EXHIBIT NO. ______

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Power Company for Administration of the Significantly Excessive Earnings Test for 2011 Under Section 4928.143(F), Revised Code, and Rule 4901:1-35-10, Ohio Administrative Code.	))))))	Case No. 13-2249-EL-UNC
In the Matter of the Application of Columbus Southern Power Company for Administration of the Significantly Excessive Earnings Test for 2011 under Section 4928.143(F), Revised Code, and Rule 4901:1-35-10, Ohio Administrative Code.	))))))	Case No. 13-2250-EL-UNC

DIRECT TESTIMONY OF
GARY O. SPITZNOGLE
ON BEHALF OF
COLUMBUS SOUTHERN POWER COMPANY
AND
OHIO POWER COMPANY

Filed: November 22, 2013

INDEX TO DIRECT TESTIMONY OF
GARY O. SPITZNOGLE

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OHIO POWER COMPANY

PERSONAL DATA

Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?

A. My name is Gary O. Spitznogle and my business address is 850 Tech Center Drive, Gahanna, Ohio 43230.

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

A. I am employed by the Ohio Power Company, dba AEP Ohio (the "Company) a unit of American Electric Power (AEP). My title is Vice President, Regulatory and Finance of AEP Ohio. Until December 31, 2011, AEP Ohio was comprised of Columbus Southern Power Company (CSP) and Ohio Power Company (OPCo). AEP Ohio executed a merger of CSP into OPCo as authorized by the Public Utilities Commission of Ohio's (Commission) December 14, 2011 Opinion and Order in Case Nos. 11-346-EL-SSO and 11-348-EL-SSO.

Q. WHAT ARE YOUR RESPONSIBILITIES AS VICE PRESIDENT, REGULATORY AND FINANCE OF AEP OHIO?

A. I am primarily responsible for regulatory operations, regulated electric pricing, and financial performance related to AEP Ohio, including planning and executing rate filings before this Commission. I report directly to AEP Ohio's President and Chief Operating Officer. I am also responsible for managing the Company's financial operating plans including various capital and O&M operational budgets that interface with all other AEP organizations affecting the Company's performance. As part of the financial strategy, I work with various AEP Service Corporation (AEPSC) departments to ensure that adequate resources such as debt, equity and cash are available to build, operate, and maintain AEP Ohio's electric system assets providing service to our retail and wholesale customers.

Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?

A. I earned a bachelor-of-science degree in chemical engineering with an environmental option in 1998 from The Ohio State University. I began my career with AEP Ohio in 1997 as an environmental technician at the Conesville Generating Station. I served at the Conesville Generating Station until 2001 when I accepted a position as a lead engineer in Engineering Services at AEPSC. I then served in several other engineering positions before I was named Manager of Air Emissions Optimization in 2002. I was promoted to Manager of New Generation Development in 2006, and then Manager of Integrated Gasification Combined Cycle and Carbon Sequestration and Storage Engineering in 2008. I then advanced to the position of Director of New Technology Development and Policy Support in 2010. I assumed my current role in 2013.

PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I am AEP Ohio's overall policy witness supporting AEP Ohio's position that OPCo and CSP (collectively "the Companies) pass the statutory Significantly Excessive Earnings Test (SEET) for 2011. My testimony is supported by other witnesses testifying on behalf of AEP Ohio in these proceedings and takes into account the Commission's Finding and

Order in Case No. 09-786-EL-UNC (09-786), Opinion and Order in the 2009 SEET Case No. 10-1261-EL-UNC (10-1261), and Opinion and Order in the 2010 SEET, Case Nos. 11-4571 and 11-4572-EL-UNC (11-4571). Additionally, I am sponsoring the AEP 2011 Form 10K annual report, and the Federal Energy Regulatory Commission (FERC) Form 1's (Form 1) for OPCo[1].

Q. ARE YOU SPONSORING ANY EXHIBITS AS A PART OF YOUR TESTIMONY?

A. Yes, I am sponsoring Exhibit GOS-1 which sets forth the actual capital investments for the 2009-2011 Electric Security Plan (ESP) term. For informational purposes, I have also included in Exhibit GOS-1 actual capital investments for 2012 and projected capital investments for 2013.

<u>OVERVIEW OF THE SEET</u>

Q. PLEASE BRIEFLY DESCRIBE THE SEET PROCESS.

A. Senate Bill 221 (SB 221) required electric distribution utilities (EDUs), beginning January 1, 2009, to provide consumers with a standard service offer (SSO) including a firm supply of electric generation service, consisting of either an ESP or a market rate offer (MRO). Section 4928.143(F), Ohio Revised Code, requires EDUs operating under an ESP to demonstrate that their earned return on common equity (ROE) is not significantly in excess of the ROE earned during the same period by publicly traded companies that face comparable business and financial risk. I have been advised by Counsel, that the SEET filing requirements, as detailed in Rule 4901:1-35-03(C)(10)(a),

[1] Both reports for 2011 can be found at the following site: http://www.aep.com/investors/FinancialFilingsAndReports/Filings/

O.A.C., state that the EDU with an established ESP shall provide testimony and analysis which shall include: 1) the EDU's ROE earned during the annual review period as compared to the ROE earned by comparable companies during the same period; 2) the FERC Form 1 in its entirety for the annual review period for the EDU; 3) the latest SEC Form 10K for the EDU; and 4) the capital budget requirements for future committed investments in Ohio for each annual period remaining in the ESP for the EDU.[2]

Q. PLEASE BRIEFLY DESCRIBE THE HISTORY OF THE SEET WITH RESPECT TO AEP OHIO.

A. On March 18, 2009, the Commission issued an Opinion and Order in Case Nos. 08-917 and 08-918-EL-OSS, modifying and approving the Companies' ESP for the years 2009 through 2011 (ESP I). In 2009, the Commission initiated Case No. 09-786 to provide SEET guidance to Ohio EDUs. Through the 09-786 case, the Commission provided guidance and interpretations regarding how it would apply the SEET. As a result, in September 2010, AEP Ohio filed their 2009 SEET application in Case No. 10-1261, and on January 11, 2011, the Commission issued its Opinion and Order. The Company filed its 2010 SEET application in 11-4571 on July 29, 2011, and on October 23, 2013 the Commission issued its Opinion and Order. On August 8, 2012, the Commission issued its Opinion and Order in Case Nos. 11-346-EL-SSO and 11-348-EL-SSO, modifying and approving AEP Ohio's proposed ESP for the period of September 2012 through May 2015 (ESP II).

<u>WITNESSES IN THE CASE AND SPONSORED TESTIMONY</u>

Q. HOW IS THE SEET FILING ORGANIZED?

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[2] Section 4901:1-35-03(C)(10)(a), O.A.C.

A. AEP Ohio has three witnesses supporting various key issues for the 2011 SEET calculation. The following table – Table 1: Witnesses in the 2011 SEET – summarizes and serves to introduce the witnesses, the general subject area each is sponsoring, and a brief description of the respective testimony.

Table 1: Witnesses in the 2011 SEET

Witness	General Subject Area	General Description of Testimony
Gary O. Spitznogle	General Policy Witness	• Overview of 2011 SEET requirements and calculations • Update of committed investments
Thomas E. Mitchell	Regulatory accounting for SEET calculation	• Earned ROEs for CSP and OPCo • Regulatory accounting information for 2011 SEET
Dr. Anil K. Makhija	• Quantification of Significantly Excessive • ROE of comparable risk group	• ROE for 2011 comparable risk group • Significantly excessive earned ROE

<u>ROE OF THE COMPARABLE RISK GROUP OF PUBLICLY TRADED COMPANIES</u>

Q. WHAT WAS THE MEAN ROE EARNED, ON AVERAGE, DURING 2011 BY PUBLICLY TRADED COMPANIES WITH BUSINESS AND FINANCIAL RISKS COMPARABLE TO OPCo AND CSP?

A. AEP Ohio witness Dr. Makhija has determined that the mean earned ROE during 2011 for publicly traded companies that faced comparable business and financial risks as OPCo and CSP, was 11.97%**.** For more detail behind his analysis, please see Dr. Makhija's direct testimony.

Q. WHAT IS THE LEVEL FOR 2011, ABOVE THE AVERAGE EARNED ROE OF THE COMPARABLE RISK GROUP OF COMPANIES, WHERE THE EARNED ROE MAY BECOME SIGNIFICANTLY EXCESSIVE?

A. Dr. Makhija has determined that the level at which the Companies' earned ROEs may become significantly in excess of the average earned ROE of the comparable risk group of publicly traded companies is 24.32%. For more detail behind his analysis, please see Dr. Makhija's direct testimony.

Q. WHAT IS THE LEVEL FOR 2011, ABOVE THE AVERAGE EARNED ROE OF THE COMPARABLE RISK GROUP OF COMPANIES, WHERE THE EARNED ROE MAY BECOME SIGNIFICANTLY EXCESSIVE, IF ONE USED THE THRESHOLD METHODOLOGY AS DESCRIBED BY THE COMMISSION OPINION AND ORDER IN THE 11-4571 CASE?

A. As explained by Company witness Dr. Makhija in his direct testimony, the mean earned ROE for 2011 of the "Utilities Select Sector SPDR (XLU)" comparable risk group that the Commission used, calculated in the manner the Commission utilized in its order in the 11-4571 case, is 10.71%. An adder to that baseline mean earned ROE based on a 95% confidence level, which the Commission's order indicated would be appropriate, would equate to 1.96 standard deviations of the ROEs for the comparable risk group, or 7.14%, according to Dr. Makhija. When added to that comparable risk group's mean earned ROE, the SEET would be 17.85%. Alternatively, if calculated using 1.64 standard deviations, which the 11-4571 order actually used, the adder would be 5.97%, and the SEET threshold would be 16.68%. Please see Dr. Makhija's testimony for further details on these calculations.

<u>AEP OHIO'S EARNED ROE FOR 2011</u>

Q. WHAT IS AEP OHIO'S EARNED ROE FOR 2011 FOR THE SEET?

A. Company witness Mitchell has determined that AEP Ohio's earned ROE for 2011 is 12.12% for CSP and 8.56% for OPCo. For details on the CSP and OPCo earned ROE calculations, please see Company witness Mitchell's direct testimony.

Q. HOW DOES AEP OHIO'S EARNED ROE FOR 2011 COMPARE TO THE COMPARABLE RISK GROUP'S THRESHOLD ROE?

A. AEP Ohio's earned ROE for 2011 of 12.12% for CSP and 8.56% for OPCo are below the comparable risk group's SEET ROE threshold of 24.32%, recommended by Dr. Makhija. Additionally, both of the Companies' earned ROEs for 2011 are below the 17.85% level that results from calculating the threshold in a manner consistent with how the Commission calculated it for 2010, using an adder based on 1.96 standard deviations (i.e., a 95% confidence level). They are both also below the 16.68% level that results from calculating the threshold using 1.64 standard deviations as the adder.

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

A. Yes. The Commission also concluded that for SEET purposes, any Ohio electric utility's earnings found to be less than 200 basis points above the mean ROE of the comparable risk group of companies would not be significantly excessive.[3] 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 2011?

A. Yes. Neither OPCo's nor CSP's earned ROE exceeded 13.97%, which is 200 basis points above the 11.97% mean earned ROE of the comparable risk group recommended by Dr. Makhija. Each Company's earned ROE is also below a safe harbor threshold of

[3] 09-786, Order at 29 (June 30, 2010) and 11-4571, Order at 27-28 (October 23, 2013)

12.71%, calculated by adding 200 basis points to the XLU group's mean earned ROE for 2011 of 10.71%. Thus, both OPCo's 2011 earned ROE of 8.56% and CSP's earned ROE of 12.12% are within the "safe harbor" established by the Commission and would not be subject to further SEET analysis. The AEP Ohio ROE calculations that are compared to the safe harbor test for AEP Ohio are provided by Company witness Mitchell in Exhibit TEM-1.

Table 2: Summary of 2011 ROE Comparisons

Comparison For 2011	**Makhija SEET Threshold ROE Test**	**Makhija Safe Harbor ROE Test**	**SPDR (XLU) Safe Harbor ROE Test**
ROE Threshold	**24.32%**	**13.97%**	**12.71%**
CSP Earned ROE	**12.12%**	**12.12%**	**12.12%**
OPCo Earned ROE	**8.56%**	**8.56%**	**8.56%**
Test Results	**CSP and OPCo Pass**	**CSP and OPCo Pass**	**CSP and OPCo Pass**

ADJUSTMENTS TO THE SEET

Q. HOW ARE OFF-SYSTEM SALES NET MARGINS TREATED IN THE 2011 SEET?

A. Consistent with the Commission's SEET-related orders described above, AEP Ohio excluded off-system sales (OSS) net margins, after federal and state income tax, from the calculation of the 2011 ROE. This adjustment aligns to the Commission's interpretation and guidance under Section 4928.143(F), Revised Code, that OSS net margins and the related equity in generation and transmission facilities should be excluded from the SEET calculation[4] since OSS net margins are not a result of rate adjustments included in CSP's or OPCo's ESP.

Q. DID THE COMPANY HAVE OTHER ADJUSTMENTS TO THE 2011 SEET?

A. Yes. As detailed by Company witness Mitchell, adjustments have been removed from the Company's 2011 earned ROE calculations for special accounting items related to the impairment of certain OPCo generating assets and costs for OPCo and CSP for a carbon capture and storage preliminary engineering/design study. Please see witness Mitchell's testimony for additional details on these adjustments.

Q. WHY ARE THESE OTHER ADJUSTMENTS REMOVED FROM THE EARNED ROE CALCULATION FOR THE 2011 SEET?

A. In accordance with Commission guidance, these adjustments to AEP Ohio's 2011 SEET ROE are considered special accounting items and thus, removing them from the earned ROE maintains comparability with the earned ROEs of the comparable risk group of companies.

CAPITAL INVESTMENTS AND OTHER CONSIDERATIONS

Q. WHAT ARE SOME ADDITIONAL FACTORS, BESIDES THE EARNED ROE CALCULATIONS DISCUSSED ABOVE, THAT THE COMMISSION INDICATED IN ITS 09-786 ORDER THAT IT WOULD CONSIDER IN EVALUATING WHAT IS SIGNIFICANTLY EXCESSIVE?

A. The Commission indicated that factors, such as: 1) the EDU's most recently authorized return on equity; 2) the EDU's risk, including whether the EDU owns generation, whether the ESP includes a fuel and purchased power adjustment, the rate design and

[4] 11-4571, Order at 14-15 (October 23,2013)

mechanisms established, and whether the EDU is subject to weather and economic risk; 3) capital commitments and future capital requirements; 4) management performance and benchmark indicators; 5) innovation and industry leadership, including investments in advanced technology and practices; and 6) the extent which the EDU has advanced state of Ohio energy policy.

Q. HOW DOES AEP MAINTAIN ENERGY INDUSTRY LEADERSHIP?

A. Throughout its century-plus history, AEP has led the industry through enhancements and technological advances to the generation, transmission, and distribution components of the electric industry. Some examples of these advancements are the first supercritical and ultra-supercritical coal-fired generating plants, development and construction of 765-kV transmission lines, and deployment of sodium-sulfur (NAS) batteries. AEP has also created new and innovative ways to provide power for today while preparing for the needs of tomorrow, such as developing and operating a product validation facility for carbon capture and storage and then partnering with the Department of Energy (DOE) on an engineering study to scale the technology commercially. Our commitment to environmental compliance is evidenced by our focus on finding reasonable, achievable, and affordable solutions that meet increasingly stringent state and federal energy regulations that properly address environmental issues in a realistic, cost effective manner. For example, deployment of alternative control technology to meet the Mercury and Air Toxics Standards (MATS) Rule at an AEP Ohio affiliate’s twin 1300-MW generating units, which saved approximately $1 billion.

In implementing the Commission’s Alternative Energy Portfolio Standard rules, AEP Ohio led a demand side management (DSM) collaborative to develop energy efficiency and peak demand response programs (EE/PDR) and gridSMART® initiatives. Through implementing these programs, AEP Ohio customers have the potential to save through reduced electricity bills over the life of the programs and help reduce power plant emissions. As our Portfolio Status Report indicates, AEP Ohio's energy efficiency and peak demand response programs have been very successful, meeting or exceeding the benchmark requirements for both areas. Additionally, AEP Ohio has been undertaking infrastructure and technology enhancements for the gridSMART® Phase 1 project. This project demonstrates AEP Ohio's leadership in the industry and includes the installation of smart meters, distribution automation equipment, real-time pricing, demand dispatch, and integrated volt-var control circuits to enhance the electricity infrastructure. Additionally, meeting certain project requirements, obligations, and data collection criteria allowed the gridSMART® project to obtain 50 percent funding through the Department of Energy, and thus limit Ohio customer impact while enhancing their ability to save energy.

In response to SB 221, AEP Ohio has demonstrated its leadership in the industry by embracing and harnessing new generation resources such as wind, biomass, and solar to comply with Ohio's renewable portfolio standard. In 2010, AEP Ohio initiated a process that would help develop and grow the alternative energy supply chain in the state. The goal was to increase alternative energy jobs in Ohio across the entire electricity supply chain. For example, AEP facilitated development of an 80-acre solar project located in Wyandot County as Ohio's first utility-scale solar power facility in which all the output is purchased through contract by AEP Ohio. Thus, AEP Ohio is promoting diversity of electricity supplies and suppliers while maximizing Ohio economic development value within the state.

Q. WHAT ARE THE BUSINESS AND FINANCIAL RISKS FACED BY AEP OHIO DURING THE ESP 2009-2011 TERM?

A. The most prevalent risks faced by AEP Ohio include: 1) recovery of costs to comply with new and anticipated environmental regulations; 2) customer expectations of low electricity bills coupled with increasing performance expectations; 3) customer migration within the state; 4) ongoing regulatory litigation; and 5) a stagnant national and state economy. Due to rapid changes within the electric utility industry, AEP Ohio is not only challenged to invest in new technologies to advance state standards, but to also accelerate investment for replacing aging infrastructure. Regulatory lag in recovery of capital investment compounds the risk that sufficient funding will be available for needed capital investment. This lag becomes more financially burdensome as the cost of infrastructure investment escalates, coupled with the public's pressure on regulators to limit rate increases. Finally, the Commission adopted a modified 2009-2011 ESP as a package and AEP Ohio undertook to operate under the three-year ESP beginning in year 2009. Focusing on one-year increments through the SEET process does not capture the full extent of these risks faced by AEP Ohio throughout the entire three-year term of ESP I. Thus, while AEP Ohio effectively manages our business and operations, AEP Ohio is nonetheless at risk and subject to SEET risk on an annual basis.

Q. PLEASE EXPLAIN THE REGULATORY RISKS ASSOCIATED WITH ENVIRONMENTAL INVESTMENTS.

A. With pending federal environmental investment compliance mandates facing the Company, AEP Ohio will be permanently retiring certain-owned Ohio generation plants and units, while other Ohio units have required costly retrofits to comply.[5] AEP Ohio is not assured of recovery of its existing generation assets due to changes in state regulatory views and federal environmental statutes within a rapidly changing market. Investing in large environmental retrofits with concurrent recovery established through a rate mechanism bypassable by shopping customers can lead to increased risk from a market perspective. Establishing sustainable regulatory mechanisms is critical to the current and future decision-making process across the generation portfolio. Although the ESP I includes a fuel adjustment clause for recovery of fuel costs, the collection of these amounts is limited to an annual threshold and is bypassable. Negative market rating consequences may result with prolonged uncertainty regarding cost recovery within the state of Ohio.

Q. PLEASE EXPLAIN THE REGULATORY RISK IMPACTS ON CUSTOMERS.

A. Balancing customer expectations for better EDU performance while continuing to be a low cost utility within the state of Ohio is an ever increasing risk for AEP Ohio. As the economy lags, the increased pressure on regulators to maintain existing utility electric rates can create regulatory lag issues for EDUs. One way regulators can alleviate the pressure to control rates is to defer previously spent utility costs to the balance sheet. And, while deferrals delay the immediate collection of rates in the near term, deferrals can increase regulatory lag and eventually impact customers when the time comes to pay for those deferrals. This rate volatility impacts the timing of cash flow which can also potentially impact an EDU's credit ratings. Rate volatility, combined with our desire to

[5] See 6/9/2011 Press Release, *AEP Shares Plan for Compliance with Proposed EPA Regulations*

fulfill increased customer expectations regarding reliability, increasing infrastructure mandates and investment requirements, put electric utilities and regulators under very different demands. In Ohio, a combination of outstanding deferred assets, SB 221 requirements, environmental mandates, and ESP timing, has forced AEP Ohio into an elevated level of risk.

Q. PLEASE EXPLAIN CUSTOMER SERVICE RELIABILITY RISKS.

A. Managing customer service reliability is of utmost concern for AEP Ohio. The information shown in the following chart – Chart 1: AEP Ohio Reliability Indices – below reflects both the System Average Interruption Frequency Index (SAIFI) and the Customer Average Interruption Duration Index (CAIDI) indices used to gauge service reliability for AEP Ohio. As reflected in these indices from 2008-2011, the SAIFI index for frequency of interruption is on par in 2011 as compared to recent years for AEP Ohio. The CAIDI index is slightly elevated in 2011, but is comparable to previous years as well. While these reliability indices indicate steady performance over recent years, AEP Ohio will need to make substantial and continuing investments in infrastructure to maintain or improve its reliability performance.

Chart 1: AEP Ohio Reliability Indices

(Per O.A.C. Rule 1-10-10(B))

12 Months Ending	SAIFI	CAIDI
Dec-08	1.437	152.7
Dec-09	1.117	126.9
Dec-10	1.094	138.2
Dec-11	1.230	145.6

Q. PLEASE EXPLAIN CUSTOMER MIGRATION RISKS.

A. The state of Ohio is unique compared to fully-regulated jurisdictions in that significant customer switching to other energy suppliers has occurred over the 2009-2011 ESP period. Additionally, there is a potential that high customer switching levels will continue into the future due to increases in governmental aggregation. At December 31, 2011, 19% of AEP Ohio load had switched to Competitive Electric Retail Service (CRES) providers. This migration has accelerated since then to reach nearly 58% at the end of October 2013, illustrating the risk AEP Ohio faces. Additionally, migrating customers can return at any point to their jurisdictional EDU based on the decision of their CRES provider and/or the market price fluctuations. As defined by SB 221, these customer shopping risks are unique to the state of Ohio.

Q. HOW SHOULD THE COMMISSION CONSIDER FUTURE COMMITTED INVESTMENTS OF AEP OHIO DURING THE 2009-2011 ESP TERM IN REGARD TO THE RISKS DESCRIBED ABOVE?

A. The Commission has the flexibility to consider an EDU's upcoming capital investments when determining whether or not significantly excessive earnings for the EDU exists. Specifically, consistent with the Commission's order in the 10-1261 case, Section 4928.143(F) provides the Commission with the latitude to consider the capital spending commitments that an EDU must meet in the near future in determining whether the EDU's earnings should be considered significantly excessive.

Q. WHAT INFORMATION HAS AEP OHIO PROVIDED TO IDENTIFY THE CAPITAL REQUIREMENTS OF FUTURE COMMITTED INVESTMENTS?

A. AEP Ohio's actual annual capital expenditures for 2009-2012 are contained in Exhibit GOS-1 attached to my testimony. Exhibit GOS-1 shows that AEP Ohio invested approximately $1.6 billion during the ESP term, with an additional $524 million spent in 2012 and $615 million committed in 2013 – a tremendous amount of capital to invest in a relatively uncertain regulatory environment. The Commission should consider these capital expenditures and weigh the value of these investments in light of the risks AEP Ohio faces when making its 2011 SEET decision.

Q. IS THIS CAPITAL BUDGET INFORMATION RELIABLE AND ACCURATE?

A. Yes. The data provides a consistent picture of AEP Ohio's actual and future committed capital investments in Ohio during the ESP term. This information reflects actual data associated with the total construction expenditures during the term of ESP I and 2012 as well as future projected capital expenditures during 2013.

Q. HAS AEP OHIO ADVANCED STATE POLICY?

A. Yes. AEP Ohio and its employees are active members of the communities we serve. Not only is AEP Ohio investing capital assets and facilities within the state of Ohio, but during 2011, AEP Ohio also paid more than $570 million in Ohio payroll and approximately $366 million in property, state, and local taxes. These amounts do not include expenditures for philanthropic contributions and purchases of Ohio goods and services. Additionally, as explained above, AEP Ohio is currently advancing SB 221 and other state policies in Ohio. AEP Ohio led the implementation of EE/PDR programs that resulted in AEP Ohio achieving 172 percent of its energy and 265 percent of its demand benchmark requirements, respectively, at the end of 2011. AEP Ohio's gridSMART® project is advancing electric infrastructure development by testing and implementing advanced smart grid technologies. Contributions to the emerging solar power industry through AEP Ohio's commitment to purchase and invest in Ohio renewable solar power on a commercial basis beginning in 2010 demonstrates AEP Ohio's advancement of Ohio renewable goals. Finally, AEP Ohio has made contributions to the Partnership with Ohio Fund during the 2009-2011 ESP to be used across the AEP Ohio territory for food banks, United Way programs, and other public-private partnerships in the state and local economic development arenas.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

AEP Ohio Construction Expenditures
$ in thousands (excluding AFUDC)

	Actual				Forecast
	2009	**2010**	**2011**	**2012**	**2013**
Generation/Environmental	$362,434	$190,071	$190,033	$211,895	$234,588
Transmission	$94,552	$74,119	$45,870	$86,596	$135,811
Distribution	$191,660	$165,882	$176,384	$202,742	$209,720
Corporate/Other	$21,332	$21,392	$25,643	$23,207	$34,710
Total	**$669,978**	**$451,464**	**$437,930**	**$524,440**	**$614,829**