

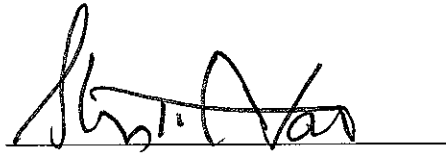
**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

| | | |
|---|---|--|
| In the Matter of the Application of Ohio Power Company and Columbus Southern Power Company for Authority to Merge and Related Approvals. |) | Case No. 10-2376-EL-UNC |
| In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928 143, Ohio Rev. Code, in the Form of an Electric Security Plan. |) | Case No. 11-346-EL-SSO Case No. 11-348-EL-SSO |
| In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Certain Accounting Authority |) | Case No. 11-349-EL-AAM Case No. 11-350-EL-AAM |
| In the Matter of the Application of Columbus Southern Power Company to Amend its Emergency Curtailment Service Riders |) | Case No. 10-343-EL-ATA |
| In the Matter of the Application of Ohio Power Company to Amend its Emergency Curtailment Service Riders |) | Case No. 10-344-EL-ATA |
| In the Matter of the Commission Review of the Capacity Charges of Ohio Power Company and Columbus Southern Power Company. |) | Case No. 10-2929-EL-UNC |
| In the Matter of the Application of Columbus Southern Power Company for Approval of a Mechanism to Recover Deferred Fuel Costs Ordered Under Ohio Revised Code 4928 144 |) | Case No. 11-4920-EL-RDR |
| In the Matter of the Application of Ohio Power Company for Approval of a Mechanism to Recover Deferred Fuel Costs Ordered Under Ohio Revised Code 4928.144 |) | Case No. 11-4921-EL-RDR |

**MOTION OF COLUMBUS SOUTHERN POWER COMPANY AND OHIO POWER
COMPANY FOR LEAVE TO FILE REVISED TESTIMONY AND REQUEST FOR
EXPEDITED RULING**

Columbus Southern Power Company ("CSP") and Ohio Power Company ("OPCo") (collectively, "AEP Ohio") request leave to file revised testimony for Richard E. Munczinski, as explained in the attached memorandum in support. In accordance with Rule 4901-1-12(C), Ohio Admin. Code, AEP Ohio requests an expedited ruling in response to these requests.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Steven T. Nourse", written over a horizontal line.

Steven T. Nourse

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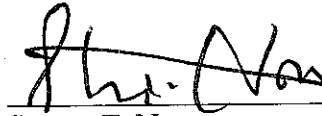
MEMORANDUM IN SUPPORT

On September 13, AEP Ohio filed testimony in support of the September 7, 2011 Stipulation and Recommendation (Stipulation) in the above-captioned dockets. This testimony deadline was established to explain and support the detailed and lengthy Stipulation that was filed less than one week prior and, consequently, may not have included a comprehensive explanation of the Stipulation. Moreover, a question-and-answer session was conducted on Monday September 19, 2011, whereby Commissioners asked numerous questions of Company personnel to help explain details of the Stipulation. The Company believes that most of the questions were answered and, in many cases, based either on Stipulation language or on testimony filed in support of the Stipulation. One line of questioning raised by Commissioner Centolella not fully addressed in the Stipulation or in supporting testimony related to details about the proposed corporate separation plan.

In order to better address the questions raised during the September 19 session and more fully explain the corporate separation proposal embodied in the Stipulation, the Company requests leave to file revised testimony for Richard E. Munczinski which briefly addresses this point. In order to convey this information to the Commission and parties as soon as possible, AEP Ohio is submitting the additional information (in the form of an additional four-page exhibit, Exhibit REM-1 (attached) and one additional question and answer in the body of the testimony (which is reflected in the enclosed redlined pages of Mr. Munczinski's testimony)). This limited amount of clarifying testimony will not prejudice the interests of any party and is being provided well in advance of the deadline for testimony opposing the Stipulation (*e.g.*, the response time

for the small amount of additional material is equal to the amount of time the Signatory Parties had to file supporting testimony for the entire Stipulation). If the motion and request for expedited relief is granted, AEP Ohio would simply sponsor the revised testimony during the hearing instead of the original version filed on September 13, 2011.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "St. Nourse", written over a horizontal line.

Steven T. Nourse

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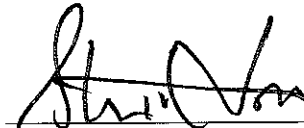
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Attorneys for Ohio Power Company and
Columbus Southern Power Company

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 Motion for Leave and Revised Testimony of Richard E. Munczinski has been served upon the below-named counsel/parties via electronic mail, this 21st day of September, 2011.



Steven T. Nourse

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**REDLINED PAGES OF
RICHARD E. MUNCZINSKI
TESTIMONY**

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

| | | |
|---|---|------------------------|
| In the Matter of the Application of Ohio |) | |
| Power Company and Columbus Southern |) | Case No 10-2376-EL-UNC |
| Power Company for Authority to Merge |) | |
| and Related Approvals |) | |
| | | |
| In the Matter of the Application of |) | |
| Columbus Southern Power Company and |) | |
| Ohio Power Company for Authority to |) | Case No 11-346-EL-SSO |
| Establish a Standard Service Offer |) | Case No 11-348-EL-SSO |
| Pursuant to §4928.143, Ohio Rev Code, |) | |
| in the Form of an Electric Security Plan |) | |
| | | |
| In the Matter of the Application of |) | |
| Columbus Southern Power Company and |) | Case No 11-349-EL-AAM |
| Ohio Power Company for Approval of |) | Case No 11-350-EL-AAM |
| Certain Accounting Authority |) | |
| | | |
| In the Matter of the Application |) | |
| of Columbus Southern Power |) | Case No 10-343-EL-AIA |
| Company to Amend its Emergency |) | |
| Curtailment Service Riders |) | |
| | | |
| In the Matter of the Application |) | |
| of Ohio Power Company |) | Case No 10-344-EL-AIA |
| to Amend its Emergency Curtailment |) | |
| Service Riders |) | |
| | | |
| In the Matter of the Commission Review of |) | |
| the Capacity Charges of Ohio Power |) | Case No 10-2929-EL-UNC |
| Company and Columbus Southern Power |) | |
| Company |) | |
| | | |
| In the Matter of the Application of |) | |
| Columbus Southern Power Company |) | Case No 11-4920-EL-RDR |
| for Approval of a Mechanism to Recover |) | |
| Deferred Fuel Costs Ordered Under |) | |
| Ohio Revised Code 4928 144 |) | |
| | | |
| In the Matter of the Application of |) | |
| Ohio Power Company for Approval |) | |
| of a Mechanism to Recover |) | Case No 11-4921-EL-RDR |
| Deferred Fuel Costs Ordered Under |) | |
| Ohio Revised Code 4928 144 |) | |

**REVISED TESTIMONY OF RICHARD E. MUNCZINSKI
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION
ON BEHALF OF
COLUMBUS SOUTHERN POWER COMPANY
AND
OHIO POWER COMPANY**

Filed: September 13, 2011

INDEX TO TESTIMONY OF
RICHARD E. MUNCZINSKI IN SUPPORT OF THE STIPULATION AND
RECOMENDATION

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1 A I will explain and sponsor certain provisions in the September 7, 2011 Stipulation
2 and Recommendation (Stipulation) entered into by a substantial number of parties
3 including Columbus Southern Power Company (CSP) and Ohio Power Company
4 (OPCo) (CSP and OPCo are collectively referred to as "AEP Ohio" or the
5 "Company"). Specifically, I will address the Stipulation's provisions for
6 obtaining approvals before this Commission for corporate separation and before
7 the Federal Energy Regulatory Commission (FERC) for corporate separation and
8 dissolution/amendment of the AEP Interconnection Agreement (also referred to as
9 the generation "Pool" agreement). I am also AEP Ohio's overall policy witness
10 supporting the Stipulation's solution for the capacity charge paid by Competitive
11 Retail Electric Service (CRES) providers for use of AEP Ohio's capacity to
12 support retail shopping. In this regard, I discuss the parties' litigation positions
13 and demonstrate the reasonable and balanced compromise reached in the
14 Stipulation

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15 **BACKGROUND ON CAPACITY CHARGE ISSUES**

16 **Q. CAN YOU BRIEFLY EXPLAIN THE PJM INTERCONNECTION'S** 17 **CAPACITY MARKET CONSTRUCT?**

18 Yes In 2007, PJM Interconnection, LLC (PJM) implemented a capacity market
19 pricing construct known as Reliability Pricing Model (RPM). Prior to 2007, and
20 during the RPM auction development phase, AEP, as well as other parties,
21 expressed concern over the long-term negative impacts of the RPM capacity
22 market on vertically integrated utilities and their customers. A special provision
23 was drafted to ensure that those entities could request a cost-based method of

1 **Q. WHY DO YOU BELIEVE THIS PROVISION IS REASONABLE?**

2 A AEP Ohio's application in Case Nos 11-346-EL-SSO proposed to recover
3 material costs associated with the anticipated Pool termination/modification. As
4 part of the package of terms contained in the Stipulation, the Signatory Parties
5 agreed to this provision. I would note that the Signatory Parties reserved the right
6 to challenge the amount and the recovery of these costs before the Commission
7 and the FERC. Thus, even assuming the Pool termination/modification will cause
8 an impact on AEP Ohio of more than \$50 million and exceed the materiality
9 threshold applicable to potential recovery under this provision, the ultimate issue
10 of whether AEP Ohio would recover such costs is the subject of a future
11 Commission proceeding.

12 **OHIO APPROVAL OF CORPORATE SEPARATION**

13 **Q. PLEASE EXPLAIN THE STIPULATION PROVISION REGARDING**
14 **APPROVAL OF CORPORATE SEPARATION BY THIS COMMISSION.**

15 A. The Stipulation, through Paragraph IV.1.q, provides that approval of the
16 Stipulation will serve as the Commission's approval of structural corporate
17 separation of AEP Ohio such that the transmission and distribution assets will be
18 held by the electric distribution utility while any GRR assets will remain with the
19 electric distribution utility. While there would be a separate filing to implement
20 the specific changes needed to update AEP Ohio's existing corporate separation
21 plan, the substance of those changes would be approved now as part of adopting
22 the Stipulation. A more detailed description of the substantive changes is
23 contained in Exhibit REM-1 attached to my testimony.

ADDITIONAL EXHIBIT REM-1

Description of AEP Ohio Corporate Separation Plan
Amendments Needed to Implement the September 7, 2011
Stipulation and Recommendation

The basic framework of, and many of the individual provisions within, the September 7, 2011 Stipulation and Recommendation in Case Nos. 11-346-EL-SSO et al. (Stipulation) are premised upon completion of full structural corporate separation by Columbus Southern Power Company and Ohio Power Company (collectively referred to as "AEP Ohio"). Paragraph IV.1.q of the Stipulation specifically provides that "[a]pproval of this Stipulation will serve as the Commission's approval of full legal corporate separation (as contemplated by R.C. 4928.17(A) and also known as structural corporate separation) such that the transmission and distribution assets of AEP Ohio will be held by the electric distribution utility while any GRR assets will remain with the electric distribution utility." Completion of structural corporate separation by AEP Ohio necessitates approvals by not only the Ohio Commission but also the Federal Energy Regulatory Commission (FERC).

In conjunction with the Commission's substantive approval of full structural corporate separation through adoption of the Stipulation, AEP Ohio anticipates filing a separate application under R.C. 4928.17 and Ohio Admin. Code Rules 4901:1-37-06 and/or 4901:1-37-09 to implement the Commission's approval of full structural corporate separation. But AEP Ohio would like to clarify what is being requested as part of approving the Stipulation (including Paragraph IV.1.q), by elaborating on additional details of the proposed corporate separation plan that is contemplated as a critical component of the Stipulation. Thus, in order to fully adopt Paragraph IV.1.q without modification and fulfill the Signatory Parties' intent in conveying substantive approval to

AEP Ohio for structural corporate separation, the only matters left for consideration and decision in the separate amendment application proceeding are the details regarding how specific provisions within AEP Ohio's current corporate separation plan is redlined or amended so as to implement the Commission's substantive approval of structural corporate separation (*i.e.*, the substantive approval would be achieved through adoption of Paragraph IV.1.q of the Stipulation, as amplified through supporting testimony including this plan document). That separate "compliance" application could be initiated prior to the decision to adopt the Stipulation and would either be resolved coincident with adoption of the Stipulation or shortly thereafter, provided that the substantive approval of structural corporate separation is included in the decision adopting the Stipulation.

Regarding the scope of the proposed transfer of generating assets, transmission- and distribution-related assets would remain in the (post-merger) electric distribution utility and AEP Ohio's generation, fuel and other assets would be transferred to a newly-created AEP generation affiliate (AEP GenCo). The transfer would include AEP Ohio's existing generating units and contractual entitlements referenced in Exhibit WAA-1 as part of the testimony of Company witness Allen. Also included in the transfer would be renewable energy purchase agreements such as those referenced in the testimony of Company witness Simmons, as well as existing fuel-related assets and contracts, and other assets related to the generation business.

With respect to the Stipulation's contingency for future approval of potential charges through the Generation Resource Rider (GRR) under Paragraph IV.1.d of the Stipulation, the corporate separation amendment would provide as follows. Regarding the replacement unit for Muskingum River Unit 5 (the so-called MR 6 project),

Muskingum River Unit 5 would be approved for transfer subject to being retained by the electric distribution utility should a nonbypassable charge for the life of the facility be approved for MR 6 prior to completing the structural corporate separation transactions (which closing would not occur until after FERC approval of corporate separation). Regarding the Turning Point project, that contract would remain with the electric distribution utility since it would only go forward upon approval of a nonbypassable charge for the life of the facility.

The amendment application implementing the Commission's substantive approval of structural corporate separation through adoption of the Stipulation would also reflect the potential operation of Paragraph IV.1.m of the Stipulation, which contemplates the potential for a bilateral contractual arrangement after corporate separation and before May 31, 2015 between the post-separation electric distribution utility and the AEP GenCo in order to supply generation services so that retail SSO customers would pay the equivalent non-fuel and fuel generation rates as they would have paid under the Stipulation prior to structural corporate separation.

Regarding the additional criteria in Ohio Admin. Code Rule 4901:1-37-09(C), the object and purpose of the proposed generating asset transfer is to fulfill the mandate of R.C. 4928.17 and terminate the "interim" plan of functional separation for AEP Ohio. The AEP GenCo affiliate would receive the legacy generating assets and could provide competitive retail generation services as well as engage in sales for resale as regulated by the FERC. The impact of corporate separation on the current and future SSO is outlined in the Stipulation. In short, structural corporate separation is needed in order to transform AEP Ohio's business model in order to facilitate an auction-based standard service offer.

In achieving the statutory mandate of corporate separation as part of a package that also includes the other benefits conveyed through adoption of the Stipulation, approval of structural corporate separation advances the public interest. AEP Ohio would propose to transfer the generating assets at net book value and, to the extent necessary, would be granted a waiver of Ohio Admin. Code Rule 4901:1-37-09(C)(4).

Finally, other aspects of AEP Ohio's existing corporate separation plan unaffected by the above amendment would continue to remain in effect, such as incorporation of a code of conduct that complies with Ohio Admin. Code Rule 4901:1-37-05, maintaining a cost allocation manual, education and training procedures, internal compliance programs, the complaint procedure, etc.

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Commission of Ohio Docketing Information System on

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in

Case No(s). 10-2376-EL-UNC, 11-0346-EL-SSO, 11-0348-EL-SSO, 11-0349-EL-AAM, 11-0350-EL-AAM

Summary: Motion CSP and OPC for Leave to File Revised Testimony and Request for Expedited Ruling electronically filed by Mr. Steven T Nourse on behalf of American Electric Power Service Corporation