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FILE

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the 2010 Annual Filing of )	
Columbus Southern Power Company and )	
Ohio Power Company Required by )	Case No. 11-4571-EL-UNC
Rule 4901:1-35-10, Ohio Administrative )	Case No. 11-4572-EL-UNC
Code. )	

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

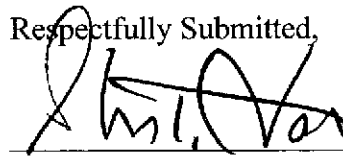
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Columbus Southern Power Company ("CSP") and Ohio Power Company  
("OPCo") (collectively, "AEP Ohio") request leave to file revised testimony for Joseph  
Hamrock and Thomas E. Mitchell, as explained in the attached memorandum in support.  
In accordance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

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PUCO

Respectfully Submitted,



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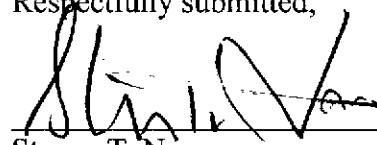
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## **MEMORANDUM IN SUPPORT**

On July 29, 2011 AEP Ohio filed testimony to initiate the above-captioned dockets in accordance with Rule 4901:1-35-10, Ohio Admin. Code and division (F) of Section 4928.143, Revised Code. The Company subsequently learned after filing the testimony that two adjustments require modifications to the original filing to reflect the proper adjusted return on equity (ROE). The modifications concern two non-recurring expense adjustments that were added back for purposes of calculating the adjusted ROE which results in a minor change in CSP's ROE from 17.40% to 17.54% and in OPCo's ROE from 9.84% to 9.88%.

In order to provide the most accurate information available for the Commission and the other parties to review, the Company requests leave to file revised testimony for Joseph Hamrock and Thomas E. Mitchell which contain the revised calculations that reflect the two adjustments. In the attachments to this motion, AEP Ohio is submitting the corrected information in the form of three attachments: the affected pages of Joseph Hamrock's testimony that redline the necessary changes, the affected pages of Thomas E. Mitchell's testimony that redline the necessary changes, and additional workpapers of Thomas E. Mitchell to explain the underlying calculations that were made in support of the adjustments. This limited amount of revised testimony will not prejudice the interests of any party and is being provided in advance of the deadline for testimony opposing the Stipulation. If the motion and request for expedited relief is granted, AEP Ohio would sponsor the revised testimony during the hearing instead of the original version filed on July 29, 2011.

Respectfully submitted,

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

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**REDLINED PAGES OF  
JOSEPH HAMROCK  
TESTIMONY**

EXHIBIT NO. \_\_\_\_\_

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the 2010 Annual Filing of )  
Columbus Southern Power Company and )  
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| REVISED DIRECT TESTIMONY OF  
JOSEPH HAMROCK  
ON BEHALF OF  
COLUMBUS SOUTHERN POWER COMPANY  
AND  
OHIO POWER COMPANY

| Filed: September 23, 2011

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JOSEPH HAMROCK

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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO  
REVISED DIRECT TESTIMONY OF  
JOSEPH HAMROCK  
ON BEHALF OF  
COLUMBUS SOUTHERN POWER  
AND  
OHIO POWER COMPANY

1    **PERSONAL DATA**

2    **Q.    WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

3    A.    My name is Joseph Hamrock and my business address is 850 Tech Center Drive,  
4            Gahanna, Ohio 43230.

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

6    A.    I am employed by the American Electric Power Service Corporation (AEPSC), a  
7            unit of American Electric Power (AEP). My title is President and Chief  
8            Operating Officer of AEP Ohio. AEP Ohio is an operating unit of AEP and is  
9            comprised of Columbus Southern Power Company (CSP) and Ohio Power  
10          Company (OPCo), hereby collectively referred to as AEP Ohio or the Company.

11   **Q.    WHAT ARE YOUR RESPONSIBILITIES AS PRESIDENT AND CHIEF**  
12       **OPERATING OFFICER OF AEP OHIO?**

13   A.    I am directly responsible for the day-to-day operations of AEP Ohio. As a part of  
14            my responsibilities, I oversee and lead AEP Ohio in establishing goals that are  
15            designed to support as well as achieve the objectives of the state of Ohio for the  
16            benefit of customers and shareholders.

17   **Q.    WHAT   IS   YOUR   EDUCATIONAL   AND   PROFESSIONAL**  
18       **BACKGROUND?**

**AEP OHIO'S EARNED ROE FOR 2010**

**Q. WHAT IS AEP OHIO'S EARNED ROE FOR 2010 FOR THE SEET?**

A. Company witness Mitchell has determined that AEP Ohio's earned ROE for 2010 is 17.5% for CSP and 9.9% for OPCo. For details on the CSP and OPCo ROE calculations, please see Company witness Mitchell's direct testimony.

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**Q. HOW DOES AEP OHIO'S EARNED ROE FOR 2010 COMPARE TO THE COMPARABLE RISK GROUP'S THRESHOLD ROE?**

A. AEP Ohio's earned ROE for 2010 of 17.5% for CSP and 9.9% for OPCo are below the comparable risk group's SEET ROE threshold of 22.6%. Additionally, both Company's earned 2010 ROE for AEP Ohio also fall below the 18.4% level that results from calculating the threshold in a manner similar to how the Commission calculated it for 2009.

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**Q. DID THE COMMISSION ESTABLISH OTHER THRESHOLD GUIDANCE IN THE 09-786 CASES REGARDING ROE CALCULATIONS FOR EDUs?**

A. Yes. The Commission also concluded that for SEET purposes, any Ohio electric utilities earnings found to be less than 200 basis points above the mean of the comparable risk group of companies would not be significantly excessive.<sup>5</sup> This 200 basis point threshold is what is referred to as a "safe harbor".

**Q. DOES THE 200 BASIS POINT "SAFE HARBOR" APPLY TO AEP OHIO FOR 2010?**

A. Yes. OPCo's ROE did not exceed 200 basis points above the 11.48% mean. Thus, OPCo's 2010 earned ROE of 9.9% is within the "safe harbor" established

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<sup>5</sup> 09-786, Order at 29 (June 30, 2010) and 10-1261, Order at 22 (January 11, 2011)



1 by the Commission and would not be subject to further SEET analysis. CSP's  
2 ROE of 17.5% is not within the "safe harbor", but is less than the 22.6% SEET  
3 ROE threshold. The AEP Ohio ROE calculations that are compared to the safe  
4 harbor test for AEP Ohio are provided by Company witness Mitchell in Exhibit  
5 TEM-1.  
6

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7 **ADJUSTMENTS TO THE SEET**

8 **Q. HOW ARE OFF-SYSTEM SALES NET MARGINS TREATED IN THE**  
9 **2010 SEET?**

10 A. Consistent with the Commission's order, AEP Ohio excluded off-system sales  
11 (OSS) net margins, after federal and state income tax, from the calculation of the  
12 2010 ROE. This adjustment aligns to the Commission's interpretation and  
13 guidance under Section 4928.143(F), Revised Code, that OSS net margins and the  
14 related equity in generation facilities should be excluded from the SEET  
15 calculation<sup>6</sup> since OSS net margins aren't a result of rate adjustments included in  
16 CSP's or OPCo's ESP.

17 **Q. DID THE COMPANY HAVE OTHER ADJUSTMENTS TO THE 2010**  
18 **SEET?**

19 A. Yes. As detailed by Company witness Mitchell, adjustments were made to the  
20 Company's 2010 earned ROE calculations for non-recurring and other special  
21 items. These items include organizational restructuring charges, Medicare  
22 adjustments and the results of the 2009 SEET proceeding.

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<sup>6</sup> 10-1261, Order at 30 (January 11, 2011)

1 Q. SO DID THESE EARNINGS PRODUCING RATE ADJUSTMENTS  
2 PRODUCE SIGNIFICANTLY EXCESSIVE EARNINGS IN 2010 FOR  
3 CSP?

4 A. No. CSP's earned ROE of 17.5% falls under the 2010 SEET benchmark ROE of  
5 22.6%. Accordingly, the earnings produced by these rate adjustments are not  
6 subject to return to customers.

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7  
8 **CAPITAL INVESTMENTS AND OTHER CONSIDERATIONS**

9 Q. WHAT ARE SOME ADDITIONAL FACTORS, BESIDES THE EARNED  
10 ROE CALCULATIONS DISCUSSED ABOVE, THAT THE COMMISSION  
11 INDICATED IT WOULD CONSIDER IN EVALUATING WHAT IS  
12 SIGNIFICANTLY EXCESSIVE?

13 A. The Commission indicated that factors, such as 1) the EDUs most recently  
14 authorized return on equity, 2) the EDUs risk, including whether the EDU owns  
15 generation, whether the ESP includes a fuel and purchased power adjustment, the  
16 rate design and mechanisms established, and whether the EDU is subject to  
17 weather and economic risk, 3) capital commitments and future capital  
18 requirements, 4) management performance and benchmark indicators, 5)  
19 innovation and industry leadership, including investments in advanced technology  
20 and practices, and 6) the extent which the EDU has advanced state of Ohio  
21 policy.

22 Q. HOW DOES AEP OHIO MAINTAIN ENERGY INDUSTRY  
23 LEADERSHIP?

1 A. AEP Ohio submits that the Commission should find that neither CSP's or OPCo's  
2 2010 earnings were significantly excessive and that no earnings should be  
3 returned to customers. The level at which CSP's and OPCo's earned ROE may  
4 become significantly excessive is if their ROE's were above the 2010 SEET  
5 earned ROE of the comparable risk group of publically traded companies of  
6 22.6%. CSP's and OPCo's earned ROE for 2010 of 17.5% and 9.9% respectfully,  
7 are clearly below the 22.6% benchmark, and accordingly, the earnings are not  
8 significantly excessive.

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9 The Commission should carefully consider and recognize several risks  
10 that face AEP Ohio such as 1) the unique risks imposed by the Commission under  
11 an ESP vs. and MRO, 2) benchmark and management performance indicators, 3)  
12 the impact of the Ohio economy, 4) continuing investment within the state of  
13 Ohio for both our infrastructure and generation, 5) regulatory cost recovery in a  
14 quickly changing customer migration environment, and 6) AEP Ohio's  
15 advancement of state policy and goals.

16 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

17 A. Yes.

**ADDITIONAL WORKPAPERS  
OF  
THOMAS E. MITCHELL**

EXHIBIT NO. \_\_\_\_\_

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the 2010 Annual Filing of )  
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| REVISED DIRECT TESTIMONY OF  
THOMAS E. MITCHELL  
ON BEHALF OF  
COLUMBUS SOUTHERN POWER COMPANY  
AND  
OHIO POWER COMPANY

| Filed: September 23, 2011

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THOMAS E. MITCHELL

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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO  
REVISED DIRECT TESTIMONY OF  
THOMAS E. MITCHELL  
ON BEHALF OF  
COLUMBUS SOUTHERN POWER COMPANY  
AND  
OHIO POWER COMPANY

1    **PERSONAL BACKGROUND**

2    **Q.    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

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

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

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

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

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

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

14   A.    My primary responsibilities include providing the AEP System operating  
15           subsidiaries, including CSP and OPCo, with accounting support for regulatory  
16           filings. This support includes the preparation of cost-of-service adjustments,  
17           accounting schedules, and accounting testimony. I direct a group of professionals  
18           who provide accounting expertise, compile necessary historical accounting

1 A. The results are summarized as follows:

Step	CSP	OPCo
Step 1: Per Books ROE	16.17%	9.70%

Step 2: Adjusted SEET ROE	17.54%	9.88%
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2 Q. DID YOU PROVIDE YOUR CALCULATIONS OF THE 2010 ROE FOR CSP  
3 AND OPCO TO AEP OHIO WITNESS HAMROCK?

4 A. Yes.

5 Q. PLEASE DESCRIBE HOW THE COMPANIES MADE ADJUSTMENTS TO  
6 THE NUMERATOR.

7 A. CSP and OPCo took the net amount of all the adjustments as shown on page 1 of  
8 Exhibit TEM-1 for the twelve months ended December 31, 2010 and removed their  
9 impact on earnings for purposes of the 2010 SEET review. The amounts derived for  
10 each of these adjustments are shown on page 2 of Exhibit TEM-1 and are discussed  
11 later in my testimony.

12 Q. IN THE 2009 SEET PROCEEDING, THE COMPANY DID NOT MAKE  
13 ADJUSTMENTS TO THE DENOMINATOR. HAVE THE COMPANIES  
14 USED THE SAME APPROACH FOR THIS CASE?

15 A. No. The Commission directed, in the 2009 SEET review, that adjustments made to  
16 the numerator should also have related adjustments in the denominator.

17 Q. HOW DID THE COMPANY MAKE ADJUSTMENTS TO THE  
18 DENOMINATOR?



1 **RESTRUCTURING CHARGES ADJUSTMENT?**

2 A. In April 2010, AEP announced an initiative to achieve workforce reductions through  
3 an organizational restructuring program. The 2010 after-tax amounts of \$20.995  
4 million and \$33,550 million for CSP and OPCo, respectively have been added back  
5 to the net earnings available for common shareholders and common shareholder  
6 equity which is used in the calculation of average equity.

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7 **Q. CAN YOU DESCRIBE WHAT THE COMPANY REQUESTED RELATED**  
8 **TO THE ORGANIZATIONAL RESTRUCTURING PROGRAM IN THE**  
9 **RECENTLY FILED DISTRIBUTION BASE RATE CASE IN CASE NO. 11-**  
10 **351-EL-AIR AND CASE NO. 11-352-EL-AIR?**

11 A. Yes. The Company requested the deferral (pre-tax) of \$17.865 million and \$15.953  
12 million for CSP and OPCo, respectively related to the cost of the program for the  
13 distribution function. The Company proposed that the deferral be recovered and  
14 amortized over three years.

15 **Q. HOW IS THE COMPANY PROPOSING THIS REQUESTED DEFERRAL**  
16 **IMPACT THE SEET PROCEEDING?**

17 A. If the Commission approves the distribution deferral and recovery, the approved  
18 amount deferred should be treated in the same fashion as the non-recurring expenses  
19 in the 2010 SEET review. The income from the deferral of these costs should be a  
20 deduction for purposes of calculating SEET earnings in the period that the deferral  
21 is recorded since the organizational restructuring expenses are added back for  
22 purposes of calculating the 2010 SEET earnings. To do otherwise would provide  
23 inconsistent treatment of the expense and subsequent deferral of the expense of the  
24 organizational restructuring program. If approved, subsequent recovery in

1 distribution revenues and related amortization expense will produce a zero net effect  
2 on earnings.

3 **Q. PLEASE DESCRIBE THE NON-RECURRING MEDICARE PART D**  
4 **SUBSIDY CHANGE ADJUSTMENT.**

5 A. As discussed in the Companies 2010 10-K, the Patient Protection and Affordable  
6 Care Act and the related Health Care and Education Reconciliation Act (Health  
7 Care Acts) were enacted in March 2010. The Health Care Acts amend tax rules so  
8 that the portion of employer health care costs that are reimbursed by the Medicare  
9 Part D prescription drug subsidy will no longer be deductible by the employer for  
10 federal income tax purposes effective for years beginning after December 31, 2012.

11 Because of the loss of the future tax deduction, The 2010 after tax amounts of  
12 \$2,871 million and \$6,424 million have been added back to net earnings available  
13 for common shareholders and common shareholder equity for purposes of the 2010  
14 SEET review.

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expense (pre-tax) of \$1.416 million and  
\$4.365 million, respectively in 2010.  
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15 **Q. PLEASE DESCRIBE THE SPECIAL ADJUSTMENT FOR THE 2009 SEET.**

16 A. The special adjustment for the 2009 SEET gives effect to the PUCO's order in Case  
17 No. 10-1261-EL-UNC related to the 2009 SEET review, where CSP was  
18 determined to have 2009 earnings subject to be returned under the SEET of \$42.683  
19 million.

20 **Q. SPECIFICALLY, WHAT DID THE PUCO STATE IN ITS 2009 SEET**  
21 **REVIEW ORDER THAT ADDRESSED HOW THE \$42.683 MILLION**  
22 **RELATED TO 2009 SHOULD BE TREATED FOR PURPOSES OF A SEET**  
23 **REVIEW?**

24 A. The PUCO stated on page 35 of its 2009 SEET order that:

**REDLINED PAGES OF  
THOMAS E. MITCHELL  
TESTIMONY**

**Summary of Severance Adjustment**

<u>Organization</u>	<u>Amount</u>
AEG	251,801
I&M	23,312,068
APCo	36,322,354
OPCo	<b>33,549,982</b>
CSP	<b>20,994,931</b>
Kingsport	643,465
KYP	8,499,096
WPCo	681,226
PSO	15,209,891
SWEPCo	19,271,481
TCC	16,571,608
TNC	5,656,075
Util Other	35,202
TransOps	254,503
River	2,212,871
Inv	272,280
GenMark	81,488
Corp	846,694

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184,667,016 AEP Form 8-K filed January 28, 2011 (pg. 12)

**Summary of Medicare Adjustment**

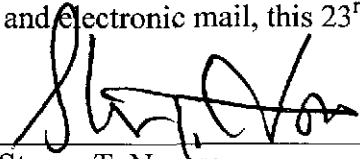
<u>Organization</u>	<u>Amount</u>
AEG	97,184
APCo	3,189,259
AEP C&I	1,869
CSP	<b>2,870,709</b>
IMPCo	2,168,647
Kingsport	53,013
Kentucky	405,523
OPCo	<b>6,423,662</b>
PSO	1,009,955
SWEPCo	1,526,421
TCC	860,088
TNC	664,161
WPCo	47,834
AEPSC	-
RA905	398,732
AEP Credit, Inc	4,489
Central Coal	9,198
AEP T&D Services, LLC	25,437
AEP Utility Funding LLC	5,912
Transmission Ops	68,170
Generation & Marketing	62,125
RiverOps	676,401
Investments	79,242
Parent	139,486

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20,787,517 AEP Form 8-K filed January 28, 2011 (pg. 12)

## 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 Joseph Hamrock and Thomas E. Mitchell has been served upon the below-named counsel/parties via U.S. mail and electronic mail, this 23<sup>rd</sup> day of September, 2011.

  
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