degree in Government from the University of Notre Dame. I have been a Certified Public Accountant since 1978. I was first employed by Appalachian Power Company (APCo) in 1979, an affiliated operating company of CSP and OPCo and, except for employment with Norfolk Southern Corporation as an Assistant Accounting Manager (1984-1985), have held various positions in the Accounting Department continuously since that date. In 1998, I was promoted to Director, Accounting Policy & Research and in 2008, I was promoted to my present position as Managing Director of Regulatory Accounting Services. I have served as Chairman of the Accounting Standards Committee of the Edison Electric Institute (EEI) and am currently a member of the Joint Accounting Liaison Committee of the EEI which meets with the FERC Accounting Staff to discuss accounting issues of mutual interest to EEI and the FERC.

Q. HAVE YOU PREVIOUSLY TESTIFIED OR SUBMITTED TESTIMONY IN ANY REGULATORY PROCEEDINGS?

A. Yes. I have filed accounting testimony and testified on behalf of APCo and

Wheeling Power Company before the Public Service Commission of West Virginia, and on behalf of APCo before both the Virginia State Corporation Commission and the FERC. I have also filed accounting testimony on behalf of Indiana & Michigan Power Company before the Indiana Utility Regulatory Commission.

PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. My testimony addresses three primary areas. My testimony first describes the method I used for calculating an electric distribution utility's (EDU) earned return on common equity (ROE) including deductions for Off-System Sales (OSS). I then calculated the earned ROE for CSP and OPCo for the year ended December 31, 2009 and provided my calculations to AEP Ohio witness Hamrock.

The second purpose of my testimony is to quantify those provisions of AEP Ohio's ESP that AEP Ohio witness Hamrock has identified as directly producing earnings. I also calculate the amount of earnings such provisions produced for CSP during 2009. I did not calculate the amount of earnings such provisions produced for OPCo during 2009 because its ROE for 2009 falls within the "safe harbor" limit as discussed by AEP Ohio witness Hamrock.

The third purpose of my testimony is to identify the 2009 values for the two significant deferrals discussed by AEP Ohio witness Hamrock, deferred Fuel Adjustment Clause (FAC) and deferred Economic Development Rider (EDR), and present a calculation of the ROE to include deductions for these two significant deferrals during 2009. I also provide comments on the accounting background of these two significant deferrals as well as the recommended treatment of such significant deferrals in the SEET to ensure probability of recovery is maintained should the Commission determine that significantly excessive earnings exist.

EXHIBITS

Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS PROCEEDING?

A. Yes, I am sponsoring 6 exhibits identified as follows including 2009 data for OPCo (Exhibit TEM-1 and Exhibit TEM-6 only) and CSP:

Exhibit TEM-1 Earned ROE

Exhibit TEM-2 Equity Return on Incremental 2001-2008 Environmental Investments

Exhibit TEM-3 Equity Return on Enhanced Vegetation Management Investments

Exhibit TEM-4 Equity Return on gridSMART Investments

Exhibit TEM-5 Net Incremental Provider of Last Resort Revenues

Exhibit TEM-6 Significant Deferrals – FAC and EDR

Q. WERE THESE EXHIBITS PREPARED BY YOU OR BY OTHERS UNDER YOUR SUPERVISION AND DIRECTION?

A. Yes.

RETURN ON EQUITY (ROE)

Q. PLEASE DESCRIBE THE METHOD YOU USED TO CALCULATE THE ROES FOR CSP AND OPCO AS SHOWN IN EXHIBIT TEM-1.

A. The calculation of the ROEs was performed in two steps. I first calculated the respective 2009 ROE (please refer to Exhibit TEM-1) for both CSP and OPCo, using the amounts for net earnings available to common shareholders compared to the beginning and ending average equity for the year ended December 31, 2009. The beginning and ending average equity was determined by the PUCO to be appropriate in Case No. 09-786-EL-UNC by its Entry on Rehearing dated August 25, 2010, page 6 and is consistent with the calculation of the average equity for the comparable group. For 2009, there was no minority interest, nor any non-recurring, special or extraordinary items.

Q WHAT WAS THE SECOND STEP FOR YOUR DETERMINATION OF THE APPROPRIATE ROES?

A. Following the AEP Ohio recommended methodology supported by AEP Ohio witness Hamrock, I subtracted the OSS net margins (after federal and state income tax) from the net earnings available to common shareholders.

Q. WHAT WERE THE RESULTS AFTER THE SECOND STEP OF YOUR TWO-STEP CALCULATION OF THE 2009 ROES FOR CSP AND OPCO SHOWN IN EXHIBIT TEM-1?

A. I calculated that the 2009 ROEs, as reduced by the OSS margins described above (after federal and state income tax) as recommended by AEP Ohio, were as follows: CSP - 18.31%, and OPCo – 9.42% as shown in Exhibit TEM-1.

Q. DID YOU PROVIDE YOUR CALCULATIONS OF THE 2009 ROE FOR CSP AND OPCO TO AEP OHIO WITNESS HAMROCK?

A. Yes.

<u>ESP RATE ADJUSTMENTS THAT COULD BE RETURNED TO CUSTOMERS, IF EARNINGS ARE FOUND TO BE SIGNIFICANTLY EXCESSIVE</u>

Q. CONSISTENT WITH THE COMMISSION'S JUNE 30, 2010 FINDING AND

ORDER IN CASE NO. 09-786-EL-UNC, AEP OHIO WITNESS HAMROCK TESTIFIED THAT ANY RETURN OF SIGNIFICANTLY EXCESSIVE EARNINGS TO RATEPAYERS SHOULD NOT EXCEED THE COMPONENTS OF THE ESP RATE INCREASE THAT WERE PAID BY RATEPAYERS AND INCREASED CSP'S EARNINGS. DID YOU QUANTIFY THE 2009 VALUES FOR THE FOUR ITEMS WHICH HE IDENTIFIED?

A. Yes. Please refer to the following summary table for these four items for CSP, which presents the respective items for 2009 on an after-tax basis in order to determine the effect on net earnings realized by the CSP. OPCo is excluded from the quantification of the components of the ESP rate increase that were paid by ratepayers and increased earnings because its ROE for 2009 falls within the "safe harbor" limit. The four items listed in the table below are supported by Exhibits TEM-2 through Exhibit TEM-5:

ELIGIBLE COMPONENTS	EXHIBIT	Pre-Tax (000's)	After-Tax (000's)
Equity Return on Incremental 2001-2008 Environmental Investments	TEM-2	$11,471	$7,356
Equity Return on Enhanced Vegetation Management Investments	TEM-3	75	48
Equity Return on gridSMART Investments	TEM-4	1,252	803

Net Incremental Provider of Last Resort Revenues	TEM-5	80,209	51,438
TOTAL		**$93,007**	**$59,645**

Q. CAN YOU EXPLAIN WHY THESE FOUR ESP RATE ADJUSTMENTS INCREASED EARNINGS, WHILE OTHER ESP RATE ADJUSTMENTS PAID BY RATEPAYERS DID NOT?

A. Yes, the four ESP rate adjustments which I calculated in Exhibits TEM-2 through Exhibit TEM-5 directly affected earnings. The other elements of the ESP rate adjustments did not contribute to earnings. These excluded rate adjustments provided revenue to recover incurred costs including fuel and the non-equity components of the carrying costs on incremental 2001-2008 environmental investments and the ESP riders including Enhanced Vegetation Management and gridSMART. As explained below, the non-equity components of these riders provide for recovery of out-of-pocket incurred costs including the cost of debt, depreciation, operation and maintenance expenses, federal income taxes, property taxes and general and administrative expenses

Q. WHAT METHODOLOGY DID YOU USE TO DETERMINE THE EQUITY RETURN ON INCREMENTAL 2001-2008 ENVIRONMENTAL INVESTMENTS SHOWN IN EXHIBIT TEM-2?

A. The equity return (as a part of an overall carrying cost) on incremental 2001-2008 environmental investments (environmental investments) was approved in AEP Ohio's ESP (see Case No. 08-917-EL-SSO and Case No. 08-918-EL-SSO Entry on Rehearing Order dated July 23, 2009, "ESP Entry on Rehearing", pages 10-13 and related Opinion and Order dated March 18, 2009, "ESP Order", pages 24-28) and was included in the overall generation rate instead of as a separate rider. The total carrying cost rate of 14.94% for CSP on these environmental investments included a return of debt and equity, as well as recovery of other carrying costs including depreciation, federal income taxes, property taxes and general and administrative expenses and affected the base generation rate (excluding FAC). The first step I performed in order to calculate the amount of the total carrying costs on environmental investments paid by ratepayers in 2009 was to identify the total base generation revenues for the period April 1, 2009 through December 31, 2009 from the customer billing system which was approximately $353.8 million for CSP. Next, I calculated the portion of the total base generation revenues applicable to these total carrying costs on environmental investments using the ESP-approved percentage increases for carrying cost on environmental investments of 6.29% for CSP. I divided the total base generation revenue by 106.29% for CSP to determine the base revenues before the ESP increase. The difference in revenue is attributable to the total carrying costs on the environmental investments as approved in the ESP and results in approximately $20.9 million for CSP. This difference is then multiplied by the ratio of the after-tax weighted average equity approved return rate (5.25%) compared to the total approved carrying charge rate (14.94%) in order to determine the portion of the ESP environmental-related earnings attributable to the approved after-tax equity return ($7.4 million for CSP). Finally, the environmental-related after-tax earnings attributable to the approved equity return were divided by 1 minus the effective tax rate (35.87%) to calculate the before-tax equity return on environmental investments of $11.5 million for CSP as shown on Exhibit TEM-2.

Q. WHAT METHODOLOGY DID YOU USE TO DETERMINE THE EQUITY RETURN ON ENHANCED VEGETATION MANAGEMENT INVESTMENTS SHOWN IN EXHIBIT TEM-3?

A. The equity return (as a part of an overall carrying cost) on enhanced vegetation management investments was approved in AEP Ohio's ESP proceeding (ESP Entry on Rehearing, pages 14-18 and ESP Order at pages 30-34) and was included in the ESRP separate rider. The enhanced vegetation management rider included recovery of operations and maintenance expenses, as well as a total carrying cost rate on these enhanced vegetation management investments. The total carrying cost rate is composed of a return of debt and equity, as well as recovery of other carrying costs including depreciation, federal income taxes, property taxes and general and administrative expenses. The methodology I used to calculate the equity portion of the total carrying costs included in the ESRP rider paid by ratepayers in 2009 and shown on Exhibit TEM-3, was similar to that previously described related to the total carrying costs on environmental investments and included first identifying the total revenues recorded under the ESRP rider ($9.4 million for CSP). Next, I calculated the amount of the carrying costs on eligible enhanced vegetation management investments included in these ESRP revenues by pro-rating the percentage of total carrying costs designed in the tariff for these investments to the total estimated tariff revenue, approximately $0.1 million for CSP. Next, similar to the calculation made for the after-tax earnings equity portion of the total carrying costs on environmental investments, I pro-rated the after-tax earnings equity portion of the total carrying cost, approximately $48,000 for CSP. Finally, the after-tax earnings attributable to the approved equity return was divided by 1 minus the effective tax rate (35.87%) to calculate the before-tax equity return on enhanced vegetation management investments of $75,000 for CSP. These calculations are shown in Exhibit TEM-3.

Q. WHAT METHODOLOGY DID YOU USE TO DETERMINE THE EQUITY RETURN ON GRIDSMART INVESTMENTS SHOWN IN EXHIBIT TEM-4?

A. I used a similar methodology as I used in the determination of the equity return on the two previous equity cost determinations. The equity return (as a part of an overall carrying cost) on gridSMART was approved in AEP Ohio's ESP proceeding (ESP Entry on Rehearing, pages 18-24 and ESP Order at page 34-38) and was included in the gridSMART separate rider. The gridSMART rider included recovery of operations and maintenance expenses, as well as a total carrying cost rate on the gridSMART investments. The total carrying cost rate is composed of debt and equity, as well as recovery of other carrying costs including depreciation, federal income taxes, property taxes and general and administrative expenses. The methodology I used to calculate the equity portion of the total carrying costs included in the gridSMART rider paid by ratepayers in 2009 was similar to the two previously identified equity determinations and included first identifying the total revenues recorded under the gridSMART rider ($8.4 million for CSP). Next, I calculated the amount of the carrying costs on gridSMART investments included in these gridSMART revenues (approximately $3.8 million) by pro-rating the percentage of total carrying costs (approximately 45%) designed in the tariff for these investments to the total estimated tariff revenue. Finally, I similarly pro-rated the after-tax equity portion of the total carrying cost to determine the after-tax equity portion of approximately $0.8 million ($1.3 million before tax). This proration considered that the 5.25% equity rate should be compared to the average total carrying cost rate of approximately 24.81% for the varying property lives which results in 21.16% of the carrying cost. My calculations are shown on Exhibit TEM-4.

Q. WHAT METHODOLOGY DID YOU USE TO DETERMINE THE NET INCREMENTAL PROVIDER OF LAST RESORT (POLR) REVENUES SHOWN IN EXHIBIT TEM-5?

A. POLR was approved in AEP Ohio's ESP proceeding (ESP Entry on Rehearing, pages 24-27 and ESP Order at pages 38-40) and was included in the nonbypassable POLR separate rider. Using this separate rider, I was able to identify the POLR revenues from for April 1, 2009 through December 31, 2009 of approximately $92.1 million for CSP. I next had to determine the ESP portion of the total POLR revenues, as the approved rider for CSP also included a pre-ESP POLR component of $9.7 million for CSP. The incremental increase in the POLR was $82.4 million for CSP due to the ESP. Finally, an additional reduction of $2.2 million for CSP should be made for the POLR offset to the Economic Development Rider in accordance with PUCO Finding and Order in Case No. 09-1095-EL-RDR dated January 7, 2010 ("EDR Order") pages 10 and 11 to recognize that POLR applicable to Ormet and Eramet can not be recovered in the EDR tariff as ordered by the PUCO. In summary the net incremental POLR of $80.2 million ($51.4 million after-tax) for CSP is the appropriate amount, as shown in Exhibit TEM-5.

<u>TREATMENT OF DEFERRALS IN DETERMINATION OF POTENTIAL SIGNIFICANTLY EXCESSIVE EARNINGS TO BE RETURNED TO CUSTOMERS</u>

Q. AEP OHIO WITNESS HAMROCK IDENTIFIED TWO DEFERRALS IN 2009 THAT WERE SIGNIFICANT. DID YOU COMPUTE THE VALUES IN 2009 FOR THESE TWO SIGNIFICANT DEFERRALS?

A. Yes, I provide values for the significant deferrals in 2009 for Deferred Fuel and for Deferred Economic Development Rider (EDR) on Exhibit TEM-6.

Q. THE PREVIOUSLY DISCUSSED ROE CALCULATIONS INCLUDED ON EXHIBIT TEM-1 INCLUDED THE SIGNIFICANT DEFERRALS IDENTIFIED BY AEP OHIO WITNESS HAMROCK. WHAT WOULD BE THE EFFECT OF EXCLUDING THOSE SIGNIFICANT DEFERRALS IN YOUR CALCULATION OF THE ROES?

A. The effect would be to further reduce the ROE from the 18.31% and 9.42% to 15.99% and 2.54% for CSP and OPCo, respectively.

Q. CAN YOU DETAIL THE DEFERRED FUEL AMOUNTS CONTAINED IN EXHIBIT TEM-6?

A. Yes, Exhibit TEM-6 contains the following items: 1) deferred fuel; 2) deferred and recognized interest carrying costs and 3) unrecognized equity carrying costs. All of these amounts are separately itemized on Exhibit TEM-6.

Q. CAN YOU PROVIDE SOME BACKGROUND ON THE DEFERRED FUEL?

A. Yes, the deferred fuel is a regulatory asset that relates to the fuel adjustment clause (FAC) which was approved in the ESP proceeding (ESP Order at page 24). The deferred fuel is the shortfall not paid by the ratepayer for fuel. It is calculated by comparing the fuel revenues to the incurred fuel expense for CSP and OPCo.

Q. WHAT IS A REGULATORY ASSET?

A. A regulatory asset is the deferral of a cost, representing the difference in timing for recognition of that cost. A regulator like the PUCO can allow the deferral of a cost (pursuant to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 980) as it provides a probability for recovery in the future. In the case of deferred fuel, the PUCO provided that any deferred fuel at the end of the ESP (December 2011) would be recovered in an unavoidable surcharge and recognized by CSP and OPCo over the period 2012 through 2018 (Entry on Rehearing, pages 6-10 and ESP Order at pages 20- 24).

Q. PLEASE CLARIFY HOW THE CARRYING COSTS ON DEFERRED FUEL INCLUDED IN EXHIBIT TEM-6 WERE DETERMINED.

A. Carrying costs were allowed by the ESP Order (page 24) on the unpaid balance of deferred fuel and include both an interest and an equity portion. CSP and OPCo are recognizing the interest portion in income to offset the incurred interest cost. However, generally accepted accounting principles do not permit the recognition of equity in earnings related to instances other than construction of utility assets until it is actually paid by ratepayers. Thus, the deferred equity due on the deferred fuel is not recognized in earnings but is currently tracked until paid by ratepayers.

Q. Please clarify what the deferral of the EDR included in Exhibit TEM-6 relates to.

A. The ESP approved the EDR (ESP Entry on Rehearing, pages 31-34 and ESP Order at pages 47-48) and the EDR Order provided for an EDR tariff (pages 10 and 11). The deferral amounts included in Exhibit TEM-6 represent the difference between the revenue provided by the rider paid by ratepayers, compared to the PUCO approved discount provided to those Companies based on actual 2009 billings. Currently, only two companies are included in the EDR deferral: Eramet and Ormet (effective September 18, 2009).

Q. DID THE PUCO APPROVE A CARRYING COST ON THE EDR DEFERRAL?

A. Yes, the PUCO approved a debt carrying cost on the unpaid EDR deferral which has been recognized in earnings and included in Exhibit TEM-6.

Q. AEP OHIO WITNESS HAMROCK STATES THAT EARNINGS RESULTING FROM SIGNIFICANT DEFERRALS, SUCH AS DEFERRED FUEL, SHOULD NOT BE ELIGIBLE TO BE RETURNED VIA THE SEET BECAUSE RATEPAYERS HAVE NOT PAID FOR THE DEFERRED COSTS. WHAT IS THE ACCOUNTING SIGNIFICANCE OF THIS POSITION?

A. It is absolutely critical that both CSP and OPCo preserve the probability of recovery assumption for their deferred fuel costs, as that assumption is the key basis for recording and maintaining the regulatory asset on the balance sheet. As AEP Ohio witness Hamrock discusses, favorable deferral entries should not be used in determining amounts subject to being returned because those amounts have not yet been paid by ratepayers. A contrary treatment of the deferrals would raise the issue of whether they are recoverable in the future

If any of the ESP-tariff increase adjustments, including fuel that did not provide net earnings are considered excessive, an accounting problem could arise since this would be returning revenues that were used in 2009 in the determination of over/under recovery of regulatory assets. Instead, the significant deferrals should be deducted in determining the amount to be returned. Otherwise, not deducting the significant deferrals would effectively be reducing the previously billed fuel revenues, as an example, which theoretically should directly increase the Companies' fuel under recovery.

However, if there is uncertainty regarding the regulatory commitment to allow CSP and OPCo to recover those fuel revenues that would raise the issue of whether there is a sound basis for the deferral. Further, it would call into question the probability of recovery of the balance of the ESP regulatory assets, and be at odds with the Commission's statement on page 16 of its June 30, 2010 order in Case No. 09-786-EL-UNC that "the Commission understands that to cast an unacceptable level of doubt on the recovery of a deferral, particularly a large deferral, will severely dampen the electric utility's willingness to agree to deferrals." In addition, I have been advised by counsel that the fuel deferrals, in particular, must remain certain for future recovery since those deferrals were approved as part of a phase-in plan established under Section 4928.144, Revised Code. Counsel advises that Section 4928.144, Revised Code, mandates recovery of such deferrals through a nonbypassable surcharge.

Q. IS THE CONCERN REGARDING PROBABILITY OF RECOVERY OF DEFERRED FUEL ALSO RELEVANT TO OTHER RIDERS APPROVED IN THE ESP ORDER?

A. Yes, if the Commission wishes for AEP Ohio to recover the full amount of incurred costs through fuel revenues and the non-equity portions of riders including Enhanced Vegetation Management, gridSMART (for the non-equity costs including operations and maintenance expenses cost of interest, general and administrative expenses, property taxes, and depreciation), these revenues should not be considered in determining significantly excessive earnings to be returned to customers because they simply recovered incurred costs and did not contribute to earnings. Therefore, they should not be subjected to possible return to customers. As previously discussed and shown in Exhibit TEM-6, the deferrals for both CSP and OPCo are significant and are deserving of special treatment on a "case-by-case basis" as recognized by the Commission (Case No. 09-786-EL-UNC order at page 16).

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Columbus Southern Power Company and Ohio Power Company
Annual SEET Filing
Earned ROE
For the 12 Months Ended December 31, 2009

Step 1 Per Books ROE

Description		CSP			OPCo	
		(000's)			(000's)	
Earnings Attributable to Common Stock	$	271,504		$	305,841	
Average Total Common Shareholder's Equity	$	1,302,550	(A)	$	2,828,320	(A)
Return on Equity (%)		20.84%			10.81%	

Step 2 Per Books ROE Calculation - Excluding Off-System Sales Net Margins

Description		CSP			OPCo	
		(000's)			(000's)	
Earnings Attributable to Common Stock	$	271,504		$	305,841	
Less: OSS Net Margins After-Tax	$	32,977	(B)	$	39,528	(B)
Earnings Attributable to Common Stock *(excluding OSS)*	$	238,527		$	266,313	
Average Total Common Shareholder's Equity	$	1,302,550	(A)	$	2,828,320	(A)
Return on Equity (%)		18.31%			9.42%	

(A) See Exhibit TEM-1 page 2 of 3
(B) See Exhibit TEM-1 page 3 of 3

Columbus Southern Power Company and Ohio Power Company
Annual SEET Filing
Total Equity Calculations
For the Year-Ended December 31, 2009

CSP

Period Ended	Total Common Sharholder's Equity(SHE) (000's)
12/31/2008	1,245,265
12/31/2009	1,359,835
	1,302,550

OPCO

Period Ended	Total Common Sharholder's Equity(SHE) (000's)
12/31/2008	2,421,945
12/31/2009	3,234,695
	2,828,320

Columbus Southern Power Company and Ohio Power Company
Annual SEET Filing
Off-System Sales
For the 12 Months Ended December 31, 2009

Off-System Sales Net Margins

Month	CSP - Before Tax (000's)	CSP - After Tax (000's)	CSP - After Tax Cummulative (000's)	OPCo - Before Tax (000's)	OPCo - After Tax (000's)	OPCo - After Tax Cummulative (000's)
January	$ 3,331	$ 2,142	$ 2,142	$ 4,026	$ 2,572	$ 2,572
February	4,301	2,766	4,908	5,538	3,538	6,110
March	5,263	3,384	8,292	6,690	4,274	10,384
April	3,574	2,298	10,590	5,221	3,335	13,719
May	6,296	4,048	14,638	7,543	4,818	18,537
June	5,882	3,782	18,420	7,294	4,659	23,196
July	6,794	4,369	22,789	6,420	4,101	27,297
August	5,552	3,570	26,359	4,491	2,869	30,166
September	3,947	2,538	28,897	4,906	3,134	33,300
October	2,168	1,394	30,291	4,269	2,727	36,027
November	1,517	975	31,266	1,649	1,053	37,080
December	2,661	1,711	32,977	3,832	2,448	39,528
Total Off-System Sales Net Margins	$ 51,286	$ 32,977		$ 61,879	$ 39,528	
Tax Rate	35.70%			36.12%		

Columbus Southern Power Company
Annual SEET Filing
Equity Return on Incremental 2001 - 2008 Environmental Investments
For the 12 Months Ended December 31, 2009

Description		CSP	
Base Generation Revenue Including Increase for Environmental Investments (April - December 2009)	$	353,846,688	
ESP Approved Increase in Base G for 2001-2008 Envrionmental Carrying Costs		6.29%	(A)
ESP Approved Increase + 100%		106.29%	
Calculated Original Base Generation Revenue		332,912,972	
Total ESP Environmental Revenue (April - December 2009)	$	20,933,716	
Equity portion of Return - **After Tax**		5.25%	**(B)**
Approved Carrying Charge Rate		14.94%	**(C)**
Carrying Charge Rate Percentage of Approved Return		35.14%	
After-Tax Total ESP Environmental Revenue (April - December 2009) Attributable to Equity Earnings		**7,356,226**	
Tax Rate		**35.87%**	
Pre-Tax ESP Environmental Revenue (April - December 2009) Attributable to Equity Earnings)		**11,470,803**	

(A) % increase based on ESP approved increase for environmental carrying costs. Rates were included in the application filed in Case No. 09-1906-EL-ATA on Schedule 2 for CSP to adjust annual Non-FAC revenue.

(B) From Exhibits PJN-11 in ESP filing Case Numbers 08-917-EL-SSO

(C) From Exhibits PJN-10 in ESP filing Case Numbers 08-917-EL-SSO

Exhibit TEM - 3

Columbus Southern Power Company
Annual SEET Filing
Equity Return on Enhanced Vegetation Management Investments
For the 12 Months Ended December 31, 2009

	Month		CSP
ESRP Revenues	January 2009	$	-
	February		0
	March		0
	April		911,962
	May		922,098
	June		1,097,759
	July		1,243,483
	August		1,194,890
	September		1,188,428
	October		931,084
	November		898,442
	December		964,215
Total ESRP Revenue		$	9,352,361

Percent of Revenues Related to Capital Based on Approved Rider	1.32% **(A)**
	123,404
After-Tax Equity Portion of Return	5.25% **(B)**
Approved Carrying Charge Rate	13.52% **(C)**
Carrying Charge Rate Attributable to Approved Return	38.83%
After-Tax Total ESRP Revenue Attributable to Equity Earnings	**47,919**
Tax Rate	35.87%
Pre-Tax Total ESRP Revenue Attributable to Equity Earnings (After-Tax Equity Earnings / (1-Tax Rate)	**74,722**

(A) Ratio of incremental capital revenue requirement to total incremental revenue requirement based on calculation of distribution percentage increases for 2009 and included in the filed ESP tariffs.

	CSP
Carrying Costs	121,680
Total Costs	9,221,680
	1.32%

(B) Approved Return, Equity component, in Exhibit PJN-11 of the ESP filing.

(C) Approved Carrying Charge in Exhibit PJN-10 of the ESP filing.

Exhibit TEM - 4

Columbus Southern Power Company
Annual SEET Filing
Equity Return on gridSMART Investments
For the 12 Months Ended December 31, 2009

Month	Total Revenue	O&M		Carrying Costs on Capital Investments
	100.00%	55%	(A)	45%
January 2009	0	0		0
February	0	0		0
March	0	0		0
April	821,918	452,055		369,863
May	831,065	457,086		373,979
June	989,400	544,170		445,230
July	1,120,749	616,412		504,337
August	1,076,916	592,304		484,612
September	1,071,102	589,106		481,996
October	839,156	461,536		377,620
November	809,743	445,359		364,384
December	869,015	477,958		391,057
Total	8,429,064	4,635,986		3,793,078

After-Tax Equity Portion of Return	5.25%
Weighted Average Carrying Charge Rate	24.81% (C)
Carrying Charge Rate Attributable to Equity Return	21.16%
After-Tax Equity Earnings on gridSMART	**802,653**
Tax Rate	35.87%
Pre-Tax	**1,251,603**

(A) Ratio of incremental capital revenue requirement to total incremental revenue requirement based on calculation of distribution precentage increases for 2009 and included in the filed ESP tariffs.

	Carrying Costs	3,713,142
	Total Costs	8,310,946
		45%

(B) Approved Return, Equity component, in Exhibit PJN-11 of the ESP filing.

(C) Capital Life	Approved Rate		Capital Investments		Weighted Average	
Capital - 5 Year Life	30.58%	(B)	655,000	(A)	200,299	
Capital - 7 Year Life	25.85%	(B)	26,204,563	(A)	6,773,880	
Capital - 15 Year Life	17.44%	(B)	446,925	(A)	77,944	
Capital - 30 Year Life	14.27%	(B)	2,621,700	(A)	374,117	
			29,928,188		7,426,240	24.81%

Columbus Southern Power Company
Annual SEET Filing
Net Incremental POLR Revenues
For the 12 Months Ended December 31, 2009

		CSP
POLR at ESP Rates (4/09 to 12/09)	$	92,137,708
POLR at RSP Rates (4/09 to 12/09)		9,733,473
Incremental POLR		82,404,235
Less: POLR Offset to Economic Development Rider		2,195,548
Net Incremental POLR		80,208,687
Tax Rate		35.87%
Tax	$	28,770,856
After-Tax Net Incremental POLR	$	51,437,831

Columbus Southern Power Company and Ohio Power Company
Annual SEET Filing
Significant Deferrals - FAC and EDR
For the Year-Ended December 31, 2009

FAC Deferral

Month	CSP - Before Tax (000's)		CSP - After Tax (000's)	CSP - After Tax Cummulative (000's)	OPCo - Before Tax (000's)		OPCo - After Tax (000's)	OPCo - After Tax Cummulative (000's)
January	$ -		$ -	$ -	$ -		$ -	$ -
February	-		-	-	-		-	-
March	17,016		10,912	10,912	65,504		41,733	41,733
April	10,213		6,550	17,462	23,643		15,063	56,796
May	7,049		4,521	21,983	20,979		13,366	70,162
June	(744)		(477)	21,506	30,229		19,259	89,421
July	7,277		4,667	26,173	29,541		18,821	108,242
August	7,241		4,644	30,817	28,375		18,078	126,320
September	(12,167)		(7,803)	23,014	39,687		25,285	151,605
October	4,357		2,794	25,808	22,032		14,037	165,642
November	(5,974)		(3,831)	21,977	18,919		12,053	177,695
December	2,714		1,740	23,717	24,640		15,698	193,393
Total FAC	$ 36,982	(A)	$ 23,717		$ 303,549	(A)	$ 193,393	
Tax Rate	35.87%				36.29%			

(A) - See Exhibit TEM-6 page 2 of 3

EDR Deferral

Month	CSP - Before Tax (000's)	CSP - After Tax (000's)	CSP - After Tax Cummulative (000's)	OPCo - Before Tax (000's)	OPCo - After Tax (000's)	OPCo - After Tax Cummulative (000's)
January	$ -	$ -	$ -	$ -	$ -	$ -
February	-	-	-	-	-	-
March	-	-	-	-	-	-
April	-	-	-	-	-	-
May	-	-	-	-	-	-
June	-	-	-	-	-	-
July	-	-	-	-	-	-
August	-	-	-	-	-	-
September	-	-	-	-	-	-
October	-	-	-	-	-	-
November	7,160	4,592	4,592	1,175	749	749
December	3,049	1,955	6,547	458	292	1,041
Total EDR	$ 10,209	$ 6,547		$ 1,633	$ 1,041	
Tax Rate	35.87%			36.29%		

Total FAC Deferral and EDR Deferral

Month	CSP - Before Tax (000's)	CSP - After Tax (000's)	CSP - After Tax Cummulative (000's)	OPCo - Before Tax (000's)	OPCo - After Tax (000's)	OPCo - After Tax Cummulative (000's)
January	$ -	$ -	$ -	$ -	$ -	$ -
February	-	-	-	-	-	-
March	17,016	10,912	10,912	65,504	41,733	41,733
April	10,213	6,550	17,462	23,643	15,063	56,796
May	7,049	4,521	21,983	20,979	13,366	70,162
June	(744)	(477)	21,506	30,229	19,259	89,421
July	7,277	4,667	26,173	29,541	18,821	108,242
August	7,241	4,644	30,817	28,375	18,078	126,320
September	(12,167)	(7,803)	23,014	39,687	25,285	151,605
October	4,357	2,794	25,808	22,032	14,037	165,642
November	1,186	761	26,569	20,094	12,802	178,444
December	5,763	3,695	30,264	25,098	15,990	194,434
Total FAC	$ 47,191	$ 30,264		$ 305,182	$ 194,434	
Tax Rate	35.87%			36.29%		

Columbus Southern Power Company and Ohio Power Company
Annual SEET Filing
FAC Deferrals
For the Year-Ended December 31, 2009

Total FAC Deferral Including

Description	CSP	OPCo
Unrecovered Fuel Cost - OH	$ 36,028,133	$ 297,570,318
Carrying Charges - OH FAC	1,880,899	14,439,715
Deferred Equity Carrying Chgs	(926,964)	(8,460,395)
Recognized Interest CC	953,935	5,979,320
	$ 36,982,068	$ 303,549,638

Columbus Southern Power Company and Ohio Power Company
Annual SEET Filing
Significant Deferrals
For the Year-Ended December 31, 2009

Per Books ROE Calculation - Excluding FAC Deferrals and EDR Deferrals

Description		CSP (000's)			OPCo (000's)	
Earnings Attributable to Common Stock	$	271,504	(A)	$	305,841	(A)
Less: FAC and EDR Deferral After-Tax	$	30,264	(B)	$	194,434	(B)
Earnings Attributable to Common Stock *(excluding Deferrals)*	$	241,240		$	111,407	
Average Total Common Shareholder's Equity	$	1,302,550	(A)	$	2,828,320	(A)
Return on Equity (%)		18.52%			3.94%	

(A) See Exhibit TEM-1 page 1 of 3
(B) See Exhibit TEM-6 page 2 of 3
Sum of FAC and EDR December Cummulative Total.

Per Books ROE Calculation - Excluding Off-System Sales Net Margins, FAC Deferrals and EDR Deferrals

Description		CSP (000's)			OPCo (000's)	
Earnings Attributable to Common Stock (excluding OSS)	$	238,527	(A)	$	266,313	(A)
Less: FAC and EDR Deferral After-Tax	$	30,264	(B)	$	194,434	(B)
Earnings Attributable to Common Stock *(excluding OSS and Deferrals)*	$	208,263		$	71,879	
Average Total Common Shareholder's Equity	$	1,302,550	(A)	$	2,828,320	(A)
Return on Equity (%)		15.99%			2.54%	

(A) See Exhibit TEM-1 page 1 of 3
(B) See Exhibit TEM-6 page 1 of 3