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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbus Southern Power Company to)
Update its gridSMART Rider.)

Case No. 10-164-EL-SSO

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COLUMBUS SOUTHERN POWER COMPANY'S
MEMORANDUM CONTRA THE APPLICATION FOR REHEARING OF THE
OHIO CONSUMERS' COUNSEL

INTRODUCTION

Columbus Southern Power Company (CSP) filed an Electric Security Plan in Case No. 08-917-EL-SSO (*ESP Case*) wherein the Commission approved the Company's gridSMART Phase I initiative and authorized CSP to establish a gridSMART Rider, subject to annual reconciliation. (Opinion and Order, March 18, 2009, p. 38). On February 11, 2010, CSP filed this application as the first annual reconciliation of the gridSMART Rider. On April 8, 2010, the Commission issued an Entry establishing a comment cycle in this case, whereby initial comments were due April 30, 2010 and reply comments are due on May 10, 2010. After the comment cycle, all of the parties engaged in discussions in an attempt to mutually resolve the outstanding issues. While no settlement was reach, CSP updated its position on July 21, 2010 in an effort to address Staff's concerns and offer a unilateral compromise in recognition of intervening parties' positions. In response, the Staff filed a letter on July 30, 2010 indicating that it agreed with CSP's proposed resolution in this case and that no issue remained that require a formal adjudicatory hearing. After the case was placed on the Commission's meeting agenda, the Ohio Consumers' Counsel (OCC) filed additional comments regarding CSP's

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updated position, addressing four matters. CSP then filed additional reply comments on August 10, 2010. On August 11, 2010, the Commission issued a Finding and Order adopting CSP's updated position and authorizing the Company to file tariffs implementing the new rider, which CSP did on August 27, 2010. Subsequently, the OCC filed an application for rehearing.

ARGUMENT

I. OCC's Application for Rehearing should be denied

A. OCC's two challenges regarding the approved carrying charges is without merit

OCC again raises the same arguments made in its comments in an attempt to challenge the carrying charges approved for CSP's gridSMART investment. First, OCC again claims (at 7) that the Commission did not specify a carrying charge for gridSMART investment in the *ESP Case*, and CSP has not shown that the proposed annual carrying charge rates are just and reasonable. As discussed below, this argument is flawed and merely constitutes re-argument of the same issues raised prior to the decision. Second, OCC again unnecessarily raises a clarification issue (at 10-11) regarding the accounting treatment of depreciation expenses that was already clearly addressed.

1. The Commission did approve carrying charges for CSP's gridSMART investment in the *ESP Case* and CSP also demonstrated to the Commission's satisfaction that the carrying charges are just and reasonable in this case.

OCC's claim that the Commission did not approve carrying charges for CSP's gridSMART investment ignores that the Commission's July 23, 2009 entry on rehearing in Case Nos. 08-817-EL-SSO and 08-918-EL-SSO ("*ESP Cases*") at 20 provided for "recovery of half of the gridSMART Phase I incremental revenue requirement, \$32

million.” The \$32 million was based on one-half of the 2009-2011 gridSMART costs over the ESP period including \$9.8 million of O&M and a carrying cost exceeding \$20 million on gridSMART expenditures. *ESP Cases*, Cos. Ex. DMR-4 (Roush); and Ex. PJN-10 (Nelson) (page 1 of 2 for CSP). The carrying cost was based on the various lives of the gridSMART expenditures, ranging from 5 years to 30 years. *Id.*

OCC’s statements (at 6, 8) that the carrying charge rates have not been shown to be just and reasonable is undercut by the Commission’s approval of the rider funding based on the carrying charges. Moreover, the Staff comments in this case stated (at 13) that “Staff recommends that the Companies be consistent with the order in the ESP and use the same WACC as approved in that filing.” Similarly, Staff comments went on to state (at 13) that it is Staff’s recommendation “to reflect the depreciation factor based on the latest approved factor that was approved in the ESP case to calculate the revenue requirement for the actual and projected periods 2009-2010.” Further, after CSP filed its updated position, Staff explicitly agreed with CSP’s updated position for purposes of resolving this case. Thus, CSP did demonstrate to the Commission’s satisfaction in this proceeding that the carrying charges are just and reasonable; OCC’s present challenge improperly attempts to second-guess the Commission’s findings in both cases and to merely substitute the judgment of OCC for that of the Commission.

2. CSP and the Commission both already addressed the clarification issue OCC raises regarding the accounting for depreciation expense.

Also regarding the carrying charge, OCC suggests (at 10-11) that CSP should record all depreciation expenses it collects through the annual carrying charges under the gridSMART rider as accumulated depreciation and deduct the balance from distribution

rate base in the next distribution rate case. As stated in CSP's August 10, 2010 additional reply comments (at 4), CSP is recording depreciation of the gridSMART equipment on its books with a contra credit entry to accumulated depreciation which would be deducted from rate base in any future distribution. OCC's quotation from page 10 of the Finding and Order omitted the key language that follows the partial language that OCC did quote: "We find that such transactions avoid double recovery of capital investments in gridSMART." Obviously, the Commission's order merely placed a period between the two statements instead of a comma. Regardless, the language is clearly referenced in response to CSP's representation (that it is recording depreciation of the gridSMART equipment on its books with a contra credit entry to accumulated depreciation which would be deducted from rate base in any future distribution case) and is abundantly clear that double counting will be avoided.

B. OCC is wrong in claiming that the Commission's Finding and Order violates either R.C. 4905.22 or R.C. 4928.02(A).

OCC makes a claim of statutory violations in reaction to the Commission's decision to reject OCC's request for additional notice procedures for remote disconnect, wherein the Finding and Order (at 13-14) held that: "CSP may utilize the remote disconnection capabilities of gridSMART and shall not be required to implement any additional notice requirements to utilize the remote disconnection capabilities provided all the other requirements of the rules in Chapter 4901:1-18, O.A.C., have been met." In response, OCC suggests (at 8-10) that the Commission should have unilaterally acted to modify CSP's existing tariff charges for disconnection and reconnection as part of the decision. In this regard, OCC's argument to portray this situation as one where the Commission has violated R.C. 4905.22 or R.C. 4928.02(A) is without merit.

R.C. 4905.22 requires utilities to provide adequate service and to follow the terms of approved tariffs – that statute has no relevance or application in attacking a Commission decision. Similarly, R.C. 4928.02(A) merely expresses a policy of ensuring consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service – that statute also has no relevance or application in attacking a Commission decision. Thus, OCC's reliance on these statutes is misguided.

OCC argues (at 9) that the Commission's rules do not require CSP to send an employee to a customer's premises for disconnection that does not involve nonpayment or for reconnection of service. Yet, the Commission has approved charges in CSP's tariffs that generally apply to disconnections and reconnections. *See* PUCO No. 7, CSP Original Sheet 5-1, Misc. Distribution Charges. Some disconnections cannot be accomplished with remote disconnection capabilities and still require a field visit (*e.g.*, pole disconnect for safety purposes to accommodate work on property). OCC simply presumes without any basis that the entire cost basis supporting CSP's approved disconnection- and reconnection-related service charges is based on a field visit. Moreover, even when using remote disconnection and reconnection capabilities, CSP will still incur costs in performing disconnection and reconnection activities. And the customer is still receiving the same service referenced in the tariff.

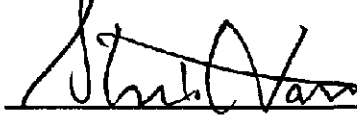
In any case, there is no basis in the record to modify any of CSP's charges to establish different charges based on a new set of costs that might apply in certain circumstances. More importantly, such analysis has not been presented in this record. It would be arbitrary for the Commission to unilaterally undertake to do so at the rehearing stage of this case. Rather, as CSP argued in its August 10 additional reply comments (at

5-6), such issues should be taken up as part of the gridSMART collaborative or in the context of future Commission proceedings. In the mean time, CSP remains committed to using remote disconnect and reconnect capabilities in a manner that is consistent with applicable rules and tariffs.

CONCLUSION

For the foregoing reasons, the Commission should deny OCC's application for rehearing.

Respectfully submitted,

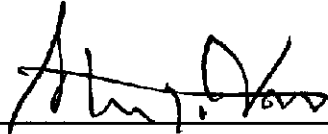


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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Columbus Southern Power Company's Memo Contra Rehearing has been served upon the below-named counsel via First Class mail, postage prepaid, this 20th day of September, 2010.



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