

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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.)	

**INDUSTRIAL ENERGY USERS-OHIO'S
MOTION TO COMPEL DISCOVERY RESPONSES AND
MEMORANDUM IN SUPPORT**

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MOTION TO COMPEL DISCOVERY RESPONSES

On March 23, 2011, Industrial Energy Users-Ohio (“IEU-Ohio”) was granted intervention in the above-captioned matter. On April 27, 2012, IEU-Ohio served its Revised Second Set of Interrogatories and Requests for Production of Documents (“IEU-Ohio’s Second Set of Discovery”) (Attachment A) upon Ohio Power Company (“OP”). On May 9, 2012, OP responded to IEU-Ohio’s Second Set of Discovery with objections and responses. Particularly, in response to IEU-Ohio’s Interrogatory 2-001,¹ OP objected to the question and did not provide an answer beyond its objection (Attachment B).

On May 9, 2012, following the receipt of OP’s objections to IEU-Ohio’s Second Set of Discovery, IEU-Ohio contacted OP to determine if it might be possible to resolve

¹ IEU-Ohio’s Request for Production 2-001 requested OP “Provide any documents identified in response to Interrogatory 2- 1(a) and (b).” OP responded by referencing its response to IEU-Ohio Interrogatory 2-1.

what has become a discovery dispute. Specifically, IEU-Ohio explained the reasons it felt that OP was required to provide discovery regarding IEU-Ohio Interrogatory 2-001. Given the extremely limited timeframe to conduct discovery and the limited time before the hearing commences, IEU-Ohio requested OP provide discovery in response to IEU-Ohio Interrogatory 2-001 by close-of-business on Thursday, May 10, 2012. IEU-Ohio was unable to resolve the discovery dispute and was not provided the discovery requested in IEU-Ohio Interrogatory 2-001 by close-of-business on May 10, 2012.

Additionally, on April 20, 2012, the Ohio Consumers' Counsel ("OCC") served OP with OCC's Fifth Set of Interrogatories and Requests for Production of Documents ("OCC's Fifth Set of Discovery"). In IEU-Ohio's First Set of Discovery, Request for Production 1-4, IEU-Ohio requested OP to provide to IEU-Ohio all discovery responses served upon other parties (Attachment C). OCC's Fifth Set of Discovery included OCC's Interrogatory 92 (Attachment D), which requested OP provide all documents related to OCC Interrogatory 1-12 (Attachment E) and "include the results of the tests which indicated that the undiscounted cash flows exceeded the carrying value and impairment was not applicable." On May 1, 2012, OP responded to OCC's Interrogatory-92 as follows:

The various documents supporting the OPCo generation asset impairment testing in accordance with ASC 360 referred to in OCC INT 1-12 [Attachment F] are provided in Attachments 1-13. The confidential level of the documents are currently being reviewed and Counsel for OCC has been notified. In the interest of not delaying the other responses the documents will be provided once labeled and parties wanting copies, besides OCC, should contact the Company and request the documents. (Attachment G) (emphasis added).

Notably, OP did not object to the discovery request. In an attempt to resolve the discovery dispute, IEU-Ohio contacted OP on May 2, 2012 and requested to see the confidential documents. IEU-Ohio was told that the documents could only be viewed at OP's offices. On May 3, 2012, counsel and technical staff for IEU-Ohio went to OP's offices to view the confidential documents. During that visit, IEU-Ohio requested copies of certain confidential documents. Counsel and technical staff for IEU-Ohio returned to OP's offices on May 10, 2012 to view additional data not available on its first trip. IEU-Ohio was told that it could not obtain copies of any of the confidential material, as OP would not let the material leave the building.

IEU-Ohio has contacted OP by email several times, in addition to its two trips to OP's offices, to try and obtain the confidential documents OP is required to produce under Rule 4901-1-16, Ohio Administrative Code ("O.A.C."). Given the brief time remaining before the hearing in these proceedings begins, IEU-Ohio indicated to OP that it would be forced to file a motion to compel the confidential documents if it did not receive them by 3:00 p.m. on May 11, 2012. That deadline has since passed;² however

Therefore, pursuant to Rule 4901-1-23, O.A.C., as supported by the attached Memorandum in Support and affidavit of Joseph E. Olikier, IEU-Ohio respectfully moves the Commission to order OP to provide a substantive response to IEU-Ohio Interrogatory 2-001 and Request for Production 2-001, order OP to provide copies of the confidential discovery related to OCC Interrogatory 92 (which is contained in an

² OCC Interrogatory 92 was served on April 20, 2012. OP's response was due on April 30, 2012. As IEU-Ohio was in the process of filing this motion to compel with the Commission, counsel for OP indicated it may hand delivered some files associated with confidential documents that related to OCC Interrogatory 92 by the end on the day, Friday May 11, 2012. IEU-Ohio indicated to OP's counsel that it would withdraw this portion of IEU-Ohio's Motion to Compel on Monday May 14, 2012 if the files provided comply with OCC's Interrogatory 92. As of 4:45 p.m. on Friday May 11, 2012 IEU-Ohio has still not received any of these documents.

electronic excel file) and the underlying assumptions related to that file, and to provide such other relief as may be appropriate to prevent OP from abusing the discovery process in a proceeding that has a very tight procedural schedule.

Respectfully submitted,

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MEMORANDUM IN SUPPORT

I. STATEMENT OF FACTS AND PROCEDURAL BACKGROUND

On January 23, 2011, OP initiated this proceeding seeking to establish an electric security plan ("ESP") for the next several years. Ultimately, the original application evolved into a new ESP as part of a Stipulation and Recommendation ("Stipulation") filed with the Commission on September 7, 2011. The Stipulation was ultimately rejected on February 23, 2012. The current version of OP's ESP ("the Modified ESP") was filed with the Commission on March 30, 2012.

As part of the Modified ESP, OP is requesting above-market compensation for the generation portion of its business. OP has requested that the above-market compensation take one of two forms. First, OP has requested it be compensated at two different tiers, the higher tier at \$255/megawatt-day ("MW-day"), the lower tier at

\$146/MW-day.³ OP's alternate proposal is to be compensated at \$355/MW-day, and in return will offer a shopping credit to customers.⁴ OP claims that above-market capacity compensation is required so that it can avoid financial duress.⁵

While OP did not file an application for corporate separation and to transfer generation in this proceeding, OP claims that corporate separation and the transfer of the Mitchell and Amos plants is an important part of its Modified ESP Application.⁶ Although IEU-Ohio does not believe OP's capacity costs/compensation should be discussed in this proceeding because they are not relevant, are illegal and the Commission is not otherwise authorized to approve them, OP claims otherwise.

II. DISCOVERY STANDARDS

Rule 4901-1-16(B), O.A.C., contains the Commission's rules regarding discovery.

That Rule provides:

any party to a commission proceeding may obtain discovery of any matter, not privileged, which is relevant to the subject matter of the proceeding. ... It is not a ground for objection that the information sought would be inadmissible at the hearing, if the information sought appears reasonably calculated to lead to the discovery of admissible evidence. Discovery may be obtained through interrogatories, requests for the production of documents and things or permission to enter upon land or other property, depositions, and requests for admission.

Thus, the Commission's rules do not allow a party to avoid discovery on grounds that the information sought is confidential.⁷ The Rule allows a party to conduct discovery

³ Direct Testimony of William Allen at 6-9 (March 30, 2012).

⁴ *Id.* at 15-17.

⁵ See Direct Testimony of Robert Powers at 5, 10 (March 30, 2012)

⁶ Industrial Energy Users-Ohio's Motion to Strike Ohio Power Company's Application and Supporting Testimony and Memorandum in Support at 9 (May 4, 2012).

⁷ IEU-Ohio entered into a confidentiality agreement with OP in this proceeding on February 9, 2011.

through a request for production so long as the information is not privileged and “appears reasonably calculated to lead to the discovery of admissible evidence.”

Additionally, Rule 4901-1-20, O.A.C., provides that, subject to the scope of discovery in Rule 4901-1-16, O.A.C., a party may request another party to “produce for inspection, **copying**, sampling, or testing any tangible things which are in the possession, control, or custody of the party upon whom the request is served.” (emphasis added).

III. ARGUMENTS

A. IEU-Ohio Interrogatory 2-001: OP Has Failed to Provide Discovery in Response to the Interrogatory on Grounds of Relevance Even Though OP Itself Has Asserted that the Issue is Relevant.

IEU-Ohio properly served interrogatories and requests for production of documents on OP. OP has not claimed otherwise. To the extent the Commission deems it relevant to entertain testimony and evidence regarding OP’s requested capacity compensation (the two-tiered rate or the formula-rate/shopping-credit model), IEU-Ohio must be allowed discovery to present its case to rebut OP’s claims. On May 4, 2012, IEU-Ohio moved to strike portions of the Modified ESP Application and OP’s supporting testimony on grounds that the capacity compensation issue was beyond an ESP proceeding and the Commission could not otherwise authorize the compensation.⁸

On May 9, 2012, OP filed a memo contra to various motions to strike filed by intervening parties, including IEU-Ohio. Specifically, in response to IEU-Ohio’s request

⁸ Industrial Energy Users-Ohio’s Motion to Strike Ohio Power Company’s Application and Supporting Testimony and Memorandum in Support at 6-9 (May 4, 2012).

to strike all of OP's testimony regarding OP's capacity costs and OP's request for additional capacity compensation, OP stated:

[a]s part of the ESP/MRO comparison, it is necessary to include in the competitive benchmark price (CBP), a component that estimates the cost of capacity. AEP Ohio's position is that the amount that it charges CRES providers is the appropriate estimate of that cost component.

...

The correct price for capacity to include in the CBP is an issue in this proceeding, and AEP Ohio is entitled to advance its position on the matter. Similarly, the two-tiered capacity pricing proposal that AEP Ohio has included in its ESP provides a compelling basis for a very significant benefit of the ESP, compared to what an MRO would provide. IEU may not agree with AEP Ohio's position, but that is not a basis for precluding AEP Ohio from presenting its case in the manner it has determined is accurate and appropriate.⁹

On similar grounds, if the Commission determines the issue is relevant to this proceeding, as OP claims it is, IEU-Ohio must be able to "present[] its case in the manner it has determined is accurate and appropriate."

IEU-Ohio's Interrogatory 2-001 and Request for Production 2-001 seek information that is relevant to OP's claim that it cannot recover its costs if it is compensated for capacity based on the RPM. Specifically, IEU-Ohio has requested OP provide its forecasts of the price of capacity that will result from future RPM auctions, and a list of which generating facilities OP forecasted to be bid into those RPM auctions.

To the extent the Commission determines OP's requested above-market capacity charges are within the scope of the proceeding and are therefore relevant for OP to introduce testimony on the subject, then the price of capacity forecasted by OP over the short and long-term is relevant to this proceeding. OP claims that capacity

⁹ Ohio Power Company's Memorandum Contra FirstEnergy Solutions Corp.'s, the Office of the Ohio Consumers' Counsel's, Duke Energy Retail Sales and Duke Energy Commercial Asset Management's, and Industrial Energy Users-Ohio's May 4, 2012 Motions to Strike at 7-8 (May 9, 2012).

prices outside the ESP period are not relevant. First, OP's objection is specifically designed to result in a CBP at the end of the ESP. Thus, OP's forecast of capacity during the CBP period is relevant¹⁰ to this proceeding. Second, OP claims RPM prices over the short-term will cause financial duress to OP. OP has put its financial health at issue and therefore the long-term capacity prices are relevant to fully consider OP's financial health.

Additionally, OP has stated that its corporate separation application, which includes the transfer of its generating assets, is "a foundation for a number of the provisions of the ESP."¹¹ Any request to transfer generation requires a demonstration of the impact of the transfer on the current and future standard service offer ("SSO") prices.¹² The impact of not bidding versus bidding these units on the price of capacity is also relevant to impact of the transfer on the future SSO price. It is further relevant¹³ to the time frame within the ESP and outside of it because any transfer of generating assets must demonstrate the impact of the transfer on the future SSO. Capacity prices will obviously have an impact, because the application proposes to set OP's future SSO through a CBP.

To the extent that OP claims its capacity costs are relevant to this proceeding and is allowed to introduce evidence regarding its capacity costs, IEU-Ohio has a right to conduct discovery on those matters. The Commission's rules allow discovery on any

¹⁰ Subject to the Commission's determination that OP's capacity charges are relevant to this proceeding.

¹¹ *Id.* at 9.

¹² Rule 4901:1-37-09, O.A.C.

¹³ Subject to the Commission's determination that OP's corporate separation plan and request to transfer generation are relevant to this proceeding. Again, IEU-Ohio moved to strike these portions of OP's testimony; however, OP has claimed they are relevant to this proceeding. Ohio Power Company's Memorandum Contra FirstEnergy Solutions Corp.'s, the Office of the Ohio Consumers' Counsel's, Duke Energy Retail Sales and Duke Energy Commercial Asset Management's, and Industrial Energy Users-Ohio's May 4, 2012 Motions to Strike at 9 (May 9, 2012).

non-privileged matter to the extent that the discovery could reasonably lead to admissible evidence. OP claims the cost of capacity is relevant to this proceeding and IEU-Ohio's Interrogatory 2-001, and Request for Production 2-001 request information about that cost of capacity. Thus, IEU-Ohio's request is "reasonably calculated to lead to the discovery of admissible evidence."¹⁴

B. OCC Interrogatory 92: OP Has Failed to Produce Discovery of Confidential Documents and Has Only Allowed In-Person Viewing of the Documents at its Offices in Violation of Commission Rule 4901-1-16, O.A.C.

IEU-Ohio has unsuccessfully tried to obtain all of the documents requested by OCC in OCC Interrogatory 92. Specifically, OCC requested:

Please provide a copy of all documents pertaining to the testing of the OPCO generation assets for recoverability in accordance with Accounting Standard Codification 360, as referred to in response to OCC INT 1-012. Please include the results of the tests which indicated that the undiscounted cash flows exceeded the carrying value and impairment was not applicable. (Attachment D)

OCC Interrogatory 1-12 requested:

Has the company written down the value (i.e. taken an accounting loss due to an impairment of value) of any of the assets which the company plans to transfer to its new generating affiliate?

a. If your answer is negative, please explain why an accounting loss for impairment was not recognized in light of the company's recovery of stranded cost? (Attachment E).¹⁵

OP did not object to the information sought in OCC Interrogatory 92 as not being relevant, or for any other ground. OP merely claims the information contains confidential trade secrets. On May 1, 2012, OP responded to OCC as follows:

The various documents supporting the OPCo generation asset impairment testing in accordance with ASC 360 referred to in OCC INT 1-12 are

¹⁴ Subject to the Commission's determination that OP's capacity charges are relevant to this proceeding.

¹⁵ OP's response to OCC Interrogatory 1-012 is provided in Attachment F.

provided in Attachments 1 – 13. The confidential level of the documents are currently being reviewed and Counsel for OCC has been notified. In the interest of not delaying the other responses the documents will be provided once labeled and parties wanting copies, besides OCC, should contact the Company and request the documents. (Attachment G).

The information requested by OCC is relevant to OP's financial duress claim as well as its claim that it needs a cost-based/formula-rate capacity charge in order to recover the book value of its generating assets. As discussed by OP in the non-confidential documents it produced in response to OCC Interrogatory 92, OP has conducted a test to determine if it can recover the book value of its generation assets.¹⁶ In the non-confidential documents provided in response to OCC Interrogatory 92, OP concluded:

[s]ince the Ohio companies generation assets are not cost-based rate regulated and do not fall under ASC 980 Regulated Operations, a recoverability test for these generating assets should be performed to determine if gross cash flows from the asset group are sufficient to recover the book value of the asset group as required under ASC 360. A discounted cash flow impairment test is necessary only if the gross cash flows fail to recover the book cost of the asset.

...

As shown below, the estimated generation function cash flows are sufficient to recover the companies' generating assets. No further action is required. (Attachment H).

As discussed above, IEU-Ohio's Request for Production of Documents 1-4 (Attachment C) requested OP to provide IEU-Ohio will all discovery responses served on another party to the proceeding. Since OP did not provide a complete production of its discovery response, claiming confidentiality, IEU-Ohio contacted OP to resolve the matter. Although OP indicated in its response to OCC Interrogatory 92 that it was in the

¹⁶ An "impairment test" tests "for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The following are examples of such events or changes in circumstances." OP Discovery Attachment to OCC INT-92, *1 Cross-State Air Pollution Rule Recoverability Test* (included as Attachment H).

process of reviewing additional documents to determine if they were confidential, OP did not indicate that it would not be providing further documents.

After contacting OP, IEU-Ohio was told that the confidential documents would be available for inspection, but that OP did not intend to produce the documents. IEU-Ohio inspected the documents at OP's offices on Thursday, May 3, 2012. During its inspection, IEU-Ohio notified counsel for OP that IEU-Ohio did not believe the documents provided were a complete response to OCC Interrogatory 92. IEU-Ohio also marked certain documents and requested OP make and provide copies to IEU-Ohio of the requested documents, as well as make available the documents OP had failed to provide for inspection.

On May 10, 2012, IEU-Ohio again returned to OP's offices to inspect the now more complete set of responses, but was limited to viewing the new documents in electronic form. IEU-Ohio requested OP to provide copies of the new documents that it viewed electronically (an excel file) and the assumptions associated with the excel file. OP indicated that it did not intend to provide hard copies of the excel file or an electronic copy. To date, OP has not produced copies of the confidential documents and refuses to provide the information based on its confidential nature. Thus, OP has not complied with IEU-Ohio Request for Production 1-4 by failing to produce to IEU-Ohio the documents contained in OCC Interrogatory 92.

C. OP Has Confirmed That It Will Not Respond to IEU-Ohio's Discovery Requests Unless Ordered to Do So By the Commission

The attached Affidavit demonstrates that IEU-Ohio has communicated with OP about the need for timely discovery, that OP objects to IEU-Ohio's specific discovery requests identified herein, and that OP's counsel has represented that OP will not

respond to IEU-Ohio's outstanding discovery requests absent a Commission order to do so. As required by Rule 4901-1-23(C), O.A.C., IEU-Ohio has exhausted all other reasonable means of resolving any differences with the party from whom discovery is sought.

IV. CONCLUSION

For the reasons explained herein, IEU-Ohio respectfully urges the Commission to enter an order compelling OP to respond expeditiously to all outstanding discovery requests.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Industrial Energy Users-Ohio's Motion to Compel Discovery Responses and Memorandum in Support* was served upon the following parties of record this 11th day of May 2012, *via* electronic transmission, hand-delivery or first class U.S. mail, postage prepaid.

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ATTORNEY EXAMINERS

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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.)	

**INDUSTRIAL ENERGY USERS-OHIO'S INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS UPON
OHIO POWER COMPANY
(MODIFIED ELECTRIC SECURITY PLAN)
REVISED SECOND SET
APRIL 27, 2012**

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April 27, 2012

Attorneys for Industrial Energy Users-Ohio

3. If any answer requires more space than provided, continue the answer on the reverse side of the page or on an added page.

4. You are under a continuing duty to supplement your responses with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, the identity of any person expected to be called as a witness at trial, and the subject matter on which he or she is expected to testify and to correct any response which you know or later learn is incorrect.

INTERROGATORIES

2-1. During cross-examination in Case No. 10-2929-EL-UNC, Dr. Kelly Pearce stated that "there is a group within AEP that does some capacity forecasting."

- a. Identify all forecasts of the price for capacity in any PJM auction (including the base residual auction and any true-up auctions) performed by AEP.
- b. If You identified any forecast in response to (a), for each forecast, identify the assumptions in the forecast, including but not limited to the generating units bid into the base residual auction or true-up auction, the date of the forecast, the auction delivery year, and the price of capacity.

RESPONSE:

2-2. On April 20, 2012, in American Electric Power's First Quarter 2012 Conference Webcast, Nick Akins stated that there is a capital plan in place to invest in generation. Identify the capital plan referenced in the webcast.

RESPONSE:

2-37. Has AEP-Ohio received any bilateral offers to provide solar energy/SRECs to AEP-Ohio from facilities located within Ohio since 2008?

RESPONSE:

2-38. If the answer to Interrogatory 2-37 is yes, for each offer identify the following:

- a. the megawatts/megawatt hours offered to AEP-Ohio.
- b. the duration that solar energy would be provided to AEP-Ohio under the offer.
- c. all bid documents associated with the offer.
- d. all AEP documents referencing or considering the offer.

RESPONSE:

2-39. On page 9 of his testimony, Jay Godfrey states that AEP will find itself short of SRECs by the end of 2012. Regarding his statement, identify the following:

- a. the level of shopping assumed in AEP-Ohio's service territory from 2012 through 2025.
- b. the level of solar resource development, in megawatts, he assumed in Ohio from 2012 through 2025.
- c. the level of solar resource development he assumed, in megawatts, in states contiguous to Ohio from 2012 through 2025.
- d. all workpapers.
- e. all documents relied upon or referred to in answering (a) through (d).

RESPONSE:

Requests for Production of Documents

- 2-1. Provide any documents identified in response to Interrogatory 2-1(a) and (b).
- 2-2. Provide any documents identified in response to Interrogatory 2-2.
- 2-3. Provide any documents OP or any of its agents have prepared to compute the total company earned return on equity as of December 31, 2011 that would have existed but for the charges that OP billed and collected but were subsequently determined by the Commission to be illegal under Ohio law (by removing the return on equity effect of the POLR charge or the unlawful operating company retroactive rate increase from Case Nos. 08-917-EL-SSO and 08-918-EL-SSO for example).

**OHIO POWER COMPANY'S RESPONSES
TO IEU-OHIO'S DISCOVERY REQUESTS
PUCO CASE 11-346-EL-SSO and 11-348-EL-SSO - Modified ESP
SECOND SET**

INTERROGATORY

- IEU-INT-2-001 During cross-examination in Case No. 10-2929-EL-UNC, Dr. Kelly Pearce stated that "there is a group within AEP that does some capacity forecasting."
- a. Identify all forecasts of the price for capacity in any PJM auction (including the base residual auction and any true-up auctions) performed by AEP.
 - b. If You identified any forecast in response to (a), for each forecast, identify the assumptions in the forecast, including but not limited to the generating units bid into the base residual auction or true-up auction, the date of the forecast, the auction delivery year, and the price of capacity.

RESPONSE

The Company objects to the extent the request seeks information from another case where discovery is already complete, it is vague without any timeframe, it is beyond the scope of this case and to the extent is seeking forecasts for the future it is beyond the ESP period proposed in this case and is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Prepared by: Counsel

**OHIO POWER COMPANY'S RESPONSES
TO IEU-OHIO'S DISCOVERY REQUESTS
PUCO CASE 11-346-EL-SSO and 11-348-EL-SSO - Modified ESP
SECOND SET**

REQUESTS FOR PRODUCTION OF DOCUMENTS

IEU-RPD-2-001 Provide any documents identified in response to Interrogatory 2-1(a) and (b).

RESPONSE

See response to IEU-INT-2-001.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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.)	

INDUSTRIAL ENERGY USERS-OHIO'S INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS UPON
OHIO POWER COMPANY
(MODIFIED ELECTRIC SECURITY PLAN)
FIRST SET
APRIL 5, 2012

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April 5, 2012

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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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,)	
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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.)	

**INDUSTRIAL ENERGY USERS-OHIO'S INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS UPON
OHIO POWER COMPANY
(MODIFIED ELECTRIC SECURITY PLAN)
FIRST SET
APRIL 5, 2012**

Industrial Energy Users-Ohio ("IEU-Ohio") in the above-captioned proceeding before the Public Utilities Commission of Ohio ("Commission") submits the following Interrogatories and Requests for Production of Documents pursuant to Rules 4901-1-16, 4901-1-17, 4901-1-18, 4901-1-19, and 4901-1-20, Ohio Administrative Code ("O.A.C."), for response from Ohio Power Company ("OP" or "AEP-Ohio"). All responses should be directed to:

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Additionally, AEP-Ohio must follow the instructions provided herein in responding to the inquiries. As required by Rule 4901-1-16, O.A.C., responses must be subsequently supplemented.

DEFINITIONS

As used herein, the following definitions apply:

1. "Document" or "Documentation" when used herein, is used in its customary broad sense and means all originals of any nature whatsoever, identical copies, and all non-identical copies thereof, pertaining to any medium upon which intelligence or information is recorded in your possession, custody, or control regardless of where located; including any kind of printed, recorded, written, graphic, or photographic matter and things similar to any of the foregoing, regardless of their author or origin. The term specifically includes, without limiting the generality of the following: punch cards, printout sheets, movie film, slides, PowerPoint slides, phonograph records, photographs, memoranda, ledgers, work sheets, books, magazines, notebooks, diaries, calendars, appointment books, registers, charts, tables, papers, agreements, contracts, purchase orders, checks and drafts, acknowledgments, invoices, authorizations, budgets, analysis, projections, transcripts, electronic mail, minutes of meetings of any kind, telegrams, drafts, instructions, announcements, schedules, price lists, electronic copies, reports, studies, statistics, forecasts, decisions, and orders, intra-office and inter-office communications, correspondence, financial data, summaries or records of conversations or interviews, statements, returns, diaries, work papers, maps, graphs, sketches, summaries or reports of investigations or negotiations,

opinions or reports of consultants, brochures, bulletins, pamphlets, articles, advertisements, circulars, press releases, graphic records or representations/publications of any kind (including microfilm, videotape and records, however produced or reproduced), electronic, mechanical and electrical records of any kind and computer produced interpretations thereof (including, without limitation, tapes, tape cassettes, disks and records), other data compilations (including source codes, object codes, program documentation, computer programs, computer printouts, cards, tapes, disks and recordings used in automated data processing together with the programming instructions and other material necessary to translate, understand or use the same), all drafts, prints, issues, alterations, modifications, changes, amendments, and mechanical or electric sound recordings and transcripts to the foregoing. A request for discovery concerning documents addressing, relating or referring to or discussing a specified matter encompasses documents having a factual, contextual, or logical nexus to the matter, as well as documents making explicit or implicit reference thereto in the body of the documents. Originals and duplicates of the same document need not be separately identified or produced; however, drafts of a document or documents differing from one another by initials, interlineations, notations, erasures, file stamps, and the like shall be deemed to be distinct documents requiring separate identification or production. Copies of documents shall be legible.

2. "Communication" shall mean any transmission of information by oral, graphic, written, pictorial, electronic or otherwise perceptible means, including, but not limited to, telephone conversations, letters, telegrams, and personal conversations. A request seeking the identity of a communication addressing, relating or referring to, or

discussing a specified matter encompasses documents having factual, contextual, or logical nexus to the matter, as well as communications in which explicit or implicit reference is made to the matter in the course of the communication.

3. The “substance” of a communication or act includes the essence, purport or meaning of the same, as well as the exact words or actions involved.

4. “And” or “or” shall be construed conjunctively or disjunctively as necessary to make any request inclusive rather than exclusive.

5. “You” and “your” or “yourself” refer to the party requested to produce documents and any present or former director, officer, agent, contractor, consultant, advisor, employee, partner, or joint venture of such party.

6. Each singular shall be construed to include its plural, and vice versa, so as to make the request inclusive rather than exclusive.

7. Words expressing the masculine gender shall be deemed to express the feminine and neuter genders; those expressing the past tense shall be deemed to express the present tense; and vice versa.

8. “Person” includes any firm, corporation, joint venture, association, entity or group of persons unless the context clearly indicates that only an individual person is referred to.

9. “AEP” includes Ohio Power Company (“OP”), any subsidiary, or any affiliated company.

10. “Identify,” or “state the identity of,” or “identified” means as follows:

A. When used in reference to an individual, to state his full name and present or last known position and business affiliation, and his position and business affiliation at the time in question;

B. When used in reference to a commercial or governmental entity, to state its full name, type of entity (e.g., corporation, partnership, single proprietorship), and its present or last known address;

C. When used in reference to a document, to state the date, author, title, type of document (e.g., letter, memorandum, photograph, tape recording, etc.) and its present or last known location and custodian;

D. When used in reference to a communication, to state the type of communication (i.e., letter, personal conversation, etc.), the date thereof, and the parties thereto and, in the case of a conversation, to state the substance, place, and approximate time thereof, and identity of other persons in the presence of each party thereto;

E. When used in reference to an act, to state the substance of the act, the date, time, and place of performance, and the identity of the actor and all other persons present.

11. "Commission" or "PUCO" means the Public Utilities Commission of Ohio.

12. "Company" means AEP-Ohio.

INSTRUCTIONS FOR ANSWERING

1. Where an interrogatory calls for an answer in more than one part, each part should be separate in the answer so that the answer is clearly understandable.

2. Each interrogatory shall be answered separately and fully in writing under oath, unless it is objected to, in which event the reasons for objection shall be stated in lieu of an answer. The answers are to be signed by the person making them, and the objections are to be signed by the attorney making them.

3. If any answer requires more space than provided, continue the answer on the reverse side of the page or on an added page.

4. You are under a continuing duty to supplement your responses with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, the identity of any person expected to be called as a witness at trial, and the subject matter on which he or she is expected to testify and to correct any response which you know or later learn is incorrect.

INTERROGATORIES

- 1-1. Beginning on page 4 of the direct testimony of Robert P. Powers and continuing on page 5, he states "Similarly, AEP Ohio would not be willing to provide discounted capacity and transition as quickly to market as proposed in the modified electric security plan ("Modified ESP") if it does not receive all the benefits of the balanced package of terms in the Modified ESP, including a mechanism to help ensure AEP Ohio's financial stability during the transition." What is the specific mechanism AEP-Ohio is proposing in this proceeding referenced in Mr. Powers' testimony?

RESPONSE:

- 1-2. Beginning on page 20 of the direct testimony of Robert P. Powers and continuing on page 21, Mr. Powers indicates AEP Ohio would be willing to engage in a limited standard service offer ("SSO") auction as part of the Modified ESP package provided that AEP-Ohio is made whole to avoid the financial exposure it would otherwise face, including the financial impacts of the early auction under the AEP Pool Agreement. What specific mechanism has AEP-Ohio proposed in

this proceeding to be made whole as a condition of conducting a limited SSO auction?

RESPONSE:

- 1-3. If AEP-Ohio conducts a limited energy-only slice of system SSO auction for 5% of the SSO load, as discussed in the direct testimony of Robert P. Powers, what other charges would customers receiving SSO service be required to pay? Please provide this information by year, rate schedule, unit charge and dollars.

RESPONSE:

- 1-4. Has AEP-Ohio performed any studies or analysis to unbundle its proposed SSO rates into energy and non-energy components in order to conduct a limited energy-only slice of system SSO auction for 5% of the SSO load?

RESPONSE:

- 1-5. If the answer to Interrogatory 1-4 is affirmative, please identify any such studies or analysis performed by AEP-Ohio.

RESPONSE:

- 1-6. Identify all agreements, oral and written, that pertain to Case Nos. 11-346-EL-SSO, *et al.*, entered into between AEP-Ohio and any party or a member of a party to Case Nos. 11-346-EL-SSO, *et al.*

RESPONSE:

- 1-7. If any agreement identified in response to Interrogatory No. 1-6 is not in writing, describe the terms of the agreement.

RESPONSE:

- 1-8. In its application, AEP-Ohio is proposing to increase the level of the IRP-D credit to \$8.21 per kW-month upon approval of the Retail Stability Rider ("RSR"). What are the annual incremental costs of increasing the level of the IRP-D credit to \$8.21 per kW-month dollar?

RESPONSE:

- 1-9. Do the proposed rates for the RSR reflected in the application reflect the incremental cost level of the IRP-D credit to \$8.21 per kW-month?

RESPONSE:

- 1-10. Robert P. Powers states in his testimony the Modified ESP plan covers the period from June 1, 2012 through May 31, 2015 (Powers testimony at 4). However, Mr. Powers also states that beginning June 1, 2015 a competitive bidding process ("CBP") will determine 100% of the SSO energy and capacity prices for AEP-Ohio's SSO load. Is AEP-Ohio seeking Commission approval to conduct a CBP to supply SSO load beginning June 1, 2015 in this proceeding or does AEP-Ohio plan to seek Commission approval for another ESP for the pricing of SSO load after June 1, 2015 in a subsequent proceeding?

RESPONSE:

- 1-11. Robert P. Powers states in his testimony that details of AEP-Ohio's CBP will be forthcoming in another filing. When does AEP-Ohio anticipate such filing will be submitted to the Commission?

RESPONSE:

- 1-12. Renee V. Hawkins states in her testimony on page 7 that the carrying costs have been prepared consistent with the adjustments made by PUCO Staff in other cases. Please identify any such adjustments to the carrying costs and the prior cases in which PUCO Staff has required such an adjustment.

RESPONSE:

- 1-13. AEP has provided notice to PJM of its intent for AEP's load to participate in the reliability pricing model ("RPM") beginning with the 2015/2016 delivery year. Which AEP generating units does AEP plan to bid into the base residual auction ("BRA") scheduled for May 2012 for the 2015/2016 delivery year?

RESPONSE:

- 1-14. For any generating units identified in response to Interrogatory 1-13, what amount of capacity does AEP plan to offer into the May 2012 BRA?

RESPONSE:

- 1-15. Does AEP plan to bid any generating units owned by an affiliate into the BRA scheduled for May 2012 for the 2015/2016 delivery year?

RESPONSE:

- 1-16. For any generating units identified in response to Interrogatory 1-13, what amount of capacity do affiliates plan to offer into the May 2012 BRA?

RESPONSE:

- 1-17. Does AEP-Ohio plan to bid any interruptible load as a capacity resource in the BRA scheduled for May 2012 for the 2015/2016 delivery year?

RESPONSE:

- 1-18. If the answer to Interrogatory No. 1-17 is affirmative, what quantity of interruptible load does AEP-Ohio intend to bid into the BRA scheduled for May 2012 for the 2015/2016 delivery year?

RESPONSE:

- 1-19. Robert P. Powers states in his testimony that "[t]he integrated plan represents a significant number of changes to the Company's operating business model, and provides a balanced outcome for all stakeholders." Did AEP-Ohio seek approval from the AEP board of directors for these significant changes to the Company's operating business model?

RESPONSE:

- 1-20. If the answer to Interrogatory No. 1-19 is affirmative, were board members provided any presentations or other documents to support the business case for these significant changes to the Company's operating business model?

RESPONSE:

- 1-21. If the answer to Interrogatory No. 1-20 is affirmative, please identify any presentations or documents provided to board members.

RESPONSE:

- 1-22. Does AEP-Ohio plan to offer any capacity associated with the Ohio Valley Electric Corporation purchase entitlement into the May 2012 BRA for the 2015/2016 delivery year?

RESPONSE:

- 1-23. If the answer to Interrogatory No. 1-22 is affirmative, what amount of capacity does AEP-Ohio plan to offer into the May 2012 BRA?

RESPONSE:

- 1-24. Does AEP-Ohio plan to offer capacity associated with the proposed Turning Point solar facility into the May 2012 BRA for the 2015/2016 delivery year?

RESPONSE:

- 1-25. If the answer to Interrogatory No. 1-24 is affirmative, what amount of capacity does AEP-Ohio plan to offer into the May 2012 BRA?

RESPONSE:

1-26. If the answer to Interrogatory No. 1-24 is affirmative, at what bid price will capacity be offered?

RESPONSE:

1-27. Does AEP-Ohio plan to offer capacity associated with the Timber Road Wind renewable energy purchase agreement into the May 2012 BRA for the 2015/2016 delivery year?

RESPONSE:

1-28. If the answer to Interrogatory No. 1-27 is affirmative, what amount of capacity does AEP-Ohio plan to offer into the May 2012 BRA?

RESPONSE:

1-29. If the answer to Interrogatory No. 1-27 is affirmative, at what bid price will capacity be offered?

RESPONSE:

1-30. Is AEP-Ohio proposing to change the components of the total carrying charge rates to be applied to gridSMART investments from the components that are currently applied?

RESPONSE:

- 1-31. If the answer to Interrogatory No. 1-30 is affirmative, please list the various components of the total carrying charge rates that are being proposed?

RESPONSE:

- 1-32. Referencing Exhibit RVH-4, please list which riders the indicated carrying cost rates will be applicable to?

RESPONSE:

- 1-33. Referencing Exhibit WAA-5 (page 2 of 2), is the 20.59% total carrying charge rate proposed to be applied to Rider DIR a firm rate, or will the actual carrying charge rate applied be affected by the rates for various investment lives on Exhibit RVH-4?

RESPONSE:

- 1-34. Is AEP-Ohio's proposal for the RSR that the 10.5% target return on equity ("ROE") will stay constant in each year's calculation of the RSR?

RESPONSE:

- 1-35. If the answer to Interrogatory No. 1-34 is negative, what criteria will be used to calculate the target ROE each year?

RESPONSE:

- 1-36. For the RSR proposal, will the calculation on Exhibit WAA-6 be updated each year for the most recent calendar year earned ROE?

RESPONSE:

- 1-37. For the RSR proposal on Exhibit WAA-6, will the revenue target of \$929 million stay constant each year of the RSR calculation?

RESPONSE:

- 1-38. The calculations on Exhibit WAA-6 indicate that the RSR rider revenues for PY 12/13 would be \$44.1 million. In doing the over/under recovery calculations referred to by Mr. Allen in his testimony, please list all of the components on Exhibit WAA-6 (including the components in the table titled "2011 AEP Ohio Financial Data" that will change in determining any under/over recovery for PY 12/13.

RESPONSE:

- 1-39. Was the proposed RSR revenue requirement of \$94.7 million per Exhibit DMR-3 calculated by dividing the total 3-year estimated RSR revenues of \$284.1 million on Exhibit WAA-6 by 3?

RESPONSE:

- 1-40. If the answer to Interrogatory No. 1-39 is negative, provide calculations supporting the \$94.7 million.

RESPONSE:

- 1-41. If the answer to Interrogatory No. 1-39 is affirmative, please explain why AEP-Ohio did not propose to use the first year's revenue requirement for the RSR from Exhibit WAA-6, of \$44.1 million, for the RSR rates proposed to become effective on June 1, 2012?

RESPONSE:

REQUESTS FOR PRODUCTION OF DOCUMENTS

- 1-1. Provide all studies or analysis identified in response to Interrogatory 1-4 and/or 1-5.
- 1-2. Provide copies of all agreements identified in response to Interrogatory 1-6.
- 1-3. Provide a copy of any presentations or documents identified in response to Interrogatory 1-20.
- 1-4. Continue to provide a copy of all formal and informal Discovery Requests, including Requests for Production of Documents, served on AEP-Ohio and AEP-Ohio's Responses thereto, as well as all Requests and Responses to Staff's Data Requests.

Certificate of Service

I hereby certify that a copy of the foregoing *Industrial Energy Users-Ohio's Interrogatories and Requests for Production of Documents, Modified Electric Security Plan, First Set* was served upon the following parties of record this 5th day of April, 2012, *via* electronic transmission, hand-delivery or first class U.S. mail, postage prepaid.

/s/ Joseph E. Olikier

Joseph E. Olikier

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ON BEHALF OF OHIO RESTAURANT ASSOCIATION

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Columbus Southern Power Company and	)	Case No. 11-346-EL-SSO
Ohio Power Company for Authority to	)	Case No. 11-348-EL-SSO
Establish a Standard Service Offer)	
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.)	

**FIFTH SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF
DOCUMENTS PROPOUNDED UPON THE COLUMBUS SOUTHERN POWER
COMPANY AND THE OHIO POWER COMPANY (AEP ESP MARCH 30, 2012)**

**BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

April 20, 2012

TO: Steven T. Nourse
Matthew J. Satterwhite
American Electric Power Corporation
1 Riverside Plaza, 29th Floor
Columbus, OH 43215-2373

The Office of the Ohio Consumers' Counsel ("OCC") in the above-captioned proceedings before the Public Utilities Commission of Ohio (hereinafter, "PUCO" or "Commission") submits the following Interrogatories and Requests for Production of Documents pursuant to Sections 4901-1-17(E)(1), 4901-1-19, 4901-1-20 and 4901-1-22 of the Ohio Adm. Code for response from the Columbus Southern Power Company ("CSP") and the Ohio Power Company ("OPC,") (collectively "AEP Ohio" or "Companies") within the ten-day period established by the Attorney Examiner's

INT-90. Does the Company expect to reduce its equity to debt ratio after going to a wires only company? Identify the basis for such expectation.

RESPONSE:

INT 91. Please provide a copy of the merger studies referenced in response to OCC INT 1-011 that were “prepared and provided as part of the merger proceedings before this Commission and the FERC.”

RESPONSE:

INT-92. Please provide a copy of all documents pertaining to the testing of the OPCO generation assets for recoverability in accordance with Accounting Standard Codification 360, as referred to in response to OCC INT 1-012. Please include the results of the tests which indicated that the undiscounted cash flows exceeded the carrying value and impairment was not applicable.

RESPONSE:

INT-93. Please supplement your response to OCC INT 1-020 when filings are made.

RESPONSE:

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Columbus Southern Power Company and	)	Case No. 11-346-EL-SSO
Ohio Power Company for Authority to	)	Case No. 11-348-EL-SSO
Establish a Standard Service Offer)	
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.)	

**FIRST SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF
DOCUMENTS PROPOUNDED UPON THE COLUMBUS SOUTHERN POWER
COMPANY AND THE OHIO POWER COMPANY (AEP ESP MARCH 30, 2012)**

**BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

April 9, 2012

TO: Steven T. Nourse
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1 Riverside Plaza, 29th Floor
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The Office of the Ohio Consumers' Counsel ("OCC") in the above-captioned proceedings before the Public Utilities Commission of Ohio (hereinafter, "PUCO" or "Commission") submits the following Interrogatories and Requests for Production of Documents pursuant to Sections 4901-1-17(E)(1), 4901-1-19, 4901-1-20 and 4901-1-22 of the Ohio Adm. Code for response from the Columbus Southern Power Company ("CSP") and the Ohio Power Company ("OPC,") (collectively "AEP Ohio" or "Companies") within the ten-day period established by the Attorney Examiner's

- e. gridSMART Rider.

If the answer is negative, please explain the reasons.

RESPONSE:

INT-12. Has the company written down the value (i.e. taken an accounting loss due to an impairment of value) of any of the assets which the company plans to transfer to its new generating affiliate?

- a. If your answer is negative, please explain why an accounting loss for impairment was not recognized in light of the company's recovery of stranded cost?

RESPONSE:

INT-13. If the answer to preceding interrogatory is affirmative, please identify the accounting entries that were used to record the loss for impairment.

RESPONSE:

INT-14. Does the company have any "environmental contingencies" as that term is commonly used in the presentation of its financial statements with respect to its generation assets?

RESPONSE:

**OHIO POWER COMPANY'S RESPONSES
TO THE OFFICE OF THE OHIO CONSUMERS' COUNSEL'S
DISCOVERY REQUESTS
PUCO CASE 11-346-EL-SSO and 11-348-EL-SSO - Modified ESP
FIRST SET**

INTERROGATORY

- OCC-INT-1-012. Has the Company written down the value (i.e. taken an accounting loss due to an impairment of value) of any of the assets which it plans to transfer to its new generating affiliate?
- a. If your answer is negative, please explain why an accounting loss for impairment was not recognized in light of the Company's recovery of stranded cost.

RESPONSE

The Company objects to the form of the question as this request is vague and overly broad. Notwithstanding, and without waiving the objection, no. In the third quarter 2011, the OPco generation assets were tested for recoverability in accordance with Accounting Standard Codification 360, Property, Plant and Equipment. The test indicated that the undiscounted cash flows exceeded the carrying value and impairment was not applicable.

Prepared by: Tom Mitchell/Counsel

**OHIO POWER COMPANY'S RESPONSES
TO THE OFFICE OF THE OHIO CONSUMERS' COUNSEL'S
DISCOVERY REQUESTS
PUCO CASE 11-346-EL-SSO and 11-348-EL-SSO - Modified ESP
FIFTH SET**

INTERROGATORY

OCC-INT-5-092 Please provide a copy of all documents pertaining to the testing of the OPCO generation assets for recoverability in accordance with Accounting Standard Codification 360, as referred to in response to OCC INT 1-012. Please include the results of the tests which indicated that the undiscounted cash flows exceeded the carrying value and impairment was not applicable.

RESPONSE

The various documents supporting the OPCO generation asset impairment testing in accordance with ASC 360 referred to in OCC INT 1-12 are provided in Attachments 1 – 13. The confidential level of the documents are currently being reviewed and Counsel for OCC has been notified. In the interest of not delaying the other responses the documents will be provided once labeled and parties wanting copies, besides OCC, should contact the Company and request the documents

Prepared by: T.E. Mitchell



Date: November 4, 2011

To: File

From: Michael Baird and Paul Pennino

Subject: ASC 360 - Cross-State Air Pollution Rule: Recoverability Test – East Fleet

I. Background

On July 6, 2011, the US Environmental Protection Agency (EPA) finalized the Cross-State Air Pollution Rule (CSAPR) which is to be implemented by January 2012. This rule replaces EPA's 2005 Clean Air Interstate Rule. The rule provides much less flexibility and fails to consider improvements in air quality that have occurred under the Clean Air Interstate Rule (CAIR), which it will replace. AEP is evaluating several compliance options to meet the emissions limits established by the CSAPR. There are numerous unresolved questions associated with the impacts of the CSAPR on the PJM system.

II. ASC 360 – Property, Plant and Equipment

A. When to Test a Long-Lived Asset for Recoverability – Triggering Event

ASC 360-10-35-21 states:

A long-lived asset (asset group) shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The following are examples of such events or changes in circumstances:

- a. A significant decrease in the market price of a long-lived asset (asset group)
 - Not applicable.
- b. A significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition
 - Not applicable.
- c. A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator.

◦ Met.

- Legal Factors: The implementation of the CSAPR could have a significant adverse affect on the East Fleet.

- d. An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group).
 - Not applicable.
- e. A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group)
 - Not met. The units are reviewed for recoverability purposes at the East Company generation only level, where there is no issue.
- f. A current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term *more likely than not* refers to a level of likelihood that is more than 50 percent.
 - Not met. There is no current expectation that, more likely than not, any of the units will be sold or otherwise disposed of significantly before the end of its previously estimated life.

Conclusion

Since a trigger has been met, a test for recoverability will be performed.

As cost-based rate regulated entities, APCo, KYPCo and I&M file rate cases to recover their incurred costs and as such any net cash flow projections presume the fact that costs will be fully recovered over the life of the assets. These cost-based regulated units will be included in the asset group (discussed below) and in accordance with ASC 360, any potential impairment for the APCo, KYPCo or I&M units will be evaluated if and when there is notification of potential disallowance by state regulators as provided under ASC 980 - Regulated Operations.

Since the Ohio companies generation assets are not cost-based rate regulated and do not fall under ASC 980 Regulated Operations, a recoverability test for these generating assets should be performed to determine if gross cash flows from the asset group are sufficient to recover the book value of the asset group as required under ASC 360. A discounted cash flow impairment test is necessary only if the gross cash flows fail to recover the book cost of the asset.

B. Held and Used Requirement: Test for Recoverability using Gross Cash Flows

East Pool

It is appropriate to use the East Pool as the lowest level of identifiable cash flows as described below. No other alternative courses of action to recover the carrying amount of the asset group were considered since the all of the assets are included in the East Pool.

Asset Group

An asset group is the unit of accounting for a long-lived asset or assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities.

In determining how to group assets at the lowest level for which there are identifiable cash flows that are largely independent of cash flows from other assets groups, we considered whether to include generation, transmission and distribution assets all in one entity level group or use the

generation assets as a stand-alone asset group. Also, we considered whether to include all East operating companies together in one asset group versus just the assets of a stand-alone operating company. We considered all of the East company generation assets as the lowest level.

The non-cost based rate generation assets are not operated separately, but are coordinated and dispatched with the generation assets owned by the other East cost-based regulated operating companies (APCo, KYPCo and I&M). The costs and benefits of the generation assets are shared among all of the East operating companies in the Interconnection Agreement (Agreement). The output of the Ohio Companies' generation plants is available to fulfill the continuing native load obligations of those jurisdictions through the Power Pool Agreements. Due to the nature of electrical energy and the operation of the plants through the Pool, it is impossible to match cash inflows from the sales to cash outflows from either purchased or generated power by unit or by plant.

Based on the above considerations, the generation function group including all East companies that are part of the Agreement, is the lowest level where cash flows can be identified and are largely independent of other assets and thus is the asset group to be used in the recoverability test.

Cash Flow

Since we do not have cash flow statements by function, nor do we forecast by function, we used the attached 2011 Preliminary Long Range Plan to develop the required cash flow. The forecast reflects the capital expenditures necessary to extend the service potential of certain assets. This is inconsistent with the recoverability cash flow analysis required in ASC 360, which calls for cash flows to be based on the existing service potential of the assets at the date they are tested. To compensate for this we deducted the cash flows used for investing activities from the operating cash flows and used the resulting net cash flows to reflect the estimated cash flows achieved from the units existing service potential.

The forecast we used was for 10 years. The forecast model does not project past the 10 year period. We used the year 2020 net cash flows to estimate an additional 20 years cash flow. The use of the 2020 net cash flows was used because these cash flows are believed to be the best estimate of the forecasted cash flows due to the inclusion of significant capital expenditures to comply with environmental requirements which extends the useful lives beyond the current depreciable lives. The current average depreciable life of the Least Exposed units is 23 years; however, the model includes significant cash outflows for construction expenditure to extend the life of the plants, thus a thirty year expected useful life is reasonable. Due to immateriality to the total cash flow, the first 6 months of 2011 were not removed.

Finally, the model does not include any effect of cash from the ultimate sale of any of the plants since these plants are operated in a regulated environment and it would be anticipated that any gain would be returned to the customer.

We applied a 49.8% factor to the 2011 Preliminary Long Range Plan cash flows to estimate the cash flows from the generation function. The June 30, 2011 estimated gross margin was used because it reflects the current rates in effect related to sales other than OSS and also the over/underrecovery of fuel clause in effect in each jurisdiction. The factor represents the estimated generation gross margin for all of the East companies as a percentage of the total gross margin of the combined East companies. This approach is appropriate since the revenues and fuel expenses of the generation function are clearly identifiable on each operating

company. (Note that even though the cash flows are clearly identifiable at the operating level, as mentioned previously the cash flows from each unit is dependent upon the other units in the Agreement.) The revenue is comprised of Sales for Resale (affiliated and non-affiliated) and the portion of Retail sales related to generation as described below. The fuel and purchased power expenses relate only to the generation function.

As information, the Retail sales related to generation are unbundled from the total rate charged customers in one of two ways, depending on the way the billing rates are designed. For an unbundled rate company (OPCO, CSP, APCO-VA and I&M-MI), the billing rates are entered into the MACSS system for G, T and D. Unbundled revenue reports provide the billed and unbilled revenues that support the journal entries to unbundle the revenues.

For a bundled rate company (APCO-WV, WPCO, I&M-IN, and KPCO), the various Rate Departments provide factors by rate schedule that are used to unbundle the revenues. These factors are based on rate studies and are input into the MACSS system, which generates unbundled revenue reports which are used to support the journal entries to unbundle the revenues.

A reduction was made to the cash flows for the effect of the CSPAR rules on Off System Sales. An estimated \$100 million per year for 2012-2014 was made to reflect this effect. After 2014, the affected plants are forecasted to be retired.

C. Conclusion

As shown below, the estimated generation function cash flows are sufficient to recover the companies' generating assets. No further action is required.

(\$ millions)							
Total Company Estimated Cash Flows			East Generation Only				
			Estimated Generation 49.8% of total Revenues Less Est. CSAPR OSS Impact	Generation PP&E Balance July 2011	Excess Estimated Cash Flow versus Balance	Are Assets Recoverable?	
10 year Forecast	20 years based on 2020	30 years (less than average remaining life of assets)					
18,843.5	51,336.0	70,179.5	34,798.8	12,528.6	22,270.3	Yes	

D. Depreciation

ASC 360-10-35-22 states that if a long-lived asset (asset group) is tested for recoverability, it also may be necessary to review current depreciation estimates and method.

The plants are all being depreciated on their estimated remaining life. All of the unit's lives have been revised to reflect the NSR settlement or the most recent lives approved or filed in recent rate cases.

We are analyzing the current CSAPR rules and timelines, the related political discussions and possible outcomes in conjunction with the Ohio Settlement to determine the action to take related to the Ohio units and their related lives. As of the end of the 3rd Quarter 2011, no final decisions have been made to adjustment the depreciation lives. The current lives are appropriate given the possible outcomes.

Attachment

C: J. M. Buonaiuto
J. R. Huneck
J. H. Istvan
T. J. Festi
T. H. Ross
H. E. McCoy
D. A. Davis
O. J. Seever / J. E. Tully-Green
Deloitte

AFFIDAVIT OF JOSEPH E. OLIKER

State of Ohio : S.S.

County of Franklin :

I, Joseph E. Oliker, counsel for the Industrial Energy Users-Ohio ("IEU-Ohio") in the above-captioned case, being first duly sworn, depose and say:

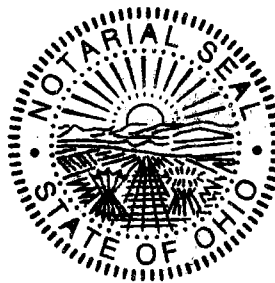
1. That I contacted OP via e-mail on May 1, 2012 and requested copies of confidential information identified in response to OCC-INT-5-092.
2. That, on May 2, 2012, OP stated that IEU-Ohio could only view the confidential information identified in response to OCC-5-092 at AEP and could not make copies.
3. That, on May 3, 2012, I viewed the confidential information identified in response to OCC-5-092 and requested copies from OP.
4. That I contacted OP again on May 8, 2012 and requested via e-mail that OP provide copies of the confidential information identified in response to OCC-5-092.
5. That, on May 8, 2012, OP refused to provide copies of the confidential information identified in response to OCC-5-092.
6. That I contacted OP on May 10, 2012 and again requested copies of the confidential information identified in response to OCC-5-092. I explained that if OP failed to produce the confidential information, IEU-Ohio would file a motion compel production of the requested information.
7. That OP failed to provide confidential information identified in response to OCC-5-092.
8. That, after OP objected to Interrogatory No. 2-001 and Request for Production of Documents No. 2-001 in IEU-Ohio Second Set of Discovery, I contacted OP via e-mail on May 9, 2012, to attempt to resolve the discovery dispute. I explained that the requested information is relevant to this proceeding and it must be produced as required by Commission rules. I explained that if OP failed to provide the requested information, IEU-Ohio would move to compel the production of the information.
9. That OP failed to produce the information requested Interrogatory No. 2-001 and Request for Production of Documents No. 2-001.

10. That, IEU-Ohio has made reasonable attempts to secure the requested materials from OP. Considering OP's objections and failure to respond to IEU-Ohio's discovery requests with respect to OCC-5-092, Int. 2-001 and RPD-2-001, I believe that OP does not intend to transmit responses to the above-referenced discovery requests without action by the Commission that compels OP's responses.
11. That currently the hearing in this matter is scheduled to commence on May 14, 2012, with the first witness to be called on May 17, 2012.


Joseph E. Olier

Sworn before me and subscribed in my presence this 3rd day of December 2010.


Notary Public
State of Ohio



LILLIAN RENÉE GANNON
NOTARY PUBLIC
STATE OF OHIO
Recorded in
Franklin County
My Comm. Exp. 10/7/15

This foregoing document was electronically filed with the Public Utilities

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in

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

Summary: Motion to Compel Discovery Responses and Memorandum in Support
electronically filed by Mr. Matthew R. Pritchard on behalf of Industrial Energy Users-Ohio