

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Joint Application of)
Columbus Southern Power Company and)
Ohio Power Company for Authority to)
Modify their Accounting Procedure)

Case No. 08-1338-EL-AAM

In the Matter of the Joint Application of)
Columbus Southern Power Company and)
Ohio Power Company and Ormet Primary)
Aluminum Mill Products Corporation for)
Approval of a Temporary Amendment to)
Their Special Arrangement)

Case No. 08-1339-EL-UNC

JOINT APPLICATION

1. Columbus Southern Power Company (CSP) and Ohio Power Company (OPCO), collectively referred to as "the Companies," are public utilities as defined in §4905.02 and 4905.03, Ohio Rev. Code. Ormet Primary Aluminum Mill Products Corporation ("Ormet") is a customer of the Companies, served under the terms of a stipulated settlement approved by the Commission on November 8, 2006 in Case No. 05-1057-EL-CSS and amended in the same docket on August 27, 2008. That Commission-approved arrangement is set to expire on December 31, 2008. Ormet and the Companies jointly file this application requesting that the Commission act to resolve this matter by granting the requests made herein.
2. Ormet currently pays generation rates set pursuant to the terms of the Commission's Opinion and Order and 2008 Entry on Rehearing regarding the electric service agreement between Ormet and the Companies in Case No. 05-1057-EL-CSS. Under the arrangement, generation, transmission, and distribution service is jointly supplied

to Ormet by the Companies. For the period between January 1, 2007 and December 31, 2008, Ormet pays \$43 per megawatt-hour for generation service and a blend of CSP's and OPCO's transmission and distribution service tariff rates and all applicable riders. The Companies were permitted to amortize to income their Ohio Franchise Tax phase-out regulatory liability, in the amount of the differential between generation service at a market rate and the \$43 per megawatt-hour charge for generation service provided for under the stipulation, with any amount remaining after depletion of the regulatory liability being eligible for recovery under the RSP's 4% provision. The Commission approved a market rate for generation service of \$47.69 per MWH for 2007 and \$53.03MWH for 2008 in Case No. 06-1504-EL-UNC, Finding and Order, June 27, 2007, and Case No. 07-1317-EL-UNC, Finding and Order, December 8, 2008, respectively.

3. On July 31, 2008, CSP and OPCO filed an application seeking approval of Electric Security Plans in Case Nos. 08-917-EL-SSO and 08-918-EL-SSO. Pursuant to §4928.143(C)(1), Ohio Rev. Code, a Commission decision in the ESP cases was expected no later than December 28, 2008. While other electric distribution companies have received merit orders in their ESP proceedings, the Companies' ESP application remains pending. It now appears (based on the Commission's indication in its Finding and Order in Case No. 08-1302-EL-ATA) that it will endeavor to decide the ESP cases before the end of February, 2009. As part of their ESP application, the Companies proposed a "slice-of-system" purchased power proposal, whereby the Companies' would make purchases from the wholesale power market to

support its standard service offering under the ESP (5% in 2009, 10% in 2010 and 15% in 2011). The slice of system purchase power proposal was based, in part, on addressing the Companies' acceptance in Case No. 05-1057-EL-CSS of the Ormet load obligation and, if adopted, could result in Ormet taking service under the standard service offer for generation.

4. Aside from the ESP cases, the Companies and Ormet have also been working in good faith to try and negotiate a mutually agreeable solution that would directly address a longer-term service agreement between the parties. It is expected that prior to the Commission's decision in the Companies' ESP cases a filing will be made with a request for approval of a new arrangement.
5. The Companies and Ormet seek approval of an interim arrangement governing the provision of generation service to cover the period involved in the Commission's deliberations on the Companies' ESP during 2009. Ormet and the Companies propose the interim arrangement and deferral authority to maintain service and the public purpose of the stipulated settlement while awaiting Commission action on the overall framework of service in the Companies' service territories.
6. In response to the Commission's 2009 scheduling of the decision on the Companies ESP, Ormet and the Companies propose that the Commission approve a temporary arrangement that would extend the previous relationship and recovery approved by the Commission with the exception of Ormet paying the Companies' applicable tariff

rates and riders currently in place for generation for service in place of the \$43 per megawatt-hour for generation service. The change in generation price is necessitated by the fact that the Contract expires on December 31, 2008 and Ormet's economic circumstances do not permit continuation of the \$43 per megawatt-hour rate for generation service.

7. Specifically, Ormet represents that it cannot afford to continue to pay the rate determined under the terms of its current contract beyond the expiration in December 2008. If Ormet were charged that rate, it could result in a breach of certain covenants in its Bank Agreement which, in turn, would jeopardize the continued operation of the Hannibal facilities.
8. Under these circumstances, the Companies are willing to temporarily offer generation service at current applicable tariff rates and riders while Ormet and the Companies continue to negotiate a longer-term arrangement and pending the outcome of the Commission's ruling on the ESP application, provided that all relief requested in this application is granted. The requested amendment is temporary in nature and is not intended to create any precedent, binding or otherwise, concerning an appropriate generation rate for Ormet. Rather, the situation is a result of the unique issues surrounding the scheduled delay of the Companies ESP ruling. The Joint Applicants agree that the temporary amendment will expire upon the effective date of new AEP Ohio approved tariffs based on a Commission ruling on the Companies' ESP application (*i.e.*, if the Commission adopts the ESP as proposed or if the Companies

accept any modifications made to the ESP by the Commission) and the effective date of a new special arrangement subsequently approved by the Commission.

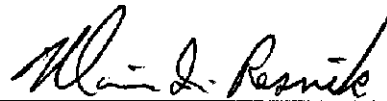
9. In order to implement this temporary amendment to the special arrangement and be held harmless, the Companies are applying for authority, pursuant to §4905.13, Ohio Rev. Code, to defer as a regulatory asset beginning in 2009, the difference between the 2008 market price approved by the Commission for use in administering the special arrangement between the Companies and Ormet and a blend of CSP's and OPCO's current standard service offer generation rate ("market delta"). Specifically, Ormet will pay OPCO's Schedule GS-4 tariff rates and riders for one-half (50%) of Ormet's load and CSP's Schedule GS-4 tariff rates and riders for one-half (50%) of Ormet's load. The Companies will continue to amortize the Ohio Franchise Tax regulatory liability until fully depleted prior to deferring any amounts under the market delta as a regulatory asset; currently, that regulatory liability is expected to be depleted approximately at the end of 2008. The regulatory accounting deferral that is created beginning in 2009 will continue to accrue until the temporary amendment is superseded through either a new special arrangement approved by the Commission or through the approval of final tariffs effectuating the Commission's ESP ruling, as described above in paragraph 8.
10. The Companies propose to recover this deferral in the FAC mechanism detailed in the Companies pending ESP cases, beginning immediately following the Commission's decision in the ESP cases. If the FAC mechanism is not adopted, the Joint Applicants

request that the Commission address immediate recovery of the deferral in the Companies' standard service offer rates.

11. Based on these circumstances, the Companies and Ormet respectfully request that the Commission approve the relief requested in this application as an interim order so as to maintain the effect of the Commission's prior orders on this subject while awaiting a Commission decision in the ESP cases. This temporary solution is intended solely as a placeholder to allow the Commission the time needed to rule on the ESP application without undoing previously-approved Commission decisions.

WHEREFORE, the Companies and Ormet request that the Commission grant the temporary amendment to the special arrangement and grant the accounting authority requested in this application.

Respectfully submitted,



Marvin I. Resnik, Counsel of Record
Steven T. Nourse
Matthew J. Satterwhite
American Electric Power Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215
(614) 716-1606
(614) 716-1608
(614) 716-1915
Fax: (614) 716-2950
Email: miresnik@aep.com
Email: stnourse@aep.com
Email: mjsatterwhite@aep.com

Counsel for Columbus Southern Power Company
and Ohio Power Company

*Emma F. Hand / MFR per e-mail
authorization*

Clinton A. Vince

William D. Booth

Emma F. Hand

Ethan E. Rii (#0079299)

Sonnenschein Nath & Rosenthal LLP

1301 K Street NW

Suite 600, East Tower

Washington, DC 20005

202-408-6400 (telephone)

202-408-6399 (facsimile)

Attorneys for Ormet Primary

Aluminum Corporation