

FILE



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July 29, 2011

The Hon. Greta See, Attorney Examiner
Public Utilities Commission of Ohio
180 East Broad Street, 12th Floor
Columbus, OH 43215-3793

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PUCO

Re: *In the Matter of the Application of Columbus
Southern Power Company and Ohio Power
Company to Update its gridSMART Riders,
Case No. 11-1353-EL-RDR*

Dear Attorney Examiner See:

On May 31, 2011, AEP Ohio filed reply comments reflecting its updated positions in this case. In an effort to move the case toward resolution, the Staff presents this revised position.

Labor Expense

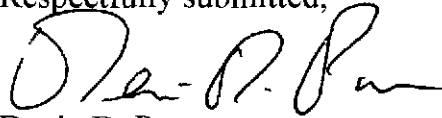
The Staff's investigation did not end with its earlier-filed comments. It is a dynamic and continuing review as new information becomes available. For purposes of reaching a reasonable outcome in this case, and without precedential value with regard to any future cost-recovery filings, the Staff has reconsidered its position on labor expense for the gridSMART rider. Subsequent to the filing of its comments, the Staff was provided access to source documents that reasonably supported the labor expense amounts that the company proposes to recover as a part of gridSMART Pilot Program. In order for the company to receive recovery of costs through a rider, the company must prove that the costs: (1) are additional/incremental to such costs included in base rates, (2) would not have been incurred but for the project/program, and (3) are verifiable.

The company filed for recovery of its 2010 gridSMART costs almost concurrently with the filing of its distribution rate case (Case No. 11-351-EL-AIR & 11-352-EL-AIR). This enabled Staff to more readily ascertain whether the internal labor dollars were included in the current distribution rate case or the gridSMART rider.

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Staff's goal is to prevent double recovery of costs in rates. Since the company has made certain adjustments to exclude internal labor dollars, including applicable overhead and benefits associated with gridSMART Pilot Program from the distribution rate case, Staff agrees to the inclusion of the \$211,845 in the gridSMART rider.

Respectfully submitted,



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