

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company to Establish) Case No. 10-155-EL-RDR
Environmental Investment Carrying Cost)
Rider.)

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company to Update Each) Case No. 10-163-EL-RDR
Company's Enhanced Service Reliability)
Rider.)

In the Matter of the Application of)
Columbus Southern Power Company to) Case No. 10-164-EL-RDR
Update its gridSMART Rider.)

ENTRY

The Attorney Examiner finds:

- (1) On March 18, 2009, the Commission issued its opinion and order in Columbus Southern Power Company's (CSP) and Ohio Power Company's (OP) (jointly, AEP-Ohio or the Companies) electric security plan (ESP) cases (ESP Order).¹ By entries on rehearing issued July 23, 2009 (First ESP EOR) and November 4, 2009 (Second ESP EOR), the Commission affirmed and clarified certain issues raised in AEP-Ohio's ESP Order. As ultimately adopted by the Commission, AEP-Ohio's ESP directed, among other things, that AEP-Ohio:
 - (a) Recover the incremental capital carrying costs that would be incurred after January 1, 2009, on past environmental investments (2001-2008).²

¹ In re AEP-Ohio ESP cases, Case Nos. 08-917-EL-SSO and 08-918-EL-SSO, Opinion and Order (March 18, 2009).

² ESP Order at 24-28; First ESP EOR at 10-14.

- (b) Recover the cost of the enhanced vegetation initiative via the enhanced service reliability plan (ESRP) rider.³
 - (c) Create the gridSMART rider.⁴
- (2) On February 8, 2010, AEP-Ohio filed its application to establish the environmental investment carrying cost rider (EICCR) in Case No. 10-155-EL-RDR (10-155 or EICCR case). In the EICCR application, AEP-Ohio proposes that CSP's EICCR for 2009 be established at 4.31451 percent and OP's EICCR for 2009 be established at 4.18938 percent of the generation charges, excluding the fuel adjustment clause (FAC) charges. In support of the proposed EICCR rates, the Companies filed schedules setting forth the monthly environmental capital additions that occurred in 2009. The Companies are also requesting recovery of the 2009 environmental carrying costs over an 18-month period. AEP-Ohio plans to file to adjust the EICCR during the first quarter of 2011 for environmental carrying costs incurred during 2010, and during the first quarter of 2012 for environmental carrying costs incurred during 2011. AEP-Ohio asserts that because the EICCR rider was established in the ESP proceedings and the schedules attached to the application can be verified by Commission Staff (Staff), a hearing is not necessary. The Companies propose that the Commission provide interested parties an opportunity to file comments and reply comments.
- (3) On February 11, 2010, AEP-Ohio filed, in Case No. 10-163-EL-RDR (ESRP case), its application to update its ESRP rider. AEP-Ohio states that in the ESP cases the Commission approved its incremental spending plan for \$31.5 million in 2009, \$34.8 million in 2010, and \$38.1 million in 2011, subject to annual reconciliation based on the Companies' prudently incurred costs. AEP-Ohio states that it has worked with Staff to develop its enhanced vegetation management initiative plan and believe that the incremental costs should be included in the ESRP rider. Based on its discussions with Staff, AEP-Ohio believes that:

³ ESP Order at 30-34; First ESP EOR at 15-18.

⁴ ESP Order at 34-38; First ESP EOR at 18-24.

- (a) After a five-year transition period to facilitate end-to-end clearing of all company circuits, AEP-Ohio will implement a four-year full cycle vegetation program.
- (b) AEP-Ohio and Staff have developed an understanding of the schedule for end-to-end clearing of circuits during the five-year transition period, prioritized, in part, based on breaker zone circuits already cleared under the Companies' existing program. The application sets forth an annual clearing schedule.
- (c) AEP-Ohio and Staff have agreed that the Companies should base their calculation of baseline spending for vegetation for the years 2005-2008, equal to approximately \$23 million, with an additional measure of baseline spending to total \$24.2 million for purposes of determining incremental vegetation costs to be recovered in the ESRP rider.

AEP-Ohio proposes that, for 2009, CSP's ESRP rider be established at 3.34395 percent and OP's ESRP rider be established at 5.59907 percent of the distribution charges. In support of the proposed ESRP rider rates, the Companies filed a schedule for CSP and OP, which sets forth 2009 actual vegetation spending, carrying costs, and incremental investments for its vegetation plan. The Companies are requesting recovery of ESRP costs incurred and 2010 incremental costs to commence with the first billing cycle in July 2010, to coincide with the effective date of the FAC adjustment, as the Companies contend that the ESRP and the FAC increases are limited by the rate increase caps established in the ESP cases.

- (4) On February 11, 2010, CSP also filed, in Case No. 10-164-EL-RDR (gridSMART case), its application to update its gridSMART rider. CSP explains that, as directed by the Commission in the ESP cases, it pursued, and has been awarded, funding through the American Reinvestment Recovery Act (ARRA) from the United States Department of Energy (USDOE). CSP claims that ARRA funding further

required enhancement of the gridSMART plan presented to the Commission in the ESP cases to include realtime pricing, community energy storage, smart appliances, cyber security operation center, and plug-in electric vehicle components. CSP states that it secured in-kind contributions from non-affiliated corporate partners to enhance its gridSMART plan, and the cost of the additional work and components will not be collected through the gridSMART rider. CSP states that it expects to avoid increasing the 2009-2011 revenue requirement for gridSMART Phase I. In other words, CSP expects to maintain approximately the same level of ratepayer funding during this ESP period. CSP states that in the ESP case, the Commission approved CSP's initial gridSMART rider at \$32 million, subject to annual reconciliation based on the Companies' prudently incurred costs and receipt of ARRA grant funding. AEP-Ohio proposes that CSP's gridSMART rider be updated to 2.30342 percent for actual gridSMART Phase I investments.

- (5) In each of the above-referenced applications, the Companies are requesting that the updated rider rates commence with the first billing cycle in July 2010, to coincide with the effective date of the FAC adjustment, as any increase associated with the EICCR, ESRP, gridSMART rider, and FAC rates are limited by the rate caps established in the ESP cases.⁵
- (6) In the EICCR, ESRP, and gridSMART cases, the Office of the Ohio Consumers' Counsel (OCC) and the Industrial Energy Users-Ohio (IEU-Ohio) filed motions to intervene. On March 15, 2010, Ohio Partners for Affordable Energy (OPAE) filed a motion to intervene in the gridSMART case. OCC, IEU-Ohio, and OPAE assert that each has a substantial interest in these cases, and that the disposition of the cases may impair or impede their ability to protect that interest.
- (7) OCC and IEU-Ohio have set forth reasonable grounds for intervention in each of the above-referenced AEP-Ohio rider cases and OPAE has set forth reasonable grounds for intervention in AEP-Ohio's gridSMART case. Accordingly, their respective motions to intervene should be granted.

⁵ On a total bill basis, rate increases are capped at 7 percent for CSP and 8 percent for OP in 2009, 6 percent for CSP and 7 percent for OP in 2010, and 6 percent for CSP and 8 percent for OP in 2011. ESP Order at 22; First ESP EOR at 8-9.

- (8) Along with its motion to intervene in the gridSMART case, OPAE also filed a motion to permit David C. Rinebolt to practice pro hac vice before the Commission. The attorney examiner finds that OPAE's pro hac vice motion is reasonable and, therefore, should be granted.
- (9) Along with OCC's motion to intervene in each of the above-referenced rider cases, OCC advocates that an expedited procedural schedule be established. OCC proposes that the service of discovery and responses be served by e-mail and that a ten-day discovery response period be imposed. Further, OCC requests that a hearing be scheduled to permit interested parties the opportunity to protest any issues that remain outstanding after discovery is completed.
- (10) In response to OCC's request for a hearing, AEP-Ohio reiterates that the EICCR, ESRP, and gridSMART riders were established as part of the ESP proceedings, and that the Companies have provided supporting documentation in the calculation of the proposed riders in each case. Further, the Companies note that the EICCR is not one of the issues raised on appeal to the Ohio Supreme Court in the context of the ESP proceedings. The Companies believe that Staff's evaluation and analysis of the data provided in support of the applications, along with the filing of Staff's results, will more readily allow the parties to achieve a full understanding of the EICCR, ESRP, and gridSMART rider applications without the constraints of litigation. AEP-Ohio asserts that such process will not deny OCC its right to discovery and will not preclude input from OCC. However, AEP-Ohio opposes the ten-day discovery response period. AEP-Ohio asserts that OCC's ten-day discovery response request is not justified, as OCC waited three to four weeks before initiating its discovery request in the above-noted cases. For these reasons, AEP-Ohio argues that OCC's procedural requests should be denied.
- (11) On March 15, 2010, in each of the AEP-Ohio rider cases, OCC filed a reply to the Companies' memorandum contra OCC's request for the ten-day discovery response period and electronic service of discovery and responses.
- (12) In an effort to implement each of the rider rates by the first billing cycle of July 2010, the attorney examiner finds that it is

necessary to shorten the discovery response time to ten calendar days and direct that service of discovery requests and responses be served by e-mail. Further, the procedural schedule for these proceedings shall be as follows:

- (a) Motions to intervene should be filed by April 15, 2010.
 - (b) Interested persons, including Staff, that wish to file comments/objections to any or all of AEP-Ohio's rider applications must do so by April 30, 2010.
 - (c) Reply comments are due by May 10, 2010.
- (13) In each of AEP-Ohio's rider application cases, along with its motion to intervene, IEU-Ohio also filed comments. IEU-Ohio's comments will be considered along with any other comments and/or reply comments filed in these proceedings.
- (14) After comments and reply comments are received and the issues raised therein considered, a decision whether a hearing is warranted will be made. The attorney examiner notes that should it be determined that a hearing is necessary, this matter will proceed on an expedited basis and requests for a continuance, extension, or additional time may not be viewed favorably.

It is, therefore,

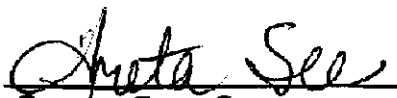
ORDERED, That the motions for intervention filed by OCC, IEU-Ohio, and OPAAE be granted as discussed in finding (7). It is, further,

ORDERED, That OPAAE's motion pro hac vice filed in the gridSMART case be granted as discussed in finding (8). It is, further,


ORDERED, That comments be filed with the Commission by April 30, 2010, and reply comments be filed by May 10, 2010. It is, further,

ORDERED, That a copy of this entry be served upon all persons of record in these cases.

THE PUBLIC UTILITIES COMMISSION OF OHIO



By: Greta See
Attorney Examiner


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Entered in the Journal

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Renée J. Jenkins
Secretary