

FILE



CANTON REGIONAL
CHAMBER OF COMMERCE

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December 19, 2008

Public Utilities Commission of Ohio
Docketing Division
180 East Broad Street
Columbus, Ohio 43215-3793
RE: Case #s 08-917-EL-SSO
08-918-EL-SSO

PUCO

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Dear Sirs:

The Canton Regional Chamber of Commerce wants to go on record regarding a proposed rate increase by American Electric Power (AEP) which is currently under consideration by the Public Utilities Commission of Ohio. AEP has asked for a 15% per year increase for the next three years. Though we can certainly understand the cost pressures AEP is facing regarding its electric generation expenses we feel an increase of this size will discourage new jobs and create an undue burden on the business community. Also we believe there are other regulatory procedures available to the company to seek some of the proposed increases relating to electric distribution and transmission.

The Chamber has examined this proposal from both AEP's and their customers' points of view. As part of our process we met and discussed the proposal with representatives from large and small manufacturers, healthcare, and from AEP. We had candid and informative discussions.

First, our analysis indicates that about 55% of the requested rate increase is for operating cost increases, such as coal. The balance of the increase is for plant improvements and other public service benefits, such as aid for economic development efforts. Every ten days, China is commissioning a new electrical plant using coal as its source of generation. As a result, this demand has increased the cost of coal around the world. In the past year, coal costs have increased from \$44 per ton to as high as \$140 per ton. Meanwhile, coal production in the Central Appalachian Basin has decreased by 2.3%. Therefore, we must conclude that AEP needs to increase its charge to customers for generation and that the PUCO review the rate increase based on the current cost of coal to determine an equitable amount.

We do not believe that rate proposal should include increases for plant and capital related improvements. Since the law provides a procedure for getting capital improvement funds, AEP should apply and justify its cost increases for capital improvements using the appropriate venue.

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Combining rate increases for electric generation operating costs and capital improvements is inappropriate because it avoids procedures already in place. The PUCO has put these procedures in place to control rate increases which could surely be an undue burden on the community. Although AEP has good intentions, we do not believe their rate increase should use an approach outside the normal procedures required by PUCO.

Finally, a 52% increase in electrical power costs will place many manufacturers and other businesses at a competitive disadvantage with domestic and global markets. AEP has a rate structure, which encourages manufacturers to produce in our area. Now, with the economy in a serious recession, a rate increase of this size will just make the economic recovery more difficult.

Thanks you for your consideration and the opportunity to comment.

 

Cordially,
Tim Maloney, Chairman

Dennis P. Saunier, President & CEO