

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbus Southern Power Company for) Case No. 09-1089-EL-POR
Approval of its Program Portfolio Plan and)
Request for Expedited Consideration.)

In the Matter of the Application of)
Ohio Power Company for Approval of its) Case No. 09-1090-EL-POR
Program Portfolio Plan and Request for)
Expedited Consideration.)

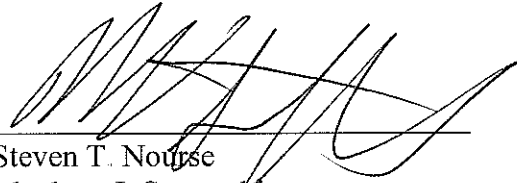
MOTION AND
MEMORANDUM IN SUPPORT OF
COLUMBUS SOUTHERN POWER AND OHIO POWER COMPANY

Columbus Southern Power and Ohio Power (“Companies”) in Case No. 09-1089-EL-POR and Case No. 09-1090-EL-POR received approval for the Companies’ Energy Efficiency and Peak Demand Response (“EE/PDR”) Program Portfolio Plan, which covered years 2009 through 2011. Consistent with the Opinion and Order approving the stipulation in the underlying case, the Companies propose an extension of the current revenue recovery approved by the Commission as part of the EE/PDR programs. The Commission indicated a willingness to extend the period eligible for recovery while considering a mechanism. The Companies represent that a mechanism will be proposed as part of its upcoming Standard Service Offer filing or in a distribution rate case expected to be filed in the first half of 2011. Consideration of the issues and proper

mechanism in the context of one of these filings will assist the parties and the Commission in determining the appropriate outcome.

Commission action is necessary to allow the mechanism for recovery to continue past December 31, 2010. Should the Commission need more time to consider this motion the Companies request an interim order extending the revenue recovery mechanism pending the Commission's consideration of this filing.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Steven T. Nourse', written over a horizontal line.

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MEMORANDUM IN SUPPORT

As part of the May 13, 2010 Opinion and Order in these Cases, the Commission granted temporary recovery of lost distribution revenue resulting from the implementation of EE/PDR programs through January 1, 2011. Further, Columbus Southern Power and Ohio Power ("Companies") were encouraged to propose a mechanism that would be responsive to the Commission's concern regarding quantification of fixed costs, given the period of time since the Companies' last distribution rate cases respectively, as well as a mechanism to achieve revenue decoupling. In the Opinion and Order (at 26), the Commission states:

Given that CSP's last distribution rate case occurred in 1991 and OP's last distribution rate case occurred in 1994, AEP-Ohio's actual costs of service are unknown at this time. Therefore, at this time, the Commission will temporarily grant AEP-Ohio lost revenue recovery through January 1, 2011. During this time, AEP-Ohio is encouraged to propose a mechanism to answer the Commission's concern regarding quantification of fixed costs, as well as a mechanism to achieve revenue decoupling, which may include, but is not limited to, the method proposed in this filing: lost distribution revenue recovery, a decoupling rider, or any other method which reduces or eliminates the link between sales volume and recovery of fixed distribution costs. If AEP-Ohio proposes a reasonable mechanism, the Commission will consider a request to extend the recovery period while the mechanism is considered."

Pursuant to the terms of the Opinion and Order, the Companies submit the motion and memorandum in support for the Commission to exercise its discretion as contemplated and allow the Companies to continue the period eligible for recovery of lost distribution revenue resulting from the implementation of EE/PDR programs. The Companies are scheduled to file a Standard Service Offer filing and/or will be filing a distribution rate case in 2011. As outlined by the Commission in the excerpt above, it is the gap in time since the last rate case that makes it difficult to determine the numbers

that fit into the right mechanism. The Companies submit that any concerns raised in regards to quantification of fixed costs are better addressed in the context of those proceedings. The Companies are prepared to provide that appropriate setting and seek the Commission's approval of an extension of the current system until that preferred process can be completed.

The Companies support the current program for recovery of lost distribution revenue and would propose to continue this program for its term, with the pending filings proposing what steps to take next. The Companies plan to propose a mechanism to address the Commission's interest in a decoupling proposal that reduces the link between sales volume and recovery of fixed distribution costs as part of the planned filings. The interim period will allow the stakeholders and Commission staff to provide the Companies further input as a proposal is developed for the case filing

Net Lost Distribution Revenue Recovery Mechanism

The Commission previously approved the Companies' program for recovery of net lost distribution revenue as a form of limited decoupling. This net lost margin recovery program allows for targeted recovery of only those lost revenues attributable to the implementation of EE/PDR programs. In other words, the Commission permitted the Companies to recover the lost contribution to fixed costs inherent in the successful implementation of EE/PDR programs. The Companies request that the program to determine what is recoverable by the Companies, already approved by the Commission, be allowed to continue through the replacement of the program in the future or through December 31, 2011, whichever comes first. The Companies' proposal will address

concerns raised by the Commission and IEU-Ohio in regard to quantification of fixed costs in the context desired by the Commission.

Pending Decoupling Discussion

There are various forms of decoupling, and the term can often mean different things to different parties. Therefore, an open dialogue with Commission Staff and input from all willing stakeholders will serve to narrow the focus of discussion regarding decoupling by focusing on the goals and expectations. In addition, any further input will help to inform the Companies regarding the interests of the Commission Staff and other stakeholders as the issue of decoupling is addressed in the pending filings.

Extending the Companies' current recovery mechanism for net lost revenue and addressing decoupling in a distribution rate case and/or Standard Service Offer case will accomplish three goals. One, it will allow the Companies to develop an appropriate decoupling proposal incorporating input already gathered and offered going forward from Commission Staff and other stakeholders. Two, a distribution rate case will provide an established baseline rate that can be used on a going forward basis in any agreed to rate recovery mechanism. Finally, it will allow time for other potential mechanisms to be vetted appropriately.

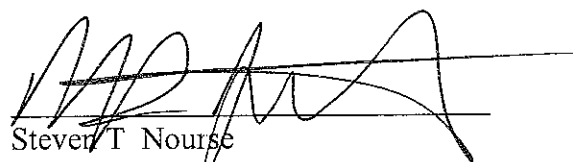
The Companies represent that there should not be any concern in extending an existing recovery mechanism in the interest of getting the appropriate distribution proceeding filed which will consider the underlying issues of cost of service. However, should the Commission need more time to consider this motion, it could grant interim relief and extend its already approved mechanism until such time as it is able to fully

determine this matter. Commission action is necessary to allow the mechanism for recovery to continue past December 31, 2010

Conclusion

The Companies propose to continue the existing Commission approved program to measure the recovery of net lost revenue resulting from the implementation of EE/PDR programs through the implementation of a new program to determine those levels or until December 31, 2011, whichever occurs first. This will allow the Companies to propose a mechanism in the context of a full proceeding to address any potential concerns over quantification of fixed costs. The Companies understand the Commission's interest in decoupling and desire to encourage additional energy efficiency and supports investigation into alternative ratemaking mechanisms. The Companies seek to maintain the status quo pending a fuller analysis provided in the context of a complete case.

Respectfully submitted,

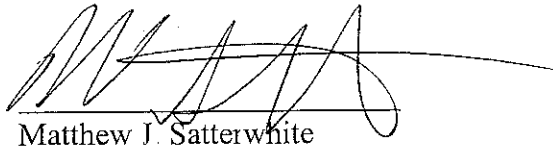
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PROOF OF SERVICE

I certify that Columbus Southern Power Company's and Ohio Power Company's Motion and Memorandum in Support were served by First-Class U.S. Mail upon counsel for all parties of record identified below this 18th day of November, 2010.



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Case No(s). 09-1090-EL-POR

Summary: Motion Motion and Memorandum in Support of CSP and OPC electronically filed by Mr. Matthew J Satterwhite on behalf of American Electric Power Service Corporation