

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company to Adjust Their) Case No. 10-1072-EL-RDR
Economic Development Cost Recovery)
Rider Pursuant to Rule 4901:1-38-08(A)(5),)
Ohio Administrative Code.)

FINDING AND ORDER

The Commission finds:

- (1) On August 4, 2010, Columbus Southern Power Company (CSP) and Ohio Power Company (OP) (collectively, AEP-Ohio or the Companies) filed an application to adjust their economic development cost recovery rider (EDR) rates. The Companies state that in accordance with the Commission's decision in AEP-Ohio's electric security plan (ESP) cases, the EDR rate for each company was initially set at 0.00 percent.¹ The Companies most recent EDR rates were set at 10.52455 percent of base distribution rates for CSP and 8.36693 percent of base distribution rates for OP pursuant to the Commission's order issued in *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company to Adjust Their Economic Development Cost Recovery Rider Rates*, Case No. 10-154-EL-RDR (10-154), Order (March 24, 2010).
- (2) By Rules 4901:1-38-08(A)(5) and (C), Ohio Administrative Code (O.A.C.), the Commission requires that the electric utilities' EDR rates be updated and reconciled semiannually and permits affected persons to file a motion to intervene and comments to the application within 20 days of the date that the application is filed. Further, in *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company to Adjust Their Economic Development Cost Recovery Rider Rates*, Case No. 09-1095-EL-EDR (09-1095), the Commission directed AEP-Ohio to file its application to adjust its EDR rates to allow the Commission sufficient time to review the filing and perform due diligence with regard to the application in order

¹ *In re Columbus Southern Power Company and Ohio Power Company*, Case Nos. 08-917-EL-SSO and 08-918-EL-SSO, Opinion and Order (March 18, 2009) and Entry on Rehearing (July 23, 2009) (ESP cases).

to facilitate implementing the EDR rates with the first billing cycle of April and October.²

- (3) In accordance with the Commission's directives and Rule 4901:1-38-08(A)(5), O.A.C., AEP-Ohio filed the instant application to increase CSP's EDR rate to 10.75919 percent and to increase OP's EDR rate to 8.52287 percent, excluding the POLR credits. AEP-Ohio advocates that the EDR rate exclude the POLR credit but acknowledges that the Commission has previously determined otherwise in the Companies' EDR cases. According to AEP-Ohio, utilizing the same methodology approved by the Commission in 09-1095 and 10-154, including the POLR credit, would increase CSP's EDR rate to 10.74420 percent and increase OP's EDR rate to 8.48794 percent. The Companies state that the increase to the proposed EDR rates reflects estimated unrecovered delta revenues and associated carrying costs for the period July 2010 to December 2010 associated with the Companies' unique arrangement with Ormet Primary Aluminum Corporation (Ormet) and CSP's reasonable arrangement with Eramet Marietta, Inc. (Eramet). As a part of the application, AEP-Ohio provided the projected bill impact of the proposed EDR rider adjustments on all CSP and OP customers, by customer class.
- (4) In its application, AEP-Ohio requests that, at the conclusion of the 20-day comment period, the Commission find the Companies' EDR rates just and reasonable and conclude that a hearing is not necessary. Further, AEP-Ohio requests that its application to increase its EDR rates be approved to be effective with the first billing cycle of October 2010.
- (5) Along with the application, AEP-Ohio filed a motion for protective order. On August 4, 2010, Ermet also filed a motion for protective order. The motions for protective order will be addressed by subsequent attorney examiner's entry.
- (6) On August 17, 2010, Ormet filed a motion to intervene, asserting that it has an interest in this proceeding, as it is a party to one of the unique arrangements at issue, and this proceeding has the potential of affecting that arrangement. On August 17, 2010, Ormet also filed a motion to permit Clifton A.

² In re AEP-Ohio, Case No. 09-1095-EL-RDR, Finding and Order at 11-12 (January 7, 2010).

Vince, Douglas G. Bonner, Daniel D. Barnowski, and Emma F. Hand, counsel for Ormet, to practice before the Commission *pro hac vice* in this proceeding. Each counsel requesting approval to practice *pro hac vice* before the Commission is an active member of another state bar in good standing with several years of experience.

- (7) Eramet filed a motion to intervene on August 4, 2010. In its motion, Eramet states that it is a party to one of the reasonable arrangements at issue and notes that AEP-Ohio has requested protective treatment of Eramet-specific information. On that basis, Eramet argues that it has a direct, real and substantial interest in the issues to be addressed in this proceeding.
- (8) Industrial Energy Users-Ohio (IEU-Ohio) filed a motion to intervene and comments on August 19, 2010. In its motion to intervene, IEU-Ohio asserts that AEP-Ohio's application may raise the rates charged to IEU-Ohio members for electric service and impact the quality of service that IEU-Ohio members receive from AEP-Ohio. As such, IEU-Ohio asserts that it has a direct, real, and substantial interest in the issues raised and the matters involved in this EDR proceeding.
- (9) On August 20, 2010, the Office of the Ohio Consumers' Counsel (OCC) filed a motion to intervene. OCC argues that it is the advocate for residential utility customers of AEP-Ohio and that the rates of residential customers will be impacted by the proposed application. OCC asserts that its interests are different from that of any other party to this proceeding.
- (10) On August 26, 2010, the Ohio Energy Group (OEG) filed a motion to intervene, asserting that it has a real and substantial interest in the proceeding, and that the Commission's disposition of the proceeding may impair or impede OEG's ability to protect that interest. OEG represents the interest of certain large industrial and commercial customers served by AEP-Ohio.
- (11) The Commission finds that Ormet, Ermet, IEU-Ohio, OCC, and OEG have set forth reasonable grounds for intervention, and, therefore, their respective motions to intervene should be granted. The Commission also finds that Ormet's motion for admission *pro hac vice*, requesting that Clifton A. Vince,

Douglas G. Bonner, Daniel D. Barnowski, and Emma F. Hand be permitted to practice before the Commission in this matter, is reasonable and should be granted.

- (12) IEU-Ohio also filed comments to the application. In its comments, IEU-Ohio raises three arguments. First, IEU-Ohio argues that the Commission lacks subject matter jurisdiction. IEU-Ohio asserts that the Commission lost jurisdiction over AEP-Ohio's electric security plan (ESP) case, and all proceedings stemming from the ESP, including this EDR application, when the Commission failed to issue an order within 150 days of AEP-Ohio filing its ESP application. Next, IEU-Ohio argues that AEP-Ohio cannot take the benefits of the Commission's ESP Order and simultaneously reserve judgment on whether to withdraw and terminate its ESP. Finally, IEU-Ohio argues that it is unreasonable and unlawful for the EDR rates not to be subject to the maximum rate increase cap imposed in AEP-Ohio's approved ESP.
- (13) As IEU-Ohio recognizes, we have considered and rejected each of the issues raised by IEU-Ohio in other Commission proceedings.³ IEU-Ohio has raised no new arguments in this proceeding that the Commission has not previously considered in other cases and rejected. Accordingly, for the same reasons as stated in previous cases where the issues have been raised, the Commission again rejects IEU-Ohio's arguments.
- (14) The Commission finds that AEP-Ohio's application to adjust its EDR rates to 10.74420 percent for CSP and to 8.48794 percent for OP, including POLR credits, is reasonable. As we recognized in previous AEP-Ohio EDR proceedings, we also

³ *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company to Adjust Their Economic Development Cost Recovery Rider Pursuant to Rule 4901:1-38-08(A)(5), Ohio Administrative Code*, Case No. 10-154-EL-RDR, Entry on Rehearing (May 19, 2010); *In the Matter of the Application of Columbus Southern Power Company to Adjust Their Economic Development Cost Recovery Rider Rates*, Case No. 09-1095-EL-RDR, Finding and Order (January 7, 2010); *In the Matter of the Fuel Adjustment Clauses for Columbus Southern Power Company and Ohio Power Company*, Case No. 09-872-EL-FAC, et al., Entry on Rehearing (March 24, 2010); *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company to Establish Environmental Investment Carrying Cost Rider*, Case No. 10-155-EL-RDR, Finding and Order (August 25, 2010); *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company to Update Each Company's Enhanced Service Reliability Rider*, Case No. 10-163-EL-RDR, Finding and Order (August 25, 2010); and *In the Matter of the Application of Columbus Southern Power Company to Update its gridSMART Rider*, Case No. 10-164-EL-RDR, Finding and Order (August 11, 2010).

find that the levelized approach proposed by AEP-Ohio for the collection of EDR costs is a just and reasonable means of collection, as it will operate to avoid the extreme swings in EDR costs linked to the structure of the Ormet unique arrangement. We find it reasonable for AEP-Ohio to accrue carrying costs on the under-recovery of delta revenues due to levelized rates and, to the extent that there is an over-recovery of delta revenues, customers shall be afforded symmetrical treatment. Therefore, if the over-recovery of delta revenues occurs, AEP-Ohio shall credit customers with the value of the equivalent carrying costs, calculated according to the weighted average costs of long-term debt.

- (15) Upon review of the application and the comments filed by IEU-Ohio, the Commission finds that AEP-Ohio's application to adjust its EDR rates does not appear to be unjust or unreasonable, and should be approved. Therefore, the Commission finds that it is unnecessary to hold a hearing in this matter. The Commission additionally authorizes AEP-Ohio to implement its adjusted EDR rates of 10.74420 percent for CSP and 8.48794 percent for OP, effective with bills rendered in the first billing cycle of October 2010.

It is, therefore,

ORDERED, That the motions of Ormet, Ermet, IEU-Ohio, OCC, and OEG to intervene be granted. It is, further,

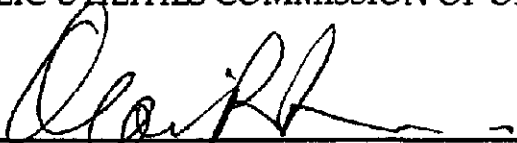
ORDERED, That Ormet's motion to admit Clifton A. Vince, Douglas G. Bonner, Daniel D. Barnowski, and Emma F. Hand to practice pro hac vice before the Commission in this proceeding be granted. It is, further,

ORDERED, That AEP-Ohio's application to adjust its EDR rates be approved as discussed herein. It is, further,

ORDERED, That AEP-Ohio implement its adjusted EDR rates of 10.74420 percent for CSP and 8.48794 percent for OP, effective with bills rendered in the first billing cycle of October 2010. It is, further,


ORDERED, That a copy of this finding and order be served upon all persons of record in this proceeding.


THE PUBLIC UTILITIES COMMISSION OF OHIO


Alan R. Schriber, Chairman


Paul A. Centolella


Valerie A. Lemmie

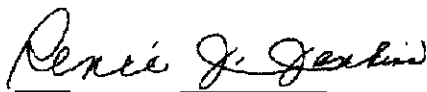

Steven D. Lesser


Cheryl L. Roberto

GNS/vrm

Entered in the Journal

SEP 22 2010



Renee J. Jenkins
Secretary