

COMPANY EX. NO. \_\_\_\_\_

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

FILE

In the Matter of the Application of )  
Columbus Southern Power Company and )  
Ohio Power Company, Individually and, if ) Case No. 11-351-EL-AIR  
Their Proposed Merger is Approved, as a ) Case No. 11-352-EL-AIR  
Merged Company (collectively, AEP Ohio) )  
for an Increase in Electric Distribution Rates)

In the Matter of the Application of )  
Columbus Southern Power Company and )  
Ohio Power Company, Individually and, if ) Case No. 11-353-EL-ATA  
Their Proposed Merger is Approved, as a ) Case No. 11-354-EL-ATA  
Merged Company (collectively AEP Ohio) )  
for Tariff Approval )

In the Matter of the Application of )  
Columbus Southern Power Company and )  
Ohio Power Company, Individually and, if ) Case No. 11-356-EL-AAM  
Their Proposed Merger is Approved, as a ) Case No. 11-358-EL-AAM  
Merged Company (collectively AEP Ohio) )  
for Approval to Change Accounting )  
Methods )

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**SUPPLEMENTAL DIRECT TESTIMONY  
IN SUPPORT OF OBJECTIONS TO THE STAFF REPORTS  
OF DAVID A. DAVIS  
ON BEHALF OF  
COLUMBUS SOUTHERN POWER COMPANY  
AND  
OHIO POWER COMPANY**

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- Management Policies, Practices & Organizations
- Operating Income
- Ratebase
- Allocations
- Rate of Return
- Rates and Tariffs
- X Other

Filed October 24<sup>th</sup>, 2011

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**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO  
SUPPLEMENTAL DIRECT TESTIMONY  
IN SUPPORT OF OBJECTIONS TO THE STAFF REPORTS  
OF DAVID A. DAVIS  
ON BEHALF OF  
COLUMBUS SOUTHERN POWER  
AND OHIO POWER COMPANY**

1 **Q. WILL YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**  
2 **POSITION?**

3 A. My name is David A. Davis. My business address is 1 Riverside Plaza, Columbus, Ohio  
4 43215. My position is Manager – Property Accounting Policy and Research for  
5 American Electric Power Service Corporation (AEPSC), a wholly owned subsidiary of  
6 American Electric Power Company, Inc. (AEP).

7 **Q. ARE YOU THE SAME DAVID A. DAVIS WHO PREVIOUSLY FILED DIRECT**  
8 **TESTIMONY IN THIS PROCEEDING?**

9 A. Yes, I am.

10 **Q. WHAT WAS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

11 A. My direct testimony recommended revised Distribution and General Plant  
12 depreciation accrual rates for Columbus Southern Power Company (CSP) and Ohio  
13 Power Company (OPCo) or collectively, AEP Ohio.

14 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**  
15 **TESTIMONY IN SUPPORT OF OBJECTIONS TO THE STAFF REPORTS IN**  
16 **THIS PROCEEDING AND HOW DOES IT RELATE TO AEP OHIO'S**  
17 **OBJECTIONS TO THE STAFF REPORTS OF INVESTIGATION OF**

1           **COLUMBUS SOUTHERN POWER COMPANY AND OHIO POWER**  
2           **COMPANY?**

3    A.    My supplemental direct testimony in support of objections to the Staff Reports  
4           recommends that the Commission approve use of combined company (CSP and  
5           OPCo) weighted average AEP Ohio whole life depreciation rates to be used when the  
6           proposed and pending merger of CSP into OPCo is approved in lieu of the individual  
7           company rates recommended by the Commission Staff.

8                    A calculation of the combined company AEP Ohio rates is shown on Exhibit  
9           I. The combined company (AEP Ohio) depreciation rates are listed as OBJ-9 on AEP  
10          Ohio's "Objections to the Staff Reports of Investigation of Columbus Southern Power  
11          Company and Ohio Power Company"

12   **Q.    DO THE CSP AND OPCO ANNUAL ACCRUAL AMOUNTS USED TO**  
13           **CALCULATE THE COMBINED COMPANY DEPRECIATION RATES**  
14           **SHOWN ON YOUR EXHIBIT I, AGREE WITH THE ANNUAL ACCRUAL**  
15           **AMOUNTS RECOMMENDED BY THE COMMISSION STAFF?**

16    A.    Yes. The annual accrual amounts shown for CSP and OPCo on Exhibit I of this  
17           supplemental testimony agree with the Commission Staff's recommended annual  
18           whole life accrual amounts.

19   **Q.    DO YOU AGREE WITH THE WHOLE LIFE DEPRECIATION RATES**  
20           **CALCULATED BY THE COMPANY AND RECOMMENDED BY THE**  
21           **COMMISSION STAFF?**

22    A.    Yes.

1 **Q. DO YOU OBJECT TO THE COMMISSION STAFF'S PROPOSED 15 YEAR**  
2 **AMORTIZATION OF THE THEORETICAL ACCUMULATED**  
3 **DEPRECIATION SURPLUS?**

4 A. No.

5 **Q. WHY DO YOU RECOMMEND THAT THE COMMISSION APPROVE**  
6 **WEIGHTED AVERAGE COMBINED COMPANY (CSP AND OPCO)**  
7 **WHOLE LIFE DEPRECIATION RATES TO BE USED BY THE MERGED**  
8 **AEP OHIO COMPANY?**

9 A. Upon the merger's approval and implementation, AEP Ohio's record keeping and  
10 processing will be made more efficient and streamlined by using combined company  
11 weighted average whole life depreciation rates for each plant account instead of using  
12 the individual company whole life rates calculated by the Company and approved by  
13 the Commission Staff. Increased efficiency will result in lower costs that ultimately  
14 provide a benefit to customers. Without combined property records and depreciation  
15 calculations for AEP Ohio, AEP Ohio will be required to maintain separate asset  
16 locations for the old individual companies, write work orders that continue to post to  
17 the old individual company locations, ask field personnel to keep the locations  
18 separate when processing any paper work and keep individual company depreciation  
19 rates and calculations.

20 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY**  
21 **IN SUPPORT OF OBJECTIONS TO THE STAFF REPORTS?**

22 A. Yes, it does.

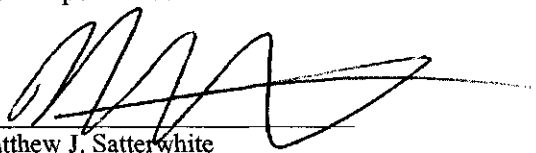
**OHIO POWER COMPANY AND COLUMBUS SOUTHERN POWER COMPANY  
CALCULATION OF COMBINED COMPANIES WEIGHTED AVERAGE DISTRIBUTION AND GENERAL PLANT DEPRECIATION RATES BY THE WHOLE LIFE METHOD  
BASED ON PLANT IN SERVICE AT DECEMBER 31, 2009  
(USING TOTAL COMPANY GENERAL EQUIPMENT BALANCES)**

NO.	TITLE	OHIO POWER		COMBINED COMPANIES		OHIO POWER ANNUAL ACCRUAL	COMBINED COMPANIES ANNUAL ACCRUAL	COMBINED COMPANIES RATES
		ORIGINAL COST AT 12/31/2009	CSP ORIGINAL COST AT 12/31/2009	ORIGINAL COST AT 12/31/2009	CSP ANNUAL ACCRUAL			
<b>DISTRIBUTION PLANT</b>								
361.0	Structures & Improvements	8,070,865	9,781,492	17,852,357	202,744	160,072	362,816	2.03%
362.0	Station Equipment	237,243,322	221,705,860	458,949,182	6,429,470	6,880,056	13,309,526	2.90%
363.0	Storage Battery Equipment	5,062,199	0	5,062,199	0	337,480	337,480	6.67%
364.0	Poles, Towers, & Fixtures	317,436,950	226,773,173	544,210,123	10,488,259	18,550,222	29,038,481	5.34%
365.0	Overhead Conductor & Devices	274,567,259	227,520,697	502,087,956	5,958,875	10,616,601	16,575,476	3.30%
366.0	Underground Conduit	51,027,785	88,288,645	139,316,430	1,471,477	1,020,556	2,492,033	1.79%
367.0	Underground Conductor	90,066,271	362,865,773	452,932,044	12,498,710	2,852,099	15,350,809	3.39%
368.0	Line Transformers	312,931,476	300,368,843	613,300,319	9,894,503	10,584,447	20,478,950	3.34%
369.0	Services	132,711,657	134,106,771	266,818,428	4,626,684	4,825,878	9,452,562	3.54%
370.0	Meters	69,839,324	80,303,655	150,143,179	2,877,555	2,259,778	5,147,333	3.43%
371.0	Installations on Custs. Prem.	21,997,419	24,672,218	46,669,637	2,277,436	2,218,073	4,495,509	9.63%
372.0	Leased Property on Custs. Prem.	1,104	102,689	103,793	3,423	37	3,460	3.33%
373.0	Street Lighting & Signal Sys.	20,926,431	12,354,702	33,281,133	563,374	1,234,659	1,798,033	5.40%
	<b>Total Distribution Plant</b>	<b>1,541,882,062</b>	<b>1,688,844,718</b>	<b>3,230,726,780</b>	<b>57,292,510</b>	<b>61,549,958</b>	<b>118,842,468</b>	<b>3.68%</b>
<b>GENERAL PLANT (Total Company)</b>								
390.0	Structures & Improvements	58,032,287	53,645,022	111,677,309	1,168,269	1,218,678	2,386,947	2.14%
390.0	Structures & Improve - LH Improve.	0	0	0	0	0	0	0.00%
391.0	Office Furniture & Equipment	3,227,863	5,067,274	8,295,137	168,909	107,595	276,504	3.33%
392.0	Transportation Equipment	31,743	40,258	72,001	805	635	1,440	2.00%
393.0	Stores Equipment	269,697	301,966	571,663	8,881	7,932	16,813	2.94%
394.0	Tools Shop & Garage Equipment	15,392,542	10,353,142	25,745,684	362,360	559,262	921,622	3.58%
395.0	Laboratory Equipment	570,346	631,927	1,202,273	22,569	20,370	42,939	3.57%
396.0	Power Operated Equipment	630,645	3,035	633,680	106	22,800	22,906	3.61%
397.0	Communication Equipment	33,062,228	15,606,819	48,669,047	445,909	944,635	1,390,544	2.86%
398.0	Miscellaneous Equipment	2,059,714	1,821,537	3,881,251	64,861	82,389	147,250	4.00%
	<b>Total General Plant</b>	<b>113,277,065</b>	<b>87,270,980</b>	<b>200,548,045</b>	<b>2,242,669</b>	<b>2,964,296</b>	<b>5,206,965</b>	<b>2.60%</b>
	<b>Total Depreciable Plant</b>	<b>1,655,159,127</b>	<b>1,776,115,698</b>	<b>3,431,274,825</b>	<b>59,535,179</b>	<b>64,514,254</b>	<b>124,049,433</b>	<b>3.62%</b>

Notes: Weighted average whole life rates are based on the Company's calculation of individual CSP and OPCo whole life rates which were reviewed and recommended by the Commission Staff. The calculation below excludes Leasehold Improvement Property in Account 390.0 that is being amortized. The Company's calculation of OPCo's account 390 depreciation accrual and rate was revised to agree with the Staff's corrected calculation.

## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Supplemental Direct Testimony In Support of Objections to the Staff Reports of David A. Davis on behalf of Columbus Southern Power Company and Ohio Power Company has been served upon the below-named counsel via First Class mail, postage prepaid, this 24th day of October, 2011.



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