

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of )  
Columbus Southern Power Company for ) Case No. 09-1089-EL-POR  
Approval of its Program Portfolio Plan and )  
Request for Expedited Consideration. )

In the Matter of the Application of )  
Ohio Power Company for Approval of its ) Case No. 09-1090-EL-POR  
Program Portfolio Plan and Request for )  
Expedited Consideration. )

ENTRY

The Commission finds:

- (1) On November 12, 2009, Columbus Southern Power Company (CSP) and Ohio Power Company (OP) (collectively, AEP-Ohio or the Companies) filed an application in the above-captioned matters for approval of the Companies' energy efficiency and peak demand reduction (EE/PDR) program portfolio plans for 2010 through 2012, pursuant to Rule 4901:1-39-04, Ohio Administrative Code (O.A.C.). Along with the application, AEP-Ohio also filed a Stipulation and Recommendation (Stipulation), signed by the Office of the Ohio Consumers' Counsel (OCC), Ohio Manufacturers' Association, Ohio Environmental Council (OEC), Ohio Partners for Affordable Energy, Sierra Club of Ohio (Sierra), Natural Resources Defense Council (NRDC), Ohio Energy Group, Ohio Poverty Law Center, Ohio Hospital Association, and the Companies, addressing all of the issues raised in the application. Pursuant to a letter filed December 10, 2009, by Ormet Primary Aluminum Corporation (Ormet), Ormet was included as a signatory party to the Stipulation.
- (2) On May 13, 2010, the Commission issued its Opinion and Order (order) approving the Stipulation with two modifications. The Commission's first modification to the Stipulation related to the calculation of lost revenue and AEP-Ohio's opportunity to earn a fair and reasonable return (order at 26). Specifically, the Commission agreed with Industrial Energy Users-Ohio (IEU-Ohio) that the lack of record evidence made it impossible to determine what revenue was necessary

to provide AEP-Ohio with the opportunity to recover its costs and to earn a fair and reasonable return regarding its lost distribution revenues. Therefore, the Commission granted AEP-Ohio lost distribution revenue recovery through January 1, 2011. The Commission's second modification to the Stipulation concerned the calculation of a mercantile customer's rider exemption under the benchmark comparison method (order at 27).

- (3) By entry issued on July 14, 2010, the Commission denied the application for rehearing filed by IEU-Ohio on June 14, 2010, as well as AEP-Ohio's June 23, 2010, request to dismiss IEU-Ohio's application for rehearing.
- (4) On November 18, 2010, the Companies filed a motion proposing an extension of the current revenue recovery mechanism approved by the Commission as part of the EE/PDR programs through the replacement of the program or through December 31, 2011, whichever occurs first. The Companies note that AEP-Ohio is scheduled to file a Standard Service Offer (SSO) application and may file a distribution rate case in 2011. As part of the planned filings, the Companies plan to propose a mechanism to address the Commission's interest in a decoupling proposal that reduces the link between sales volume and recovery of fixed distribution costs.

Extending the Companies' current recovery mechanism for net lost distribution revenue and then addressing decoupling in a distribution rate case and/or SSO case will accomplish three goals according to AEP-Ohio. First, it will allow the Companies to develop an appropriate decoupling proposal, incorporating input already gathered and offered going forward from Commission staff and stakeholders. Second, a distribution rate case will provide an established baseline rate that can be use on a going forward basis in any agreed-to rate recovery mechanism. Last, it will allow time for other potential mechanisms to be vetted appropriately.

- (5) IEU-Ohio filed a memorandum contra the Companies' motion on December 3, 2010. In its memorandum contra, IEU-Ohio submits that AEP-Ohio's motion is an untimely application for rehearing of the May 13, 2010, order; that AEP-Ohio has failed to comply with the Commission's May 13, 2010, order; and that

AEP-Ohio has not alleged that current revenue is providing inadequate compensation.

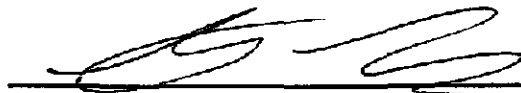
- (6) Also on December 3, 2010, a memorandum was filed by OCC, OEC, Sierra, and NRDC that urges the Commission to grant the Companies' requested extension of the collection of lost distribution revenues only if the Commission requires the Companies to file for decoupling as part of a distribution rate case and provided the Companies are required to implement an independently facilitated, collaborative process to influence the decoupling filing and other important issues in the forthcoming distribution rate case.
- (7) AEP-Ohio filed a reply memorandum on December 10, 2010.
- (8) Based upon the arguments raised in the motion and memoranda addressing the motion, it is obvious that the Commission needs to clarify the May 13, 2010, order. Given the lack of evidence in the record regarding lost distribution revenues, the Commission could not agree with the provision of the Stipulation which afforded AEP-Ohio the authority to recover up to three vintage years of net lost distribution revenue. However, the Commission did recognize that the Companies would experience lost distribution revenues and should have some opportunity to recover those revenues. Therefore, the Commission granted AEP-Ohio lost distribution revenue recovery through January 1, 2011. In making this determination, it was the Commission's intent that the Companies would be able to recover lost distribution revenues that occurred through December 31, 2010. We always understood that the recovery of such 2010 lost distribution revenues would extend into calendar year 2011. Thus, AEP-Ohio will be permitted to continue to recover calendar year 2010 lost distribution revenue resulting from the implementation of EE/PDR programs through the existing Commission-approved program until such 2010 lost distribution revenue is recovered during 2011. However, To the extent that AEP-Ohio is requesting recovery of lost distribution revenue costs incurred after December 31, 2010, such request is denied.

It is, therefore,

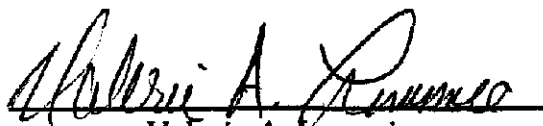
ORDERED, That the May 13, 2010, order be clarified in accordance with finding 8.  
It is, further,

ORDERED, That a copy of this entry be served upon each party of record in these cases and all other interested persons of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Steven D. Lesser, Chairman

  
Paul A. Centolella

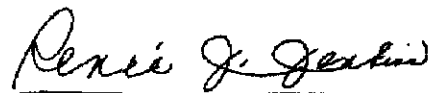
  
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JRJ/vrm

Entered in the Journal

**JAN 27 2011**



Renee J. Jenkins  
Secretary