FILE

22

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**
In the Matter of the Fuel Adjustment Clauses for Columbus Southern Power Company and Ohio Power Company.	**)))**	**Case No. 09-872-EL-FAC** **Case No. 09-783-EL-FAC**

TESTIMONY OF PHILIP J. NELSON
ON BEHALF OF
COLUMBUS SOUTHERN POWER COMPANY AND
OHIO POWER COMPANY
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO
TESTIMONY OF
PHILIP J. NELSON
ON BEHALF OF
COLUMBUS SOUTHERN POWER COMPANY AND
OHIO POWER COMPANY
CASE NO. 10-1261-EL-UNC
CASE NO. 09-872-EL-FAC
CASE NO. 09-873-EL-FAC

PERSONAL DATA

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Philip J. Nelson. My business address is 1 Riverside Plaza, Columbus, Ohio 43215.

Q. PLEASE INDICATE BY WHOM YOU ARE EMPLOYED AND IN WHAT CAPACITY.

A. I am employed as Managing Director of Regulatory, Pricing and Analysis in the Regulatory Services Department of American Electric Power Service Corporation (AEPSC), a wholly owned subsidiary of American Electric Power Company, Inc. (AEP). AEP is the parent company of Columbus Southern Power Company (CSP) and Ohio Power Company (OPCo), referred to collectively as AEP Ohio, or the Companies.

BUSINESS EXPERIENCE

Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I graduated from West Liberty University in 1979 receiving a Bachelor of Science Degree in Business Administration, majoring in accounting. In 1979, I was employed by Wheeling Power Company, an affiliate of AEP, in the Managerial Department. At Wheeling Power, I was responsible for rate filings with the Public Service Commission of West Virginia (PSC), for resolving customer complaints made to the PSC, as well as for preparation of the Company's operating budgets and capital forecasts. In 1996 I transferred to the AEP-West Virginia State Office in Charleston, West Virginia as a senior rate analyst. In 1997 I transferred to AEPSC as a senior rate consultant in the Energy Pricing and Regulatory Services Department, with my primary responsibility being the oversight of OPCo's and CSP's Electric Fuel Component (EFC) filings. In 1999 I transferred to the Financial Planning Section of the Corporate Planning and Budgeting Department where I helped prepare AEP financial forecasts. I held various positions in the Corporate Planning and Budgeting Department until my transfer to Regulatory Services in February, 2010.

Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGING DIRECTOR OF, PRICING AND ANALYSIS?

A. My department supports regulatory filings across the AEP system in the areas of cost of service, rate design, cost recovery trackers and tariff administration. It also provides expert witness testimony on the west power pool as well as technical advice and support for west power settlements and performs financial analysis relating to AEP's generation fleet.

Q. HAVE YOU EVER SUBMITTED TESTIMONY AS A WITNESS BEFORE A REGULATORY COMMISSION?

A. Yes. I have testified before the Virginia State Corporation Commission and the Public Service Commission of West Virginia on behalf of Appalachian Power, before the Public Service Commission of West Virginia on behalf of Wheeling Power, before the Indiana Utility Regulatory Commission on behalf of Indiana Michigan Power Company and before the Public Utilities Commission of Ohio (Commission) on behalf of CSP and OPCo

PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe and support the Stipulation and Recommendation (Stipulation) entered into by AEP Ohio and several parties to resolve the issues in these cases. The Signatory Parties recommend that the Commission approve the Stipulation and issue its Opinion and Order in accordance with the recommendations made in the Stipulation. This testimony demonstrates that: (1) the Stipulation is a product of serious bargaining among capable, knowledgeable parties; (2) the Stipulation does not violate any important regulatory principle or practice; and (3) the Stipulation, as a whole, will benefit customers and the public interest.

Q. WHAT PROCEEDINGS DOES THE STIPULATION AND RECOMMENDATION RESOLVE?

A. The Stipulation resolves the issues in three proceedings: the 2009 Significantly Excessive Earnings Test proceeding for both Companies, Case No. 10-1261-EL-UNC (SEET Case); and the 2009 Fuel Adjustment Clause Management Audit proceeding for both Companies, Case Nos. 09-0872-EL-FAC and 09-0873-EL-FAC (FAC Cases).

Q. WHAT ARE YOUR QUALIFICATIONS TO ADDRESS THE ISSUES THAT ARE BEING RESOLVED BY THE STIPULATION?

A. I submitted direct and rebuttal testimony in the 2009 FAC Audit Cases as the Companies' policy witness. I also participated on behalf of the Companies in connection with the negotiations and analysis of the SEET issues. I have also helped prepare the Ohio merger filing, Case Number 10-2376-EL-UNC, and am familiar with the issues in that case. In short, I understand the financial implications of the issues being resolved in the Stipulation and am familiar with the major regulatory issues presently faced by AEP Ohio.

Q. WHAT ARE THE MAJOR PROVISIONS OF THE STIPULATION?

A. The major provisions of the Stipulation address AEP Ohio's commitment regarding 2011 rates; capital requirements of Ohio investment commitments; pending fuel adjustment clause cases; proposed merger of CSP and OPCo; the application of the SEET to CSP and OPCo; and miscellaneous terms and commitments.

<u>AEP OHIO COMMITMENT REGARDING 2011 RATES</u>

Q. WHAT ARE THE MAIN PROVISIONS IN SECTION IV OF THE STIPULATION REGARDING 2011 RATES?

A. In order to convey value in difficult economic times, CSP agrees that the Commission-authorized 6% rate cap for CSP for 2011 will be reduced to 0%. CSP also agrees to utilize the same FAC deferral mechanism approved in Case No. 08-917-EL-SSO, the Electric Security Plan Case (ESP Case) to maintain the new, reduced, rate cap, except that CSP agrees to voluntarily forego recovery of carrying charges that would otherwise apply to additional deferrals created in 2011. Rates subject to the cap will change in accordance with CSP's ESP, however, the FAC rate will be adjusted to maintain the reduced 0% cap for 2011. Rates not subject to the original ESP rate cap remain eligible for increase. Subsequent recovery of all unamortized FAC deferral balance is addressed in Paragraph VI.3 of the Stipulation.

CSP also agrees to prospectively forego $18 million in carrying charges relating to 2010 environmental investment, as provided in this paragraph. First, CSP agrees to forego its filing authorized under its current Electric Security Plan to increase the Environmental Investment Carrying Cost Rider (EICCR), that would otherwise be filed in the first quarter of 2011 and relate to 2010 environmental investment. Second, to the extent that the projected revenue requirements that would have been presented in CSP's 2011 EICCR filing is less than $18 million, AEP Ohio agrees to reduce the increase that would have otherwise been requested by OPCo in its 2011 EICCR filing (relating to 2010 environmental investment) by the difference.

Q. HOW DOES THE REDUCTION OF CSP'S 2011 RATE CAP FROM 6% TO 0% BENEFIT CUSTOMERS?

A. CSP has the ability to raise rates in 2011 under the 6% rate cap established as part of its ESP – subject to the cost-based need to raise rates for authorized rate components that fall under the cap such as the EICCR or the Fuel Adjustment Clause (FAC). For example, subject to such cost increases being prudently incurred and authorized for recovery in 2011, CSP would have been able to raise rates up to approximately $114 million in 2011. That would equate to about $78 in 2011 for a residential customer using an average 1,000 kWh per month.

CSP is agreeing to forego carrying costs associated with any additional deferrals beyond the amount on the Company's books at the end of 2010, which conveys additional value to customers. For example, if the FAC balance is $10 million at the end of 2010 and the 0% rate cap increases the deferral in 2011 to $25 million only the beginning balance of $10 million is subject to carrying costs. The additional $15 million created by the cap is exempted from such carrying costs. Furthermore, if the 2010 deferred balance is reduced by operation of the Stipulation or a reduction in fuel costs, carrying costs will apply to the reduced balance not the year-end 2010 balance. That is, carrying costs will be applied to the lower of the 2010 balance or the actual balance.

Q. PLEASE ADDRESS THE ADDITIONAL COMMITMENT TO FOREGO CARRYING CHARGES RELATING TO 2010 ENVIRONMENTAL INVESTMENT.

A. This provision provides an additional $18 million of benefit to customers, the bulk of which relates to CSP's costs and would be conveyed to its customers and the remaining portion would accrue to the benefit of OPCo customers. Specifically, as shown in my Exhibit PJN-1, CSP's EICCR filing in 2011 (relating to its 2010 environmental investment) saves customers an estimated $15.6 million. These are costs that, subject to Commission review as recently conducted in connection with the Companies' 2009 environmental investment in Case No. 10-155-EL-RDR, would be recovered through the EICCR that is authorized under CSP's existing ESP plan. The remainder of the $18 million commitment will be reflected through an approximate $2.4 million credit (thereby reducing the amount of rate increase that would otherwise be sought) in OPCo's EICCR filing in 2011 (relating to its 2010 environmental investment).

CAPITAL REQUIREMENTS OF OHIO INVESTMENT COMMITMENTS

Q. WHAT ARE THE MAIN PROVISIONS IN SECTION V OF THE STIPULATION REGARDING CAPITAL COMMITMENTS?

A. CSP has committed to make a $20 million equity investment in the Turning Point solar project (Project), described in Companies witness Hamrock's rebuttal testimony filed in the SEET Case. Should the Project not go forward, CSP will undertake a similar commitment for another renewable energy generation project satisfactory to CSP and will make best efforts to create a comparable number of new jobs through an alternative renewable energy project investment – recognizing that the Project is a unique opportunity to attract manufacturing jobs to Ohio. The purpose and expected economic impact of the Turning Point project is to support economic development in Ohio, bringing approximately 300 new construction jobs and at least 300 new manufacturing-related jobs to the State.

The Companies plan to enter into a facility lease agreement with the developer of the Turning Point Project to operate the facility and, consequently, effectively will own the capacity, energy and environmental attributes associated with the facility. CSP's commitment to equity ownership and operation of a renewable energy generation project, in conjunction with the capacity lease agreement entered into by CSP and OPCo, will entitle them to the energy output of the facility and associated renewable energy credits (RECs). The Companies will apply RECs associated with energy received toward compliance with the Ohio solar benchmark under Section 4928.64, Revised Code. The Companies reserve the right to sell any of the excess RECs associated with the Turning Point project above those needed for compliance with the solar benchmark under Section 4928.64, Revised Code, and have committed that the proceeds from any such sales will be credited against compliance costs for the benefit of their customers.

CSP also agrees to commit $25 million additional investment in distribution infrastructure, to be allocated between gridSMART® metering technologies and customer facility infrastructure (customer-serving infrastructure improvements on the Company's side of the meter), as determined by CSP and the Staff.

The Signatory Parties recommend the Commission find that, with CSP's additional capital investments of $45 million the Stipulation provides for, there are substantial capital requirements associated with future committed investments in Ohio, for purposes of Section 4928.143(F), Revised Code; and that CSP's 2009 earnings are not significantly excessive, when considered in light of the capital requirements associated with CSP's commitments for future investments in Ohio.

PENDING FUEL ADJUSTMENT CLAUSE CASES

Q. WHAT ARE THE MAIN PROVISIONS IN SECTION VI OF THE STIPULATION?

A. The Stipulation also resolves all issues pending in the FAC Cases that have already been addressed in testimony, examined during an evidentiary hearing, and briefed, in exchange for the sale of the coal reserve discussed extensively in the record in the FAC Audit Cases (the name and location of which is confidential).

The Stipulation provides that the net gain will be distributed as follows:

a. The first $30.0 million of the net gain, if available, will be credited 100% to all AEP Ohio ratepayers' benefit;

b. The balance of the blended retail apportionment (65% of the total company amount) of the remaining net proceeds will be shared between ratepayers (75%) and AEP Ohio (25%).

An example of how these provisions for sharing the sales proceeds will operate is provided as Attachment 1 to the Stipulation.

Q. CAN YOU EXPLAIN THE EXAMPLE REFLECTED IN ATTACHMENT 1 TO THE STIPULATION?

A. Yes. The Signatory Parties agreed to use a net gain example of $300 million, though that does not necessarily reflect the Companies' or any other Signatory Party's valuation of the coal reserve asset. While the Companies did not sponsor a current valuation of the coal reserve asset as part of its testimony in the FAC Cases, the $300 million net gain example reflected in Attachment 1 to the Stipulation does fall within the range of asset valuations reflected in the record in the FAC Cases. Another aspect of Paragraph VI.2.b and Attachment 1 is the 65% blended retail apportionment to be applied to the remaining net gain after deducting the up front $30 million ratepayer portion and prior to allocating the 75% ratepayer share of any remainder. I calculated the 65% retail allocation on a 2009 energy basis blending CSP and OPCo, as a reasonable proxy for a post-merger retail allocator that could be specified in the Stipulation.

Q. HOW IS THE NET GAIN DEFINED?

A. The net gain is the amount by which the total sales proceeds exceeds the total of the net book value of the coal reserve asset and the sales transaction costs. If there is a net loss, AEP Ohio absorbs it under the Stipulation.

Q. HOW IS THE NET GAIN TO BE APPLIED TO BENEFIT RATEPAYERS?

A. The $30 million ratepayer share, if available, will be first applied to recover the 2011 deferrals created under Paragraph IV.1, then to recover CSP's remaining unamortized deferral balance as of the time of the distribution to ratepayers, with any remaining deferral balance being recovered through the Commission's approved fuel deferral methodology adopted in Case No. 08-917-EL-SSO. If there are additional proceeds from the $30 million available after eliminating CSP's deferrals, then the ratepayer share will be applied to reduce the total unamortized FAC deferral balance of the Companies, at the time of the distribution.

Q. WHEN WILL ANY REMAINING RATEPAYER SHARE OF THE NET GAIN BE DISTRIBUTED?

A. While the timing of the sale is to be completed and the present book value will be offset in an efficient and orderly manner, the ratepayer proceeds will not be applied until after consummation and closing of the merger between CSP and OPCo requested in the Companies' application in Case No. 10-2376-EL-UNC (i.e., after all regulatory approvals are obtained, including both the PUCO and FERC). The Stipulation provides that the ratepayer share of the proceeds will be maintained as a regulatory liability prior to distribution; and, if the merger is not approved or consummated by the end of 2012, the Commission will determine an equitable method for distribution of any ratepayer share of the net sales proceeds at that time.

Q. HOW WILL A SALES BROKER BE HIRED AND WHAT PROCESS WILL THEY FOLLOW?

A. The Companies agree to hire an independent consultant/ sales broker selected by Staff that will oversee and conduct the coal reserve asset sale. Based on this competitive approach, the process or outcome of the sale may not be challenged in any subsequent proceeding.

Q. WHEN WILL THE SALE TAKE PLACE?

A. The sale of the coal reserve asset will be undertaken over the several months following adoption of the Stipulation, through an orderly, competitive process. The Companies will make best efforts to sell the coal reserve asset in 2011 for cash.

Q. HOW IS THE MERGERD COMPANY'S SHARE OF THE NET GAIN TREATED UNDER FUTURE APPLICATION OF SEET?

A. Because the sales of the coal reserve and sharing of net proceeds is a non-recurring and special accounting item as contemplated in the Commission's June 30, 2010 Finding and Order in Case Number 09-786-EL-UNC, the Signatory Parties agree that AEP Ohio, regardless of whether it is OPCo, CSP or the combined company, will exclude its share of the net proceeds (gains or losses) from sale of the coal reserve asset from earnings for purposes of the SEET.

PROPOSED MERGER OF CSP AND OPCO

Q. WHAT ARE THE MAIN PROVISIONS IN SECTION VII OF THE STIPULATION REGARDING THE PROPOSED MERGER OF CSP AND OPCO?

A. The Signatory Parties agree to support Commission approval of the CSP and OPCo application to merge as requested in the Companies' application in Case No. 10-2376-EL-UNC and the Companies agreed to make new commitments described below that benefit customers and the public.

Q. PLEASE DESCRIBE THE COMPANIES' JOBS COMMITMENT IN CONNECTION WITH THE PROPOSED MERGER.

A. AEP Ohio agrees that there will be no net job losses at the Companies as a result of involuntary attrition due to the merger between CSP and OPCo. Jobs are defined as Ohio located jobs with the Companies and AEP Service Corporation employees that report to the President of AEP Ohio, and the Stipulation provides a detailed method for confirming how the commitment will be met.

Q. DID THE COMPANIES AGREE TO AN ADDITIONAL EARNINGS TEST AS A MERGER COMMITMENT?

A. Yes. In recognition of the Signatory Parties' commitment to support the merger, the Companies have agreed to make a regulatory commitment of $50 million for the purpose of potentially refunding earnings to Ohio retail customers should the merged company earn in excess of 15% return on equity in either of the first two year-end periods following the merger closing. More specifically, after the merger closing, to the extent that the book return on equity of the merged Company exceeds 15% in either of the first two annual financial statements that are filed with the Securities Exchange Commission following the merger closing, the Companies agree to refund to Ohio retail customers the amount of earnings exceeding 15% up to a cumulative total of $50 million, subject to the first-year deduction procedure as follows. Should the merged company earn less than 15% in the first year-end period following the merger closing, the shortfall will be deducted from the $50 million available in the second annual period. This regulatory commitment is intended as an additional consumer protection measure associated with the proposed merger and represents voluntary agreement by the Companies amounting to a second earnings test, separate and apart from the annual significantly excessive earnings test required by Section 4928.143(F), Revised Code. However, if the proposed merger is not approved by the PUCO before the end of 2011, this additional earnings test will not apply.

APPLICATION OF SEET TO CSP AND OPCO

Q. WHAT ARE THE MAIN PROVISIONS IN SECTION VIII OF THE STIPULATION REGARDING APPLICATION OF THE SEET?

A. As part of the Stipulation, the Signatory Parties agree and recommend that, based on the terms and conditions of this Stipulation, the Commission find that CSP and OPCo have met their burden of proving that their 2009 earnings were not significantly excessive, for purposes of Section 4928.143(F), Revised Code.

The Signatory Parties also agree and recommend that the Commission find that OPCo's 2009 earnings are within the "safe harbor" established by the Commission in Case No. 09-786-EL-UNC.

The Signatory Parties also agree and recommend that the Commission find that Off System Sales (OSS) earnings should be excluded from earnings for purposes of the 2010 and 2011 SEET cases.

Finally in this regard, the Signatory Parties further agree and recommend that the Commission find that no adjustments should be made to CSP's or OPCo's reported earnings for regulatory accounting deferrals for purposes of the 2010 and 2011 SEET cases.

MISCELLANEOUS TERMS AND COMMITMENTS

Q. WHAT PROVISIONS ARE CONTAINED IN THE STIPULATION TO SUPPORT ENERGY-RELATED PROGRAMS AND BENEFITS FOR CUSTOMERS?

A. The Stipulation provides a total of $3.1 million by CSP of shareholder funding to benefit customers, none of which will be recovered in retail rates. Notably, the Stipulation provides $1 million to benefit CSP's low-income customers through its ongoing Partnership With Ohio initiative. The Stipulation also provides $2 million funding for energy-related programs and benefits for manufacturing and hospital customers. There is also an additional item for The Kroger Company to experiment with energy efficiency that may not be cost-effective under the normal standards, with the resulting energy savings being committed toward AEP Ohio's benchmark requirements (which will lower compliance costs otherwise recovered from all customers).

SIGNATORY PARTIES

Q. PLEASE IDENTIFY THE SIGNATORY PARTIES TO THE STIPULATION.

A. The Signatory Parties to the Stipulation, in addition to the Companies, include the following: the Staff, the Ohio Manufacturers' Association, the Ohio Hospitals Association, Ormet Primary Aluminum Corporation and The Kroger Company. The Staff's participation in the settlement promoted important regulatory and consumer interests, including low-income customer interests. The other Signatory Parties also represent varied and diverse interests of customer and community interest organizations. Additional parties have participated in the settlement discussions and conferences, but ultimately did not sign the Stipulation. In any case, the Stipulation conveys value to the interests of non-Signatory Parties through substantial provisions that benefit all of AEP Ohio's residential, commercial and industrial customers (even though specific commercial and industrial customer interests are also represented through Signatory Parties).

SATISFACTION OF CRITERIA USED TO REVIEW AND APPROVE STIPULATIONS

Q. WHAT CRITERIA HAS THE COMMISSION USED IN REVIEWING AND APPROVING STIPULATIONS AMONG SIGNATORY PARTIES TO A PROCEEDING?

A. My understanding is that a stipulation must satisfy three criteria: (1) the stipulation must be a product of serious bargaining among capable, knowledgeable parties; (2) the stipulation must not violate any important regulatory principle or practice; and (3) the stipulation must, as a whole, benefit customers and the public interest.

Q. DOES THE STIPULATION REPRESENT A PRODUCT OF SERIOUS BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES?

A. Yes, it does. All Parties to the Stipulation were represented by experienced, competent counsel. Also, the Parties to the Stipulation regularly participate in rate proceedings before the Commission and are knowledgeable in regulatory matters. All parties (including the non-signing parties) were invited to participate in settlement discussions regarding the Stipulation. All parties attended multiple meetings to discuss resolution of the subject cases, were provided the draft Stipulation and given the opportunity to further engage in settlement discussions with the Companies. Many of the issues in the case were discussed in detail over the course of numerous meetings. Therefore, the Stipulation represents a product of serious bargaining among capable, knowledgeable parties.

Q. DOES THE STIPULATION VIOLATE ANY IMPORTANT REGULATORY PRINCIPLES AND PRACTICES?

A. No, it does not. Based on my experience with the regulatory process and review of the Stipulation, I believe that the Stipulation is consistent with, and does not violate, regulatory principles and practices in Ohio. On the contrary, the Stipulation promotes important regulatory principles and practices by advancing several of the State policies set forth in §4928.02, Revised Code. For example, consistent with division (A) of §4928.02, the rate commitments described above help to "[e]nsure the availability to consumers of adequate, reliable, and reasonably priced retail electric service" In accordance with division (D) of §4928.02, the additional capital commitments "[e]ncourage innovation and market access for cost-effective supply- and demand-side retail electric service including, but not limited to, demand-side management, time differentiated pricing, and implementation of advanced metering infrastructure.

Q. DOES THE STIPULATION BENEFIT CONSUMERS AND THE PUBLIC INTEREST?

A. Yes, it does. Under the Stipulation, CSP has agreed to reduce its ESP rate cap for 2011 from 6%, which the ESP would otherwise permit, to 0%; the Companies are waiving recovery of carrying charges for the additional deferrals created in 2011 relating to this reduced rate cap. The Companies also agreed to prospectively forego $18 million in carrying charges relating to 2010 environmental investment. The Companies also have committed to conduct the sale of a coal reserve asset owned by OPCo and then use a portion of the first $30 million net gain from that sale to reduce CSP's total unamortized deferred fuel expenses and, if additional proceeds are available, to reduce the Companies' remaining deferral balances. Moreover, to the extent that the net gain from the sale of the asset exceeds $30 million, AEP Ohio customers will receive the benefit of 75% of the retail portion of that excess.

In addition, pursuant to the Stipulation, CSP also has committed to make a $20 million equity investment in the Turning Point solar project, or to undertake a similar commitment for another renewable energy project. This commitment would both significantly increase the amount of renewable energy produced in Ohio and lead to a significant number of new construction and manufacturing-related jobs in Ohio. In addition, CSP has agreed to commit $25 million of additional investment in distribution infrastructure, allocated between deployment of gridSMART® metering technologies and improvements to customer facility infrastructure.

AEP Ohio has also committed to ensure that there are no net job losses as a result of the merger between OPCo and CSP. Furthermore, as an additional consumer protection measure associated with the proposed merger, the Companies have agreed to make a regulatory commitment of $50 million for the purpose of potentially refunding earnings to Ohio retail customers should the merged company earn a return on equity in excess of 15% in either of the first two year-end periods following the merger closing. Thus, the Companies have voluntarily agreed to subject their combined earnings during the ESP period to a second earn, provided that the proposed merger is approved by the Commission before the end of 2011.

These provisions of the Stipulation benefit both consumers and the public interest – benefits that would not otherwise be available to customers absent the Stipulation.

Q. IS IT AEP OHIO'S POSITION THAT THE STIPULATION MEETS THE THREE-PART TEST REGARDING CONSIDERATION OF PARTIAL STIPULATIONS AND SHOULD BE ADOPTED BY THE COMMISSION?

A. Yes, it is.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes it does.

ESTIMATE OF ENVIRONMENTAL FILINGS - 2010 AND 2011 CARRYING COST ON 2010 ENVIRONMENTAL INVESTMENT AS APPROVED IN THE ESP CASE

CSP		$000
2010 Incremental Environmental Capital Expenditures	Exh. JH-1 (SEET CASE)	76,620
Annual Carrying Cost Rate	Approved in Case 10-0155	0.1359
Annual Carrying Cost		10,413

Carrying Costs Entitled to Be Collected Under ESP Case 08-917

2010 Carrying Costs on 2010 Investment	1/2 Year Convention*	5,206
2011 Carrying Costs on 2010 Investment	Full Year	10,413
Total Environmental Carrying Costs Foregone Per Settlement		15,619

*The Investment is assumed to be made equally over the course of the year and therefore the carrying costs are expected to be 1/2 of the annual amount in the year the investment is made.

PROOF OF SERVICE

I certify that Columbus Southern Power Company's and Ohio Power Company's Testimony of Philip J. Nelson was served by U.S. Mail upon counsel for all parties of record identified below this 1st day of December, 2010.

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