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**FILE**

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

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<b>In the Matter of the Application</b>	)	
<b>of Columbus Southern Power</b>	)	<b>Case No. 09-1094 EL-FAC</b>
<b>Company and Ohio Power Company</b>	)	
<b>to Recover Commission-Authorized</b>	)	
<b>Deferrals Through Each Company's</b>	)	
<b>Fuel Adjustment Clause.</b>	)	

**APPLICATION**

1. Columbus Southern Power Company (CSP) and Ohio Power Company (OP), collectively referred as "the Companies" or "AEP Ohio," are electric light companies, as that term is defined in §§4905.03 and 4928.01 (A) (7), Ohio Rev. Code.
2. The Companies, along with Ormet Primary Aluminum Mill Products Corporation (Ormet), filed a Joint Application in Case Nos. 08-1338-EL-AAM and 08-1339-EL-UNC on December 29, 2008 (the Interim Agreement proceeding).
3. In the Interim Agreement proceeding, the Commission approved a pricing arrangement for the Companies' provision of electric service to Ormet, effective January 1, 2009.<sup>1</sup> Pursuant to the application approved by the

<sup>1</sup> January 7, 2009, Finding and Order; Rehearing granted March 4, 2009 to further consider matters specified in the rehearing application.

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Commission, the Companies agreed to provide "generation service at current applicable tariff rates and riders...."<sup>2</sup> (Joint Application, p. 4).

4. Also pursuant to the Commission-approved Joint Application, the Companies were authorized to defer for future recovery as a regulatory asset the fuel costs not recovered from Ormet in the amount of the difference between the price Ormet would pay under the Interim Agreement and the 2008 market price approved by the Commission for use in administering the special arrangement between the Companies and Ormet that expired December 31, 2008.<sup>3</sup> This Ormet deferral of unrecovered fuel costs was part of the cost-based regulated Fuel Adjustment Clause (FAC) approved by the Commission in the Companies' ESP proceeding.
5. On February 17, 2009 Ormet filed an application pursuant to §4905.31, Ohio Rev. Code to establish a long-term Unique Arrangement with the Companies. (The Unique Arrangement proceeding).<sup>4</sup> By Opinion and Order dated July 15, 2009, the Commission approved Ormet's application with several modifications.

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<sup>2</sup> The Companies' then-current generation tariff rates and riders were those resulting from their Rate Stabilization Plan (RSP Case No. 04-169-EL-UNC) and subsequent proceedings resulting in rate adjustments pursuant to the RSP.

<sup>3</sup> See Case No. 05-1057-EL-CSS, *Supplemental Opinion and Order* p. 5 ¶8; Case No. 07-1317-EL-UNC, December 10, 2008 Finding and Order, approving the market rate for 2008 at \$53.03/MWh.

<sup>4</sup> Case No. 09-119-EL-AEC.

6. In its July 15, 2009 Opinion and Order, the Commission directed the Companies to execute a power agreement that conforms to the modifications ordered by the Commission. The Commission further directed that the modified Unique Arrangement "shall be effective for service rendered following the filing in this docket [Case No. 09-119-EL-AEC] of an executed power agreement." (Opinion and Order, p.5). On September 18, 2009 Ormet and the Companies filed their executed power agreement.
7. In its July 15, 2009 Opinion and Order in Case No. 09-119-EL-AEC, the Commission established a pricing formula for service rendered by the Companies to Ormet following the filing of the executed power agreement, through the end of 2009. As part of that authorized pricing, the Companies were authorized "to defer the delta revenues created by the unique arrangement for the remainder of calendar year 2009." (p. 5).
8. In its July 15, 2009 Opinion and Order in Case No. 09-919-EL-AEC, the Commission directed the Companies to file an application to recover the appropriate amounts of the unrecovered FAC deferrals authorized by the Commission in the Interim Agreement proceeding and the unrecovered cost that results from the delta revenues under the Unique Arrangement for calendar year 2009.

9. By this application the Companies address the mechanism (the FAC) for recovering the Interim Agreement deferrals. A separate application being filed concurrently by the Companies addresses the recovery of, among other things, the 2009 deferred unrecovered costs resulting from the Unique Arrangement's pricing mechanism, plus carrying costs thereon.
10. The Companies propose, in accordance with the Commission's January 7, 2009, Finding and Order approving the Interim Agreement, to provide for the recovery, through each Company's respective FAC, of the resultant cumulative FAC under-recovery regulatory asset as of September 17, 2009, the associated deferred carrying costs as of October 31, 2009, and the ongoing carrying costs, under the Interim Agreement.
11. As of September 17, 2009, the Companies have deferred as a regulatory asset \$62,857,472 in unrecovered FAC costs under the Interim Agreement -- \$29,847,670 for CSP and \$33,009,802 for OP. In addition, as of October 31, 2009 the Companies have deferred as a regulatory asset \$3,167,273 in carrying costs thereon-- \$1,556,972 for CSP and \$1,610,301 for OP. In accordance with the Commission's approval, the carrying costs were calculated based on each Company's Weighted Average Cost of Capital.<sup>5</sup> Unrecovered deferrals will continue accruing carrying costs based on each

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<sup>5</sup> The Commission's approval of the Interim Agreement included the proposal to recover the delta revenue deferral under the Interim Agreement in the FAC mechanisms which subsequently was adopted in the Companies' ESP proceedings. In its March 18, 2009 Opinion and Order in the ESP proceeding the Commission approved a FAC carrying cost at the Weighted Average Cost of Capital. (Opinion and Order, p. 23).

Company's Weighted Average Cost of Capital. A workpaper supporting the deferrals as of September 17, 2009 and the associated carrying costs as of October 31, 2009 is attached to this application as Schedule 1.

12. The Companies request that the Commission approve the recovery through each Company's FAC of the cumulative balance of the unrecovered FAC deferrals under the Interim Agreement, plus associated carrying costs accrued through October 31, 2009, and associated carrying costs to be accrued through the full recovery of the regulatory asset deferrals identified in this application.

Respectfully submitted,



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