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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of the Application of Columbus)
Southern Power Company and Ohio Power)
Company to Modify Their Accounting)
Procedure for Certain Storm-Related Service)
Restoration Costs.)

Case No. 08-1301-EL-AAM

**MOTION TO INTERVENE, MEMORANDUM IN SUPPORT, AND
COMMENTS OF INDUSTRIAL ENERGY USERS-OHIO**

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December 17, 2008

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**MOTION TO INTERVENE OF
INDUSTRIAL ENERGY USERS-OHIO**


Industrial Energy Users-Ohio ("IEU-Ohio") hereby respectfully moves the Public Utilities Commission of Ohio ("Commission"), pursuant to Section 4903.221, Revised Code, and Rule 4901-1-11, Ohio Administrative Code, for leave to intervene in the above-captioned matter with the full powers and rights granted by the Commission, specifically by statute or by the provisions of the Ohio Administrative Code, to intervening parties.

On December 15, 2008, Columbus Southern Power Company and Ohio Power Company (collectively, "AEP" or "Companies") filed an Application for accounting authority to defer operating and maintenance ("O&M") costs associated with damage that resulted from Hurricane Ike in September 2008. In the alternative, AEP proposes to recover these costs beginning with the first billing cycle of February 2009 if the Commission finds the Companies' deferral request is not the optimal method to handle recovery of these costs.

As demonstrated further in the Memorandum in Support attached hereto and incorporated herein, IEU-Ohio has a direct, real, and substantial interest in the issues and matters involved in the above-captioned proceedings, and is so situated that the

disposition of these proceedings may, as a practical matter, impair or impede its ability to protect that interest. IEU-Ohio believes that its participation will not unduly prolong or delay these proceedings and that it will significantly contribute to the full development and equitable resolution of the factual and other issues in these proceedings. The interests of IEU-Ohio will not be adequately represented by other parties to the proceedings and, as such, IEU-Ohio is entitled to intervene with the full powers and rights granted by the Commission, specifically by statute and by the provisions of the Ohio Administrative Code, to intervening parties.

Respectfully submitted,



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MEMORANDUM IN SUPPORT AND COMMENTS

A. MEMORANDUM IN SUPPORT

In support of this Motion to Intervene, IEU-Ohio states that it is an association of ultimate customers. A current listing of IEU-Ohio member companies is available on IEU-Ohio's website at http://www.ieu-ohio.org/member_list.aspx. IEU-Ohio's members purchase electricity from AEP, which is a public utility subject to the jurisdiction of the Commission.

IEU-Ohio's members work together to address matters that affect the availability and price of utility services. Additionally, IEU-Ohio seeks to promote customer-driven policies that will assure an adequate, reliable, and efficient supply of energy for all consumers at competitive prices. To this end, IEU-Ohio has worked, and will continue to work, to produce legislative, regulatory, and market outcomes that are consistent with the state policy contained in Section 4928.02, Revised Code. IEU-Ohio members have been, and continue to be, active participants in state and federal regulatory proceedings concerning Ohio's electric utilities, including the proceedings regarding AEP's rate stabilization plan ("RSP") and AEP's electric security plan ("ESP").

A portion of IEU-Ohio's member companies are served by AEP and may be affected by AEP's proposed Application. In this proceeding, AEP seeks accounting

authority to defer costs incurred as a result of the damage Hurricane Ike caused in September 2008.¹ In the alternative, AEP seeks permission to begin collecting these expenses for a 12-month period beginning with the first billing cycle of February 2009.² AEP's proposal may result in increases to the rates charged to IEU-Ohio members for electric service as well as impact the quality of service that IEU-Ohio members receive from AEP. This potential vests IEU-Ohio with a direct, real, and substantial interest in the issues and matters involved in the above-captioned proceeding, the disposition of which may impair or impede its ability to protect that interest.

For the aforementioned reasons, IEU-Ohio has a direct, real, and substantial interest in the issues and matters involved in the above-captioned proceeding that will only be protected by its participation in this proceeding. Therefore, IEU-Ohio hereby requests that the Commission grant its intervention with the full powers and rights granted by the Commission, specifically by statute and by the provisions of the Ohio Administrative Code, to intervening parties.

B. COMMENTS³

AEP requests accounting authority to defer its storm-related O&M expenses that "exceed the three-year average service restoration O&M expenses associated with

¹ Application at 1.

² *Id.* at 3-4.

³ IEU-Ohio submits its comments on AEP's Application through this pleading because there are no statutes or Commission rules, nor are there provisions in AEP's electric transition plan ("ETP") or RSP that require the Commission to hold a hearing or otherwise provide any opportunity for IEU-Ohio or others to express substantive concerns regarding AEP's Application before the Commission may rule upon the Application. Indeed, the Commission issued a Finding and Order regarding AEP's 2006 Application to recover storm damages related to the 2004 and 2005 ice storms without a hearing, comment period, or any other opportunity to participate in that proceeding. *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company to Implement Storm Related Service Restoration Cost Recovery Riders*, Case No. 06-412-EL-UNC, Finding and Order at 2-3 (August 9, 2006).

major storms.”⁴ These expenses would be recovered over a twelve-month period beginning at the earlier of a date determined in a future Commission proceeding or with the first billing cycle of January 2011.⁵ The Companies also propose a carrying charge equal to their respective Weighted Average Cost of Capital (“WACC”).⁶ In the alternative, if the Commission determines that a deferral for subsequent collection is not the “optimal” method for recovery of these costs, then AEP asks for authorization to recover the O&M expenses over a 12-month period beginning with the first billing cycle of February 2009.⁷ AEP also notes that the Commission already held that a traditional rate case application or hearing is not required for recovery of costs associated with major storm damage services.⁸

IEU-Ohio recognizes that the approved Stipulation and Recommendation (“Stipulation”) in AEP’s ETP case and the Commission’s Opinion and Order in AEP’s RSP contemplates the potential for recovery of extraordinary storm damage costs notwithstanding the distribution rate freeze provided for in the ETP and RSP cases.⁹ Therefore, IEU-Ohio is not opposed to AEP’s request to defer storm damage expenses beyond the three-year average service restoration O&M expenses associated with major storms. However, if the Commission permits deferral of storm damages expenses it should not permit AEP’s requests for a carrying charge equal to their

⁴ Application at 2.

⁵ *Id.* at 1.

⁶ *Id.*

⁷ *Id.* at 3-4.

⁸ *Id.* at 4.

⁹ *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of a Post-Market Development Period Rate Stabilization Plan*, Case No. 04-169-EL-UNC, Opinion and Order at 22-23 (January 26, 2005). See also *In the Matter of the Application of Columbus Southern Power Company for Approval of Electric Transition Plan and Application for Receipt of Transition Revenues*, Case Nos. 99-1729-EL-ETP, *et al.*, Stipulation and Recommendation at 3-4 (May 8, 2000) and approved by Opinion and Order on September 28, 2000.

respective WACCs.¹⁰ Given the short period of time over which cost recovery of the deferred expenses is proposed, it is not appropriate to allow a carrying cost rate that contains an equity component. Further, the WACC is not ordinarily utilized as a carrying charge related to the recovery of O&M expenses. Therefore, any carrying charge should be based upon the cost of short-term debt.¹¹

AEP's alternative request (in the event the Commission does not permit deferral) that the Commission authorize an increase in rates beginning with the first billing cycle of February 2009 to recover the storm restoration expenses over a twelve-month period suffers from both circular reasoning and a lack of specificity necessary to determine whether the result would be just and reasonable. AEP cannot collect prior year expenses without the accounting authority necessary to defer these expenses in 2008 for future collection. AEP's alternative proposal to simply increase rates in February 2009 is a distribution rate increase that must be addressed under the rate increase provisions of Chapter 4909, Revised Code.

Further, ignoring for the moment that AEP's alternative approach is a rate increase, AEP has failed to provide sufficient information for the Commission to make an informed decision on whether the results would be just and reasonable. AEP has not identified the total amount of storm damage expenses that are being sought for recovery. AEP has not identified how the storm damage expenses would be allocated among customer classes. Finally, AEP has not identified, for each rate schedule, how

¹⁰ Application at 1.

¹¹ To collect its expenses related to the ice storms of 2004 and 2005, AEP recovered its storm damage expenses through a rider calculated as a percentage of distribution charges before riders. *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company to Implement Storm Related Service Restoration Cost Recovery Riders*, Case No. 06-412-EL-UNC, Tariff Filings at Sheet 77 (August 16, 2006). If the Commission permits AEP to defer and begin recovering these expenses before AEP's next distribution rate case, the Commission should require AEP to collect the expenses through a uniform percentage increase in distribution rates.

these expenses would be reflected in rates. Thus, AEP has failed to meet its burden of proof that the resulting rates would be just and reasonable and the Commission cannot approve AEP's alternative approach.

Finally, IEU-Ohio would note that in AEP's ESP proceeding, Staff recommended that both AEP distribution companies file a distribution rate case in 2009.¹² Staff noted in its testimony that "there are some issues of the distribution system that need to be publicly addressed. There have been a lot of accusations and public discussions about the AEP companies' management of their distribution system specifically as it related to the costs of the 2004/2005 ice storms and the 2008 hurricane damage."¹³ As it currently stands, Columbus Southern Power's last rate case was 17 years ago and Ohio Power's last rate case was 14 years ago. Therefore, if the Commission were to adopt this Staff recommendation in the ESP proceeding, it would be appropriate to address the recovery of storm restoration expenses as part of those distribution rate cases.

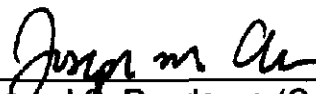
C. CONCLUSION

IEU-Ohio respectfully requests this Commission to grant its Motion to Intervene. IEU-Ohio also respectfully requests that if the Commission permits AEP to defer storm damage expenses, that it limits carrying costs to the cost of short-term debt. IEU-Ohio also requests the Commission not approve AEP's alternative approach for the reasons discussed herein. IEU-Ohio respectfully requests the Commission modify AEP's Application as described above.

¹² *In the Matter of the Application of Columbus and Southern Power Company for Approval of its Electric Security Plan; an Amendment to its Corporate Separation Plan; and the Sale or Transfer of Certain Generating Assets*, Case Nos. 08-917-EL-SSO, *et al.*, Prefiled Testimony of J. Edward Hess at 5-6 (November 10, 2008).

¹³ *Id.* at 6.

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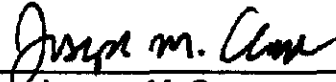
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Motion to Intervene and Memorandum in Support of Industrial Energy Users-Ohio* was served upon the following parties of record this 17th day of December 2008, via first class mail, postage prepaid.



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