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PUCO

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Investigation Into The)
Development Of The Significantly Excessive)
Earnings Test Pursuant to S.B. 221 For Electric) Case No. 09-786-EL-UNC
Utilities)

**JOINT REPLY COMMENTS OF
THE OFFICE OF OHIO CONSUMERS' COUNSEL,
THE OHIO MANUFACTURERS' ASSOCIATION,
THE OHIO HOSPITAL ASSOCIATION,
THE OHIO ENERGY GROUP AND CITIZEN POWER, INC.**

The OCC (representing 4.5 million residential customers), the OMA (representing over 1600 large and small industrial manufacturers), the OHA (representing 170 primary care facilities and 40 health systems across Ohio) the OEG (representing 22 of Ohio's most energy-intensive industries) and Citizen Power, Inc. (a not-for-profit research education and advocacy agency) referred to herein as "Customer Parties" submit these Joint Reply Comments to the December 14, 2009 Comments of Columbus Southern Power Company, Ohio Power Company, Duke Energy Ohio, Dayton Power and Light, Cleveland Electric Illuminating, Toledo Edison and Ohio Edison (collectively "Utilities").

I. INTRODUCTION

In SB 221, the Legislature--by near unanimous vote--determined that this Commission should once again regulate the full earnings (generation, transmission, and distribution) of the investor owned electric utilities serving Ohio. This was an historic change from the deregulation of generation service which existed previously.

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The SEET process is one of the strongest regulatory tools the Commission has under S.B. 221, and it should be utilized, not squandered. The Commission can use the SEET process to: 1) promote economic development and customer satisfaction by refunding excess profits; 2) influence fundamental management decisions, such as which Regional Transmission Organization (RTO) a utility should be a member of; and 3) manage the level of prospective ESP rate increases. With the market price for electric power currently low, the risk that a generation-owning utility might terminate its ESP after a SEET refund and opt for an MRO is small. Therefore, the Commission is now in a strong position to establish reasonable procedures for enforcing the SEET process.

Below is a chart showing the ROE earned by each of the Utilities for the 12 months ended September 30, 2009. The ROE for Columbus Southern was 19.42%. In particular, we believe that this after-tax profit margin is excessive under the SEET, especially given the hardships being faced by almost all other segments of the Ohio economy. The issues being decided here will set the stage for either rate relief for consumers or continued excess profits.

Ohio Utility Companies
Revenue Requirement/Refund for Each 1% Change in Return on Common Equity
Twelve Months Ending September 30, 2009
(\$000's)

Source: FERC Form 1/3-Q Pages 112, 114, 115, 117

	Toledo Edison Company	Ohio Edison Company	Cleveland Electric Illuminating Company ⁽²⁾	Columbus Southern Power Company ⁽³⁾	Ohio Power Company ⁽³⁾	Duke Energy/CGE ⁽⁴⁾⁽⁵⁾	Dayton Power and Light Company
Total Common Equity - September 30, 2008	496,504	1,459,576	1,801,908	1,293,712	2,537,977	2,660,039	1,485,838
Unadjusted Total Common Equity - September 30, 2009	482,393	1,248,651	1,322,693	1,318,133	3,220,631	1,706,774	1,382,353
Adjustments to Total Common Equity			138,013			727,000	
Adjusted Total Common Equity - September 30, 2009	482,393	1,248,651	1,460,907	1,318,133	3,220,631	2,433,774	1,382,353
Average Adjusted Common Equity - September 30, 2009	489,448	1,354,114	1,531,408	1,305,923	2,879,404	2,546,907	1,434,096
Unadjusted Net Income - Total Company	(1) 19,892	126,094	33,131	253,561	215,257	(380,215)	276,492
Adjustments to Net Income			138,013			727,000	
Adjusted Net Income - Total Company	19,892	126,094	171,144	253,561	215,257	346,785	276,492
% ROE	4.05%	9.31%	11.18%	19.42%	7.48%	13.62%	19.28%
Each 1% ROE	4,894	13,541	15,314	13,059	28,794	25,469	14,341
Gross-Up Factor	(6) 1.5385	1.5385	1.5385	1.5385	1.5385	1.5385	1.5385
Rev Req/Refund for Each 1% ROE	7,530	20,833	23,560	20,091	44,299	39,183	22,063

(1) Net Income for the twelve months ended September 30, 2009 does not reflect reduction for preferred dividends. (affects only Dayton P&L and Ohio Power and only by minimal amounts)

(2) Cleveland Electric net income and common equity were adjusted to remove the one-time after tax effect of the \$216 million RTC regulatory asset write-off as stipulated in the Amended ESP. The combined income tax rate utilized in the adjustment was 36.105% assuming 35% federal income tax and 1.7% 2009 remaining state franchise tax rates.

(3) Columbus Southern and Ohio Power net income and common equity were not adjusted to remove the one-time net income reductions for refunds payable from the AEP West to AEP East companies. Negative adjustments to net income were recorded in December 2008 for each of the AEP East companies to reflect the FERC ordered relocation of off-system sales margins. According to financial statement notes, the FERC concluded that AEP had deviated from the off-system sales margin allocation methods in the AEP STA and the CSW Operating Agreement during the period June 2009 through March 2006, ordering refunds to be paid by the AEP East Companies to the AEP West Companies. If the net income and common equity had been adjusted to remove these one-time effects, the earned ROE percentage would have been 21.33% and 8.80% for Columbus Southern and Ohio Power, respectively.

(4) The Duke Energy-Ohio Form 1 common equity was reduced to remove the acquisition premium from the paid in capital component in accordance with the settlement agreement in Case Nos. 08-920-EL-SSO, 08-921-EL-AAM, 08-922-EL-UNC and 08-923-EL-ATA. The paid in capital component of common equity was reduced from \$5,570 billion to \$1,447 billion to remove the acquisition premium. The amount of the acquisition premium adjustment is noted on page 253 in the 2006 Form 1 for FERC account 211 which reads "Purchase Accounting Valuations due to Merger w/Duke Energy." The same amount was removed from September 30, 2008 and September 30, 2009 common equity.

(5) Duke Energy-Ohio net income and common equity were not adjusted to remove net income effects of merger with Cinergy, mark to market accounting or nonrecurring gains/losses except for the \$727 million goodwill impairment charge in 2009. Although these amounts are required to be removed from Duke Energy-Ohio's net income for the SEET pursuant to the settlement in Case Nos. 08-920-EL-SSO, 08-921-EL-AAM, 08-922-EL-UNC and 08-923-EL-ATA, the information is not publicly available to quantify these adjustments. The effects of the third quarter 2009 \$727 million goodwill impairment charge on net income and common equity were removed.

(6) Federal income tax rate of 35% used in gross-up factor. The income based franchise tax will be completely phased out by 2010 due to effects of Ohio House Bill 66.

II. JOINT REPLY COMMENTS

QUESTION 1:

SHOULD OFF-SYSTEM SALES (OSS) BE INCLUDED IN THE SIGNIFICANTLY EXCESSIVE EARNINGS TEST (SEET) CALCULATIONS?

Staff's Recommendation:

Staff recommends that off-system sales (OSS) should be included in the net earnings used to calculate return on equity for the SEET.

AEP's Comments:

AEP objects to Staff's recommendation on the following grounds:

- (1) OSS revenues are not an adjustment to AEP Ohio's ESP. Consequently, it would be unreasonable to treat earnings that result from wholesale transactions and also that are not the result of any adjustment included in a provision of the EDU's ESP as significantly excessive.
- (2) AEP Ohio believes that OSS margins result from wholesale, not retail, transactions whose rates are authorized by the FERC, and ordering earnings that result from FERC jurisdictional wholesale rates to be returned to retail customers would be unlawful.

DP&L's Comments:

DP&L argues that off-system sales are wholesale transactions not subject to PUCO jurisdiction. It argues that it is inappropriate to include non-jurisdictional revenues in the determination of SEET. DP&L also claims that if Staff's recommendation is accepted, it would have the effect of discouraging utilities to make off-system sales placing customer and shareholder interests at odds.

Duke's Comments:

Duke did not comment on this issue. Duke has agreed to Staff's recommendation in its ESP stipulation.

FE's Comments:

FE did not comment on this issue.

Customer Parties' Reply Comments:

SB 221 compares all of the earnings of the utility with all of the earnings of comparable companies. Columbus Southern, Ohio Power and DP&L would have the PUCO compare only part of their utility earnings with 100% of the earnings of comparable companies. This is asymmetrical and would bias the earnings comparison.

Off-system sales are made from power plants whose costs are included in the ESP rates, in some shape or form. Additionally these power plants are financed by the capitalization (debt and equity) that is included in the ROE computation. Traditionally, the PUCO has required electric utilities to share profits of off-system sales between customers and utilities.¹ The sharing of the profits from off-system sales is an issue of fairness. Moreover, the sharing of off-system sales profits promotes the policy of the state to ensure the availability of reasonably priced retail electric service.

Nonetheless, the Utilities would have consumers pay for the power plants and not receive credit for the profits from sales that are made from those plants. In 2007, profits from off-system sales were \$146.7 million for Ohio Power and \$124 million for

¹ See for e.g. In the Matter of the Application of the Cleveland Electric Illuminating Company for an Increase in Rates, Case No. 84-188-EL-AIR, Opinion and Order at ¶ 61-65 (March 7, 1985).

Columbus Southern.² During the period of the AEP Ohio ESP, the projected profit from off-system sales is approximately \$791 million.³ Ignoring these huge margins would be a windfall to the utilities and unfair to consumers. The power plants included in the ESP rates are responsible for huge amounts of off-system sales. In 2008, 53.8% of Ohio Power's sales (MWh) were off-system (sales for resale) and for Columbus Southern the number was 29.9%. See Attachment 1. In other words, most of the output from Ohio Power's power plants was sold off-system.

Since 2007 the market price for electricity has fallen, but whatever amount of profit earned by selling power into the wholesale market from power plants that have been and are currently being paid for by Ohio retail consumers, should not only be a credit to customers' ESP rates, but should also be reflected in the SEET.

Indeed, OCC has appealed to the Ohio Supreme Court the PUCO's failure, in Case No. 08-917-EL-SSO (AEP Ohio's ESP proceeding) to use profits from off-system sales to reduce ESP rates.⁴ In the AEP Ohio ESP proceeding, OEG witness Kollen testified that in each of the jurisdictions that AEP operates, profits from off-system sales are used by the state commissions to lower rates.⁵ Therefore, AEP's position would discriminate against Ohio, compared to West Virginia, Virginia, Kentucky, Indiana, and Michigan. Similarly, Kroger's witness Higgins presented testimony recommending a credit to customers for profits for off-system sales. A fuel adjustment charge without such a credit is "asymmetrical and fundamentally unreasonable," he opined.⁶

² Kollen Direct Testimony at 14, Case No. 08-917-EL-SSO.

³ OCC Ex. 6 at 7-8; OCC Ex. 7, Case No. 08-917-EL-SSO.

⁴ Notice of Appeal (November 5, 2009), Ohio Supreme Court Case No. 09-2002.

⁵ Kollen Direct Testimony at 14.

⁶ Higgins Direct Testimony at 9.

The Utilities' position is also inconsistent with the energy efficiency mandates of SB 221. As consumers pay for the costs of energy efficiency, the power which is conserved is available to be sold in the off-system sales market. For example, in 2009 AEP Ohio's energy efficiency programs saved 303,410 MWH, which freed up a like amount of power for resale in the wholesale market. (See Attachment 2). If off-system sales margins are included in the SEET, they can serve as a form of off-set to the energy efficiency costs. But under AEP's position, consumers would pay the full energy efficiency costs and AEP would keep the added off-system sales profits that are made available by reduced consumption in Ohio.

AEP makes a legal argument that including the off-system sales profits in the SEET violates the federal power act. None of the cases it cites support that claim.⁷ These cases stand for the proposition that when a utility prudently incurs FERC-approved costs, the state may not deny collection of such costs in retail rates. None of the cases deal with the retail ratemaking treatment of off-system sales margins derived from power plants included in retail rates.

QUESTION 2:

SHOULD THE COMMISSION DETERMINE SEET ON A SINGLE ENTITY BASIS OR COMPANY-WIDE BASIS?

Staff's Recommendation:

The SEET should be calculated for the single entity, being the Applicant.

⁷ See Columbus Southern Power Company's and Ohio Power Company's Initial Comments at 3-5 and Footnote 1.

AEP's Comments:

AEP maintains that there are compelling policy reasons for performing the SEET on Columbus Southern and Ohio Power on a combined basis. These policy considerations include the promotion of efficient investment and operating practices and to seek out and achieve economies of scale. AEP also argues that it will be unfair to the common shareholders to require an affiliate EDU to refund excessive earnings while another affiliated EDU may be simultaneously earning a return on common equity that is below an excessive return. In addition, AEP argues that the application of SEET should be on the same combined basis that was used by the Commission in analyzing the ESP. AEP Ohio also contends that the reference to "affiliates" in the statute addresses only related entities that are not electric distribution utilities, such as competitive retail electric service providers or generation-only and transmission-only companies. AEP claims the statute does not preclude the Commission from considering the combined return on equity of the affiliated EDUs.

DP&L's Comments:

DP&L did not comment on this issue.

Duke's Comments:

Duke has concerns with the recommendation of the Staff. Duke is proposing that a different treatment be applied to wholly-owned subsidiaries, which is unique to Duke. Duke Energy Kentucky is wholly-owned by Duke Energy Ohio, Inc. Duke also claims further complication because it owns and operates a gas distribution system in addition to its electric facilities. Duke claims the language in the last sentences of division (F) of Section 4928.143, ORC does not address wholly owned subsidiaries or the impact of operating a combined electric and gas system, and the Commission should not alter the

legislature's intent. Duke seems to agree the determination of SEET should be on a single entity and the financial impact of a holding company parent or an affiliate should be excluded from consideration.

FE's Comments:

FE did not comment on this issue.

Customer Parties' Reply Comments

The legal definition and requirements on this issue are quite clear, and the Customer Parties believe that the test must be applied to a single entity. Rates are set for an electric utility and not for a combined entity, and are set in a specific jurisdiction. Further, SB 221 requires that adjustments be made for the capital structure and financial risk of an electric utility, not for the combined entity.

AEP provides some public policy and legal arguments on this issue. The alleged operational benefits and economies of scale associated with AEP Ohio are unsubstantiated and irrelevant to the application of SEET on a single-utility entity such as Columbus Southern or Ohio Power. The application of SEET on a single-entity basis does not prevent Columbus Southern or Ohio Power from improving operational efficiency or in making better investment coordination on a combined basis. The customers and shareholders of Columbus Southern and Ohio Power can and should still receive the operational benefits and economies of scale with the SEET being applied according to the statute. In fact, under the AEP Interconnection Agreement, Ohio Power, Columbus Southern and the other three AEP East Member Companies (Indiana & Michigan, Appalachian Power and Kentucky Power) must operate their combined systems on a joint dispatch basis for their mutual benefit.

The argument of “fairness to common shareholders” is interesting but unsupported. It can be expected that the subsidiaries of a parent utility company will have different financial performances and be subject to different regulatory oversights. There is no justification to combine the profits of Columbus Southern and Ohio Power together in the application of SEET. The approved rate of return, capital structure, cost of debt, and tariffs of the two companies all set separately by the Commission.

AEP argues that the PUCO ESP analysis was done on a combined AEP Ohio basis. Although this may have been done for the limited purpose of comparing the MRO to the ESP, this is not how the PUCO has treated other aspects of the ESP filings. The Staff said it correctly, “The SSO Applicant is a single entity that makes the SSO for the consideration of its customers. The Applicant has its own unique rate schedule. The Applicants would make restitution for its earnings deemed to be excessive.”⁸

Duke Energy Ohio has proposed some unique consideration of its calculation of SEET. Duke argues that the presence of a wholly-own subsidiary, Duke Energy Kentucky, and a gas distribution system has made the application of SEET uniquely difficult or complicated. The issues raised by Duke Energy are real, but can reasonably be dealt with. In Duke’s ESP Application and many previous electric rate cases, Duke was required to submit electric-only financial information to support its application, and Duke has met the filing requirements each and every time. Duke Energy Ohio Inc. has regularly and separately calculated and filed all the financial and regulatory information allocated to Duke Energy’s electric distribution system, gas distribution, and Duke Energy Kentucky. There is no undue burden imposed on Duke for preparing the information on rate base, operating expenses, operating income, return on equity, and rate

⁸ See Staff Recommendations at 2.

of return solely for Duke's electric services. There is no reason that the same or similar type of information cannot be made available for the application of SEET or that it will impose undue burden on Duke.

QUESTIONS 3 & 11:

WHAT ADJUSTMENTS SHOULD BE INCLUDED IN THE SEET CALCULATION AND HOW SHOULD WRITE-OFF AND DEFERRAL BE REFLECTED IN THE RETURN ON EQUITY CALCULATION FOR SEET?

Staff's Recommendation:

In general, stated financial results without adjustment should be used for calculation of the SEET. Also, where applicable, adjustments should be made to remove items associated with non-Ohio service areas.

AEP's Comments:

AEP generally agrees with the Staff's several more-detailed recommendations on this issue. AEP believes that earnings attributable to activities other than the Ohio Commission's jurisdiction, including OSS, should be excluded from the SEET. AEP also argues that only earnings that result from adjustments created by the ESP or MRO should be subject to SEET. In addition, AEP points out in ordering any refund, the Commission is allowed to consider other factors such as the capital requirements of future committed investment in Ohio prior to ordering any refund.

DP&L's Comments:

DP&L argues some adjustments to SEET are justified. They include significant non-recurring adjustments related to regulated operations such as out-of-period tax adjustments, adjustments for economic conditions or potential significant loss of load.

DP&L also supports the position that the revenues, expenses and earnings of any affiliate or parent company shall not be considered, directly or indirectly, in the SEET calculation.

Duke's Comments:

Duke claims it is in a unique situation and the ESP Stipulation included specific agreement as to the adjustments that would be made in the implementation of the significantly excessive earning test. Specifically, Duke's return on common equity is to be computed using Duke's FERC Form 1 financial statement from the prior year, including off-system sales, subject to certain listed adjustments. The Stipulation does not say that adjustment would be made to remove items associated with non-Ohio service areas.

FE's Comments:

FE generally concurs with the apparent thrust of the Staff's recommendation, but finds portions of the Recommendations unclear. It proposes specific language for clarification.

Customer Parties' Reply Comments:

There is a general agreement among all parties regarding the types of adjustments included in the SEET calculation. Those adjustments clearly related to the ESP will be included in the application of SEET, and those not related to ESP will not. However, the Customer Parties disagree with AEP's assertion that profits from off-system sales are transactions outside the PUCO's jurisdiction and therefore should be excluded from the calculation of SEET. We recognize that the rates and terms of off-system sales are indeed outside the jurisdiction of PUCO and they will not be changed as a result of the

application of the SEET. However, the application of SEET is based on the comparison of an Ohio EDU's total profit with the total profits earned by a comparable group of companies. The earnings from off-system sales are a part of the total profit earned by the Ohio EDU and must be included in the calculation of SEET in order to avoid an asymmetrical comparison.

Also, AEP's comments on this issue confuse ESP rate adjustments, which are rate increases to consumers, with off-system sales margins, which reflect increased wholesale sales. No revenue item, whether retail or wholesale, is an ESP adjustment.

The FirstEnergy Companies would exclude from earnings extraordinary items, as well as "those which are otherwise non-representative of a utility's operations." This would result in mini rate cases and is unworkable.

QUESTION 4:

WHAT IS THE PRECISE ACCOUNTING DEFINITION OF "EARNED RETURN ON COMMON EQUITY" THAT SHOULD BE USED?

Staff's Recommendation:

Earned return should be the net income for the year divided by the average common equity over all months of the year.

AEP's Comments:

AEP suggests some clarifications regarding the definition of net income and average book equity. AEP objects to the inclusion of FAC expenses that are being deferred for recovery in a future period in earned return on common equity.

DP&L's Comments:

DP&L agrees with Staff, but with two changes: net income less preferred dividends should be the starting points for any adjustment, and average common equity should be calculated using 13 monthly balances.

Duke's Comments:

Duke did not comment on this issue.

FE's Comments:

FE agrees with the Staff's Recommendation.

Customer Parties' Reply Comments:

The Customers Parties have no objection to most of the proposed clarifications made by AEP and DP&L.

However, we do object to the proposal made by AEP that "*earned return on common equity should not include FAC expenses that are being deferred for recovery in a future period.*" It is clear from the totality of AEP's comments (in page 8) that AEP actually intends to say "*FAC revenues,*" instead of "*FAC expenses.*" Furthermore, AEP's comments seem to indicate all deferred FAC "*revenues, or expenses*" will be excluded from the calculation of the SEET, not only in the deferred period (2009-2011), but also in the recovery period of 2012-2018. This is totally unacceptable as it would forever deny consumers a proper accounting.

The Customer Parties continue to recommend that “*any deferral of fuel costs or other items should be reflected in the return on equity calculation for SEET in the year when the retail sales occur, not in later years when the deferred revenues are received.*”

Deferrals should be included in earnings and any excess profits should first be used to pay back the deferral before there are any cash refunds. However, the Customer Parties are still concerned about pre-determining that deferrals should be collected from customers.

QUESTION 5:

WHAT IS THE DEFINITION OF “SIGNIFICANTLY IN EXCESS OF THE RETURN ON COMMON EQUITY”?

Staff's Recommendation:

A return on common equity of the greater of 200 basis points above the mean or in excess of 1.28 (expressed as basis points) times the standard deviation above the mean of a comparable group of companies, should be defined as significantly in excess.

AEP's Comments:

AEP agrees with the use of a statistical approach in setting the threshold of SEET and that a backstop of 200 basis points, as an alternative threshold, is appropriate. But, AEP recommends a 95% confidence level. This would result in threshold ROE of the mean (average) return of the comparable group plus the standard deviation times 2.0.

DP&L's Comments:

DP&L disagrees with the Staff's recommendations. Like AEP, DP&L proposes 2.0 times the standard deviation plus the mean average return of the comparable group. DP&L also suggests using the utility's regulated return on equity established in its most recent rate setting proceeding before the PUCO, plus thirty percent as the appropriate backstop measure given the tough economic environment.

Duke's Comments:

Duke objects to the Staff's recommendations. Duke proposes to use a 95% confidence level or 1.64 times the standard deviation plus the mean return of the comparable group.

FE's Comments:

FE generally agrees with the use of the 90% confidence level (corresponding to the 1.28 multiplier applied to the standard deviation) if the sample companies including companies from non-utility industries. FE argues for a higher confidence level (e.g. 95% or 97.5%) if the sample companies are limited to regulated utilities or just electric utilities. FE concurs with the Staff's recommendation of using a 200 basis point minimum increment above the mean of the sample group as a backstop.

Customer Parties' Reply Comments:

The Customer Parties object to the application of any statistical-based approach. Our positions are detailed and highlighted in the initial comments.⁹

The Utilities propose no new proposals on this issue except the one made by DP&L. DP&L suggests using the utility's regulated return on equity established in its most recent rate-setting proceeding before the PUCO, plus thirty percent as the appropriate backstop measure given the tough economic environment. This proposal is not based on DP&L's testimony in its ESP case or any other cases. It should be noted that DP&L's suggestion only applies to an appropriate backstop, not the SEET threshold. Therefore, this proposal must be evaluated in comparison to the Staff's proposed backstop of the average return plus 200 basis points. We also want DP&L to clarify the "thirty percent" refers to the adjustment made as a percentage of the established return on equity, not an adjustment of thirty percentage points on top of the established return on equity.

The Customer Parties object to DP&L's proposed backstop. This DP&L proposal is without foundation. DP&L provides no explanation or basis for the "thirty percent" figure. Why is "thirty percent" a fair and reasonable adder? Does any other jurisdiction use this "thirty percent" adder? Furthermore, for most Ohio EDUs, the established return on common equity was set in rate proceedings ten or fifteen years ago. These established ROEs have little relevance to the current cost of capital and economic condition. DP&L's proposed backstop is of questionable value in the application of SEET.

⁹ See Customer Parties' initial Joint Comments at 3-11.

AEP says 2.0 standard deviations should be used in Staff's new formula, not 1.28. Here is the ROE threshold using 2.0 standard deviations and the comparison group proposed by AEP in its ESP: 13.91% plus 65.02% (32.51 multiplied by 2.0) – which yields 78.9%. A return on equity of 78.9% is unreasonable on its face. This is just one additional example demonstrating why Staff's new statistical method is unreasonable and should be rejected by the Commission.

QUESTIONS 6 & 9:

HOW SHOULD COMPANIES “THAT FACE COMPARABLE BUSINESS AND FINANCIAL RISK” BE DETERMINED, AND HOW SHOULD THE EARNINGS OF A COMPARABLE COMPANY BE ADJUSTED TO COMPENSATE FOR THE FINANCIAL RISK DIFFERENCE ASSOCIATED WITH THE DIFFERENCE IN CAPITAL STRUCTURES?

Staff's Recommendation:

It is appropriate that a comparable group sample be determined and utilized on a case-by-case basis, consistent with Section 4928.143(F), Revised Code. Staff also recommends that the leverage (i.e. ratio of common equity) consideration should be of secondary significance (in comparison to the consideration of selecting a larger sample of comparable companies) in the group selection process

AEP's Comments:

AEP generally concurs with the Staff's recommendations, and further states that the choice of selecting the comparable group would be at the discretion of the utility.

DPL's Comments:

DP&L agrees with the Staff's recommendation. Comparable companies may be adjusted on a case-by-case basis to take into account different capital structure consistent with ORC 4928.143 (E) and (F).

Duke's Comments:

Duke did not comment on this issue.

FE's Comments:

FE has no particular objection to the Staff's recommendation of selecting and using the sample companies on a case-by-case approach. But FE suggests the sample selection methodology proposed by FE in the ESP case should be uniformly applied to all electric utilities in the state.

Customer Parties' Reply Comments:

The Customer Parties have strong reservation about the Staff's recommendation on this issue. We believe this issue is of critical importance to the application of SEET. Our position has been clearly explained in detail in the initial comments. We continue to recommend a uniformly-applied methodology of selecting comparable companies based on OCC witness Dr. J. Randall Woolridge's recommendation for all Ohio EDUs.

SB 221 explicitly states the capital structure of the utility should be considered and accounted for in assessing the SEET. But the Staff's position makes this a secondary consideration. Whereas we do believe the group composition is the most important and

the most difficult, we need to stress that SB 221 requires a capital structure adjustment. We cannot let that become a non-issue and decided on a case-by-case basis.

The Customer Parties object to AEP's suggestion that the choice of selecting the comparable group would be at the discretion of the EDUs. As stated in the initial comments, this is tantamount to "*putting the fox in charge of the hen house,*" and "*leaving this critical decision to the utilities can lead to unreasonable results, such as a 55.5% ROE threshold.*"

The Customers Parties also believe that the statute requires that leverage (i.e. ratio of common equity) consideration be given primary and explicit consideration in the group selection process.¹⁰ We object to the method proposed by FE that ignores "*leverage*" in sample group selection and instead adjusts the resulting return.

FirstEnergy wants a uniform state-wide method for determining comparable companies. We propose that it should be Dr. Woolridge's method. The FirstEnergy methodology in comparable group selection, first proposed in its ESP case, is flawed and unreasonable. The FirstEnergy methodology is arbitrary and includes no risk measures.¹¹ If the Commission believes that the distribution-only FirstEnergy utilities are less risky than generation-owning utilities, then this can be accounted for with a lower basis point premium above the benchmark return.

¹⁰ See, for example, Woolridge testimony at 1-2 in Case No. 08-935-EL-SSO.

¹¹ Woolridge testimony at 13-14 in Case No. 08-935-EL-SSO.

QUESTION 7:

HOW ARE “SIGNIFICANTLY EXCESSIVE EARNINGS”¹² TO BE DETERMINED?

Staff’s Recommendation:

Staff endorses the concept that a return on common equity in excess of 1.28 times the standard deviation above the mean of a comparable group of companies should be defined as earnings significantly in excess, except in a low earning environment when 200 basis points should be substituted.

AEP’s Comments:

AEP generally agrees with the Staff’s recommendation and states again that a 2.00 times the standard deviation, instead of 1.28, should be used.

DP&L’s Comments:

See response to Question No. 8.

Duke’s Comments:

Duke did not comment on this issue.

FE’s Comments:

See FE’s response to Question No. 5.

¹²As expressed in the third sentence of R.C. 4928.143(F).

Customer Parties' Reply Comments:

In the Initial Comments, the Customer Parties emphasize that SB 221 provides no statistical definition as to the SEET, and no reference to statistical basis in the application of SEET. In response to the Utilities' comments, the Customer Parties have provided detailed comments in Questions 4, 5, 6, and they will not be repeated here. However, we should highlight that several of these considerations are not independent of each other. Specifically, without an explicit Staff position on the comparable group methodology and composition (#6 & #9), the development of a SEET threshold can be complicated. This is demonstrated by the AEP examples. The important issue is that if Staff elects to use a statistical approach to determine the SEET threshold, the group selection process becomes even more important -- yet the Staff has not provided any guidance on that process. As stated above, the Customer Parties recommend a uniformly-applied methodology of selecting comparable companies based on OCC witness Dr. J. Randall Woolridge's recommendation for all Ohio EDUs.

QUESTION 8:

WHAT DOES "IN THE AGGREGATE" MEAN IN RELATION TO THE ADJUSTMENTS RESULTING IN SIGNIFICANTLY EXCESS EARNINGS?

Staff's Recommendation:

All the adjustments created by the implementation of an ESP are to be assessed for impact in determining whether the company achieved a return on common equity significantly in excess.

AEP's Comments:

AEP concurs with the Staff's statement.

DP&L's Comments:

DP&L claims the legislative analysis clearly provides that the SEET applies only to ESP created adjustments to the standard service offer, and the phrase "in the aggregate" means that the adjustments to the standard offer should be looked at together, not by each individual component.

Duke's Comments:

Duke states that it cannot determine whether to express any comment on this recommendation without any further clarification of Staff's position.

FE's Comments:

FE did not comment on this issue.

Customer Parties' Reply Comments:

The Customer Parties have no specific replies to DP&L and Duke's comments. As stated in our initial comments, "*in the aggregate*" means all ESP rate adjustments (increases) on a cumulative basis over time.

QUESTION 10:

WHAT MECHANISM SHOULD BE EMPLOYED TO RETURN TO CUSTOMERS OF THE AMOUNT OF EXCESS EARNINGS?

Staff's Recommendation:

The return mechanism should be decided on a case-by-case basis in each company's annual SEET proceeding. The Commission would also have the

latitude to return the money in varying time periods and/or as reduction to other EDU imposed charges as they deem appropriate.

AEP's Comments:

AEP concurs that the mechanism for returning the amount of excess earnings should be determined on a case-by-case basis in the annual SEET proceedings. AEP proposes a two-step process that enables parties to consider the appropriate mechanism in the context of the amount of the significantly excessive earnings.

DP&L's Comments:

DP&L agrees with the Staff that the "prospective adjustments" should be decided on a case-by-case basis. However, DP&L believes the prospective adjustments are not "refunds" but are prospective changes in charges associated with providing future electric services.

Duke's Comments:

Duke made no comment on this issue.

FE's Comments:

FE concurs with the Staff's recommendation that the return mechanism should be decided on a case-by-case basis.

Customer Parties' Reply Comments:

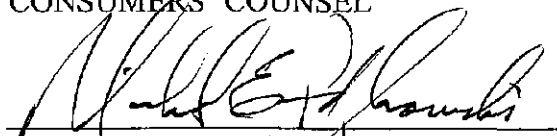
The Customer Parties have no specific replies to AEP, DP&L, and FE's comments. Nevertheless, the Customer Parties believe that consumers should get the full refund to which they are entitled as promptly as possible and without delay.

III. CONCLUSION

WHEREFORE, on behalf of the residential and business customers of this state, we urge the Commission to improve the SEET review process as set forth herein to afford Ohio customers the protection intended in Senate Bill 221 against paying significantly excessive profits to electric utilities.

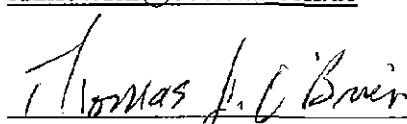
Respectfully submitted,

JANINE L. MIGDEN-OSTRANDER
CONSUMERS' COUNSEL




Michael E. Idzkowski, Counsel of Record
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
(614) 466-8574 (Telephone)
(614) 466-9475 (Facsimile)
idzkowski@occ.state.oh.us



Thomas J. O'Brien, Esq.
BRICKER & ECKLER LLP
100 South Third Street
Columbus, Ohio 43215-4291
(614) 227-2335 (Telephone)
(614) 227-2390 (Facsimile)
tobrien@bricker.com



*per telephone
authorization*

*Counsel For The Ohio
Manufacturers' Association And
Counsel For The Ohio Hospital
Association*

Michael L. Kurtz by David F. Boehm
David F. Boehm, Esq.
Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
(513) 421-2255 (Telephone)
(513) 421-2764 (Facsimile)
dboehm@BKLLawfirm.com
mkurtz@BKLLawfirm.com

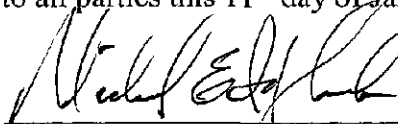
Counsel For The Ohio Energy Group

Theodore S. Robinson by David F. Boehm
Theodore S. Robinson, Esq.
Staff Attorney
CITIZEN POWER, INC.
2121 Murray Avenue
Pittsburg, PA 15217
(412) 421-7029 (Telephone)
(412) 421-6162 (Facsimile)
robinson@citizenpower.com

Counsel For Citizen Power

CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing *Joint Reply Comments of the Office of the Ohio Consumers' Counsel, The Ohio Manufacturers' Association, The Ohio Hospital Association, the Ohio Energy Group, and Citizen Power, Inc.* was served by Regular U.S. Mail Service, postage prepaid, to all parties this 11th day of January, 2010.



Michael E. Idzkowski
Assistant Consumers' Counsel

PARTIES OF RECORD

Duane W. Luckey
Assistant Attorney General
Chief, Public Utilities Section
180 East Broad Street, 6th Floor
Columbus, OH 43215-3793

Arthur Korkosz
Cleveland Electric Illuminating Company
76 South Main Street
Akron, OH 44308

Marvin I. Resnik
Steven T. Nourse
American Electric Power Service Corp
1 riverside Plaza 29th Fl
Columbus, OH 43215

David C. Rinebolt
Colleen L. Mooney
Ohio Partners for Affordable Energy
231 W. Lima St.
P.O. Box 1793
Findlay, OH 45839-1793

Dona Seger-Lawson
Jodi L. Sobecki
Dayton Power & Light Company
1065 Woodman Drive
Dayton, OH 45432

Amy B. Spiller
Elizabeth H. Watts
Duke Energy Ohio
155 E. Broad St., Ste 2100
Columbus, OH 43215

Daniel R. Conway
Porter, Wright, Morris & Arthur LLP
41 S. High St.
Columbus, OH 43215

ATTACHMENT 1

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John Michael, Editor, Energy Group

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SNL Apps: Pricing Book Mapping

EXCLUSIVE Print delay to order to help sharpen coverage of Energy Group rate increases

Columbus Southern Power Company Don't have a portfolio? Create one!

Profile

Corporate Profile

Corporate Structure

Officers

Executive Compensation

Peer Analysis

Financials

Templated

Financials, As-reported

Regulated Energy

Electric Utility Financial Highlights

Electric Utility Income Statement

Assets

Capital & Liabilities

Cash Flow

Plan in Service Summary

Sales Detail

Production Expenses

T&D Expenses

Other Electric Expenses

Energy Source and Use

Assets and Operations

News, Events and Filings

Uniquets and Acquisitions

Capital Structure

Build a Custom Report

Sales Detail

Related SNL Templates (SNL's Excel Add-in required)

FERC Form 1, and Op. Details - Peer Comparison Replicates all the major schedules of the FERC Form 1, allowing a user to pick up to five files, to benchmark performance for a certain period.

Periods: Last Four Years & YTD

View Definitions

	2005 Y	2006 Y	2007 Y	2008 Y	YTD
Date Ended	12/31/2005	12/31/2006	12/31/2007	12/31/2008	09/30/2009
(Dollars in Thousands)					
Revenues (\$)					
Residential Sales - Operating Revenue	555,487	632,878	682,184	720,789	577,018
Small/Commercial Sales - Operating Revenue	495,771	580,663	619,398	684,277	539,347
Large or Industrial Sales - Operating Revenue	129,598	195,855	278,818	330,371	205,030
Total Public Authority, SH-Other - Operating Rev	4,782	5,380	5,441	5,872	4,658
Electric Sales to Ultimate Consumers	1,185,638	1,419,676	1,586,841	1,741,289	1,330,081
Electric Sales for Resale	294,043	364,384	481,606	525,547	211,047
Total Sales of Electricity - Operating Revenue	1,479,681	1,784,060	2,068,447	2,266,836	1,541,028
Less Prov for Rate Refund - Operating Revenue	0	0	0	30,358	0
Net Sales of Electricity - Operating Revenue	1,479,681	1,784,060	2,068,447	2,236,478	1,541,028
Total Other Operating Revenue	54,219	34,750	28,328	41,172	33,080
Total Electric Operating Revenue	1,533,899	1,818,810	2,096,775	2,277,649	1,574,108
Electricity (MWh)					
Residential Sales - Mwhs Sold	7,950,949	7,270,629	7,740,902	7,559,528	5,609,763
Small/Commercial Sales - Volume Sold	8,215,834	8,421,589	8,928,798	8,771,966	8,481,558
Large or Industrial Sales - Volume	2,838,606	3,820,880	5,288,342	5,827,886	3,839,880
Total Public Authority, SH-Other - Mwhs Sold	51,203	54,076	53,567	55,242	40,276
Interdepartmental/Other Sales - Mwhs Sold	0	0	0	0	0
Total Sales to Ultimate Consumers - Mwhs Sold	16,277,372	19,597,164	22,009,607	22,205,616	15,749,220
Sales for Resale - Mwh Sold	8,872,817	8,713,328	10,697,264	9,481,574	4,538,830
Total Sales of Electricity - Volume (MWh)	25,150,189	28,310,492	32,706,871	31,687,190	20,288,050
Customers					
Residential Sales - Avg Number of Cust	634,722	600,300	654,298	658,308	NA
Small/Commercial Sales - Avg Number of Cust	71,692	75,845	77,022	78,062	NA
Large or Industrial Sales - Average Customers	2,688	3,484	3,487	3,431	NA
Total Public Auth, SH-Other - Avg # of Cust	293	320	318	310	NA
Interdepartmental/Other Sales - Avg Number of Cust	0	0	0	0	NA
Total Sales to Ultimate Consumers - Avg No Cust	709,305	739,949	745,133	747,099	NA
Sales for Resale - Customers	116	108	100	83	NA
Total Sales of Electricity - Avg Number of Cust	709,421	740,057	745,233	747,182	NA
Prices (cents/kWh)					
Residential Price	6.56	8.70	8.61	9.55	10.30
Commercial Price	6.03	6.77	6.64	7.80	6.35
Industrial Price	4.87	5.13	5.20	5.67	5.74
Avg Price Charged to Ultimate Customers	6.49	7.18	7.19	7.89	8.45
Resale Price	3.39	4.48	4.50	5.54	4.87
Avg Price Total Sales of Elec	5.69	6.25	6.34	7.15	7.60

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SNL Apps: Tracking Book Mapping

MARKET NEWS: Baker Hughes: US gas export up for 1st consecutive week

Ohio Power Company Don't have a portfolio? Create one!

Periods	Last Four Years & YTD	2005 Y	2006 Y	2007 Y	2008 Y	YTD
Date Ended		12/31/2005	12/31/2006	12/31/2007	12/31/2008	09/30/2009
Regulated Energy						
Electric Utility Financial Highlights						
Revenue (\$)						
Residential Sales - Operating Revenue		503,833	542,408	592,348	602,770	473,989
Small/Commercial Sales - Operating Revenue		324,926	358,769	385,783	402,148	318,843
Large or Industrial Sales - Operating Revenue		581,377	538,978	830,430	686,167	457,596
Total Public Authority, Slt+Other - Operating Rev		8,568	9,004	8,259	6,439	7,401
Electric Sales to Ultimate Consumers		1,328,603	1,448,159	1,817,820	1,710,548	1,257,829
Electric Sales for Resale		936,911	1,059,870	1,208,448	1,427,238	919,221
Total Sales of Electricity - Operating Revenue		2,333,914	2,504,824	2,826,264	3,137,784	2,176,890
Less Pay for Rate Refund - Operating Revenue		0	0	0	42,435	0
Net Sales of Electricity - Operating Revenue		2,333,914	2,504,824	2,826,264	3,095,349	2,176,890
Total Other Operating Revenue		100,148	82,100	29,363	43,441	32,184
Total Electric Operating Revenue		2,434,062	2,586,923	2,855,628	3,138,790	2,209,074
Other Electric Expenses						
Electricity (MWh)						
Residential Sales - Mwhs Sold		7,679,308	7,207,804	7,674,434	7,527,989	5,523,214
Small/Commercial Sales - Volume Sold		5,823,685	5,680,408	6,019,559	5,823,787	4,278,388
Large or Industrial Sales - Volume		15,342,819	12,321,063	13,981,534	14,441,162	8,908,221
Total Public Authority, Slt+Other - Mwhs Sold		33,782	32,869	82,215	78,592	54,478
Interdepartmental/Other Sales - Mwhs Sold		0	0	0	0	0
Total Sales to Ultimate Consumers - Mwhs Sold		28,926,494	25,242,084	27,727,742	27,871,540	18,765,299
Sales for Resale - Mwh Sold		28,513,832	29,118,980	32,188,051	32,475,287	19,598,358
Total Sales of Electricity - Volume (MWh)		57,440,326	54,361,064	59,915,793	60,346,827	38,363,657
Customers						
Residential Sales - Avg Number of Cust		606,871	609,478	609,974	609,368	NA
Small/Commercial Sales - Avg Number of Cust		89,844	90,730	91,523	92,205	NA
Large or Industrial Sales - Average Customers		7,487	7,400	7,323	7,310	NA
Total Public Auth, Slt+Other - Avg # of Cust		2,821	2,808	2,598	2,567	NA
Interdepartmental/Other Sales - Avg Number of Cust		0	0	0	0	NA
Total Sales to Ultimate Consumers - Avg No Cust		708,823	710,212	711,406	711,647	NA
Sales for Resale - Customers		119	111	103	83	NA
Total Sales of Electricity - Avg Number of Cust		708,942	710,323	711,509	711,732	NA
Prices (cents/MWh)						
Residential Price		6.58	7.53	7.72	8.01	9.50
Commercial Price		5.58	6.31	6.41	6.91	7.45
Industrial Price		3.88	4.36	4.52	4.82	5.14
Avg Price Charged to Ultimate Customers		4.84	5.72	5.83	6.14	6.70
Resale Price		3.28	1.84	3.78	4.39	4.71
Avg Price Total Sales of Elec		4.00	4.61	4.72	5.20	5.60

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ATTACHMENT 2

IEU-Ohio 1-2
Attachment 1
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AEP Ohio EE/PDR 2009
Performance Report (Annualized)
Reflects Activities through 12/17/2009

	Number of units	MWh			Goal	% Goal	Costs (\$000's)			Budget	% Budget
		Actual	Pending	Total			Actual	Pending	Total		
Consumer Portfolio											
Products - Lighting*	1,002,498	15,818	46,294	56,112	19,829	37%	254	610	1,604	3,142	43%
Recycling**	8,508	3,422	111	1,238	1,605	21%	392	88	1,184	1,184	20%
Retail	-	-	-	-	5,984	0%	-	-	-	190	0%
Low Income	-	-	-	-	12,148	0%	2	-	2	4,284	0%
New Construction	-	-	-	-	-	N/A	-	-	-	-	N/A
Energy Conservation Kit - Partnership w/Ohio kindergartens**	18,736	4,782	-	3,762	-	N/A	612	-	412	-	N/A
Energy Conservation Kit - School Education Program	-	-	-	-	1,200	0%	11	-	43	300	0%
Total Consumer Portfolio	1,021,234	24,422	46,711	68,132	70,148	82%	1,541	728	2,378	10,361	23%
Business Portfolio											
Prescriptive includes LED Traffic Signals	289	-	64,518	65,814	69,812	95%	88	5,128	4,220	9,172	67%
Cooling	98	-	19,227	19,227	51,660	51%	38	2,318	2,381	8,959	34%
New Construction	-	-	-	-	-	N/A	1	-	1	-	N/A
Peak Demand Response	-	-	-	-	-	N/A	-	-	-	-	N/A
Self Demand	275	-	153,121	153,121	-	N/A	111	12,543	12,650	5,805	27%
Total Business Portfolio	662	-	238,277	238,271	141,472	222%	238	20,992	21,231	24,130	192%
Other											
AEP Ohio EE/PDR Department	-	-	-	-	-	N/A	518	-	518	1,800	29%
Behavior Modification	-	-	-	-	-	N/A	-	-	-	500	0%
State Program Fund	-	-	-	-	-	N/A	-	-	-	500	0%
General Education/Training/Meals	-	-	-	-	-	N/A	934	-	934	2,527	37%
Total Portfolio Plan		24,422	279,966	363,618	177,264	81%	3,320	21,721	28,864	36,619	64%
Benchmark Target					197,866	82%					
Total PDR Reduction to date					18	94					36%

*Prescriptive lighting numbers broken down by percentage using 51% for CSP and 49% for DP.
 **Recycling number broken down by percentage using 81% for CSP and 19% for DP.
 ***Money spent from shareholders and are not recorded as company costs.
 ****Self Demand reflects 12 mo. annual usage and are pre-estimated and pre-PDRD approved.

Ohio Power EE Performance Report (Annualized)

	Number of units	MWh			Goal	% Goal	Costs (\$000's)			Budget	% Budget
		Actual	Pending	Total			Actual	Pending	Total		
Consumer Portfolio											
Products - Lighting*	697,476	8,385	19,861	24,764	29,614	42%	204	328	892	1,604	41%
Recycling**	2,132	1,672	294	1,978	2,295	82%	208	32	296	544	20%
Retail	-	-	-	-	2,545	0%	-	-	-	488	0%
Low Income	-	-	-	-	3,852	0%	1	-	1	7,078	0%
New Construction	-	-	-	-	-	N/A	-	-	-	-	N/A
Energy Conservation Kit - Partnership w/Ohio kindergartens**	18,881	2,923	-	2,923	-	N/A	249	-	249	-	N/A
Energy Conservation Kit - School Education Program	-	-	-	-	3,577	0%	21	-	21	215	5%
Total Consumer Portfolio	699,608	9,958	19,795	29,663	34,972	60%	628	361	1,190	5,977	23%
Business Portfolio											
Prescriptive includes LED Traffic Signals	198	-	38,720	38,720	34,110	114%	44	2,842	2,887	4,194	84%
Cooling	40	-	12,282	12,282	18,461	54%	10	1,183	1,193	3,410	35%
New Construction	-	-	-	-	-	N/A	0	-	0	-	N/A
Peak Demand Response	-	-	-	-	-	N/A	-	-	-	-	N/A
Self Demand	191	-	87,884	87,884	-	N/A	82	9,211	9,294	2,195	37%
Total Business Portfolio	439	-	126,926	126,926	52,511	280%	113	12,221	12,150	10,366	127%
Other											
AEP Ohio EE/PDR Department	-	-	-	-	-	N/A	263	-	263	812	29%
Behavior Modification	-	-	-	-	-	N/A	-	-	-	218	0%
State Program Fund	-	-	-	-	-	N/A	-	-	-	218	0%
General Education/Training/Meals	-	-	-	-	-	N/A	450	-	450	1,234	35%
Total Portfolio Plan		9,958	169,004	179,993	88,664	211%	1,040	12,206	13,441	18,641	92%
Benchmark Target					17,866	112%					
Total PDR Reduction to date					6	42					16%

*Prescriptive lighting numbers broken down by percentage using 51% for CSP and 49% for DP.
 **Recycling number broken down by percentage using 81% for CSP and 19% for DP.
 ***Money spent from shareholders and are not recorded as company costs.
 ****Self Demand reflects 12 mo. annual usage and are pre-estimated and pre-PDRD approved.

IEU-Ohio 1-2
Attachment 1
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AEP Ohio EE/PDR 2009
Performance Report (Annualized)
Reflects Activities through 12/17/2009

Columbus Southern Power EE Performance Report (Annualized)

	MWh			Costs (\$000's)							
	Number of Units	Actual	Pending	Total	Goal	% Goal	Actual	Pending	Total	Budget	% Budget
Consumer Portfolio											
Production - Lighting*	484,728	11,426	20,703	31,128	20,877	100%	430	311	772	1,758	44%
Recycling**	4,058	2,160	313	2,473	2,378	99%	108	34	223	508	37%
Rebuild					2,848	0%	-	-	-	2,848	0%
Low Income					6,198	0%	1	-	1	2,160	0%
New Construction					-	N/A	-	-	-	-	N/A
Energy Conservation for - Partnership ACP/No funded pilot***	7,840	1,539	-	1,539	-	N/A	173	-	173	-	N/A
Energy Conservation for - School Education Program					3,722	0%	20	-	20	233	8%
Total Consumer Portfolio	707,451	14,935	20,916	35,458	33,714	99%	812	378	1,159	5,283	28%
Business Portfolio											
Production includes LED Traffic Signals	201	-	21,188	21,188	35,503	17%	48	2,922	2,332	4,817	60%
Custom	28	-	5,845	5,845	18,158	29%	20	1,132	1,152	3,548	33%
New Construction					-	N/A	8	-	8	-	N/A
Peak Demand Response					-	N/A	-	-	-	-	N/A
Sell Demand	173	-	55,437	55,437	-	N/A	84	4,502	4,586	2,558	100%
Total Business Portfolio	402	-	82,470	82,470	54,881	181%	128	7,554	8,061	10,778	75%
Other											
AEP Ohio EE/PDR Department					-	N/A	288	-	288	513	25%
Efficiency Modification					-	N/A	-	-	-	251	0%
Pilot Program Fund					-	N/A	-	-	-	255	0%
Office of Education/Training/Market					-	N/A	453	-	453	1,289	30%
Total Portfolio Total		14,935	109,188	124,123	98,458	117%	1,068	8,332	16,818	18,771	89%
Remaining Target					69,999	100%					
Total PDR Reduction to date											
EE Programs											
					Total	Goal					% Goal
					11	11					100%

*Respective lighting numbers broken down by percentage using 81% for CSP and 18% for OP
 **Recycling numbers broken down by percentage using 51% for CSP and 49% for OP
 ***Money spent from shareholders and are not recorded on company site
 ****All Direct costs 12 mo. annual usage that is pre-approved and pre-PLUCO approved

**AEP Ohio EE/PDR 2009
Performance Report (Part-Year Convention)
Reflects Activities through 12/17/2009**

	Number of units	MWh			Goal	% Goal	Costs (\$000's)			Budget	% Budget
		Actual	Pending	Total			Actual	Pending	Total		
Consumer Portfolio											
Products - Lighting*	1,352,186	2,836	1,718	1,352	19,838	23%	794	810	1,464	1,442	43%
Recycling**	6,905	437	78	797	3,659	15%	387	88	408	1,784	26%
Rebates	-	-	-	-	5,194	0%	-	-	-	190	0%
Low Income	-	-	-	-	12,118	0%	7	-	7	1,208	0%
New Construction	-	-	-	-	N/A	-	-	-	-	N/A	-
Energy Conservation (w/ Partnership w/Ohio funded pilot)	18,758	757	-	757	N/A	-	417	-	417	-	N/A
Energy Conservation (w/ School Education Program)	-	-	-	-	2,305	0%	44	-	44	100	1%
Total Consumer Portfolio	1,387,630	4,070	8,769	19,854	29,144	15%	1,641	738	1,774	16,262	23%
Business Portfolio											
Prescriptive (Includes LED T10s signage)	410	-	3,453	3,463	66,813	8%	64	5,128	2,219	9,172	57%
Curtain	52	-	1,802	1,851	37,545	4%	36	7,315	1,261	8,956	34%
New CA (Furniture)	-	-	-	-	N/A	-	1	-	1	-	N/A
Peak Demand Response	-	-	-	-	N/A	-	-	-	-	-	N/A
Self-Direct	284	-	153,131	153,131	N/A	-	117	13,563	13,680	5,000	212%
Total Business Portfolio	756	-	168,227	168,227	107,170	16%	233	20,958	21,231	21,136	100%
Other											
AEP Ohio EE/PDR Department	-	-	-	-	-	N/A	516	-	516	1,000	29%
Behavior Modification	-	-	-	-	-	N/A	-	-	-	509	0%
Pilot Programs Fund	-	-	-	-	-	N/A	-	-	-	504	0%
General Education/Training/Mode	-	-	-	-	-	N/A	624	-	624	7,377	31%
Total Portfolio Plan	1,784,664	4,070	167,013	151,942	177,314	96%	1,330	21,731	25,088	16,416	68%
Renewable Target					127,648	156%					

Total PDR Reduction to date
EE Programs

MWh Demand Reduction			
Total	Goal	% Goal	% Total
18	36	50%	20%

*Prescriptive lighting numbers broken down by percentage using 51% for CSP and 49% for OP
 **Recycling numbers broken down by percentage using 51% for CSP and 49% for OP
 ***Money spent from shareholders and are not recorded as company costs
 ****Based on the per-year rule assumption, annualized numbers are reduced to 1/12th of a 12 mo. period in the Business Portfolio and 1/6th of a 12 mo. Period in the Consumer Portfolio
 *****Self-Direct reflects 12 mo. annual usage and are pre-screened and pre-PUCO approved

Ohio Power EE Performance Report (Part-Year Convention)

	Number of units	MWh			Goal	% Goal	Costs (\$000's)			Budget	% Budget
		Actual	Pending	Total			Actual	Pending	Total		
Consumer Portfolio											
Products - Lighting*	671,878	659	3,268	4,164	20,011	71%	364	328	692	1,686	41%
Recycling**	7,132	279	34	332	7,298	14%	203	32	236	550	40%
Rebates	-	-	-	-	2,549	0%	-	-	-	486	0%
Low Income	-	-	-	-	5,953	0%	1	-	1	2,078	0%
New Construction	-	-	-	-	N/A	-	-	-	-	N/A	-
Energy Conservation (w/ Partnership w/Ohio funded pilot)	10,581	471	-	471	-	N/A	240	-	240	-	N/A
Energy Conservation (w/ School Education Program)	-	-	-	-	7,577	0%	23	-	23	241	3%
Total Consumer Portfolio	690,499	1,848	3,298	4,647	34,772	14%	824	361	1,190	6,017	23%
Business Portfolio											
Prescriptive (Includes LED T10s Signage)	713	-	3,228	3,228	34,110	9%	44	7,843	2,307	4,494	64%
Curtain	37	-	1,132	1,132	18,407	6%	10	1,182	1,198	3,419	32%
New Construction	-	-	-	-	N/A	-	8	-	8	-	N/A
Peak Demand Response	-	-	-	-	N/A	-	-	-	-	-	N/A
Self-Direct	142	-	97,694	97,694	-	N/A	53	9,011	9,064	2,450	370%
Total Business Portfolio	392	-	107,054	107,054	22,517	94%	113	12,037	13,150	10,358	172%
Other											
AEP Ohio EE/PDR Department	-	-	-	-	-	N/A	265	-	265	622	28%
Behavior Modification	-	-	-	-	-	N/A	-	-	-	248	0%
Pilot Programs Fund	-	-	-	-	-	N/A	-	-	-	245	0%
General Education/Training/Mode	-	-	-	-	-	N/A	450	-	450	1,229	22%
Total Portfolio Plan	680,861	1,848	109,362	109,694	69,289	193%	1,644	13,268	18,442	19,841	43%
Renewable Target					77,198	139%					

Total PDR Reduction to date
EE Programs

MWh Demand Reduction			
Total	Goal	% Goal	% Total
1	42	2%	15%

*Prescriptive lighting numbers broken down by percentage using 51% for CSP and 49% for OP
 **Recycling numbers broken down by percentage using 51% for CSP and 49% for OP
 ***Money spent from shareholders and are not recorded as company costs
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 *****Self-Direct reflects 12 mo. annual usage and are pre-screened and pre-PUCO approved

AEP Ohio EE/PDR 2009
Performance Report (Part-Year Convention)
Reflects Activities through 12/17/2009

Columbus Southern Power EE Performance Report (Part-Year Convention)

	Number of units	MWh			Goal	% Goal	Costs (\$000's)			Budget	% Budget
		Actual	Pending	Total			Actual	Pending	Total		
Consumer Portfolio											
Products - Lighting	694,720	1,138	3,431	5,169	20,827	25%	436	342	772	1,756	44%
Recycling**	4,506	308	36	394	2,378	17%	19	34	223	959	37%
Retail					2,648	0%	-	-	-	505	0%
Low Income					0,186	0%	1	1	1	2,160	0%
New Construction					-	N/A	-	-	-	-	N/A
Energy Conservation KB - Partnership w/ Ohio Limited pilots**	3,045	327	-	327	-	N/A	173	-	173	-	N/A
Energy Conservation KB - School Education Program					2,123	0%	26	-	26	255	0%
Total Consumer Portfolio	707,621	2,422	3,498	5,904	25,174	17%	612	378	1,100	5,285	22%
Business Portfolio											
Prescriptive (includes LED Traffic Signals)	192	-	2,298	2,298	35,903	6%	40	2,292	2,332	8,877	26%
Outlets	28	-	478	478	18,158	7%	20	1,132	1,152	2,549	32%
New Construction					-	N/A	0	-	0	-	N/A
Peak Demand Response					-	N/A	-	-	-	-	N/A
Self-Gen	122	-	58,437	58,437	-	N/A	64	4,532	4,596	2,650	185%
Total Business Portfolio	344	-	58,173	58,173	54,061	100%	124	7,956	8,078	10,776	75%
Other											
AEP Ohio EE/PDR Department					-	N/A	288	-	288	918	30%
Utility Modification					-	N/A	-	-	-	785	0%
Pilot Program Fund					-	N/A	-	-	-	255	0%
General Education/Training/Trade					-	N/A	183	-	183	1,286	14%
Total Portfolio Plan	707,178	2,422	61,669	64,881	80,458	11%	1,086	8,332	10,614	18,774	57%
Benchmark Target					60,490	13.7%					

MW Demand Reduction		
Total	Cost	% Goal
12	62	24%

Total PDR Reduction to date
EE Programs

**Prescriptive lighting numbers broken down by percentage using 51% for CSP and 49% for CP
***Fluorescing numbers broken down by percentage using 61% for CSP and 49% for CP
**Money spent from shareholders and are not recorded as company costs
***Based on the part-year rule assumption, annualized numbers are reduced to 1/12th of a 12 mo period in the Business Portfolio and 1/6th of a 12 mo period in the Consumer Portfolio
****Self-Gen reflects 12 mo annual usage and are pre-approved and pre-PLCC approved