

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 ON REHEARING

The Commission finds:

- (1) On January 27, 2011, the Commission, after considering a motion filed by Columbus Southern Power Company (CSP) and Ohio Power Company (OP) (collectively, AEP-Ohio or the Companies), issued an entry clarifying a May 13, 2010, opinion and order (order) in this matter approving, with two modifications, a Stipulation and Recommendation (Stipulation) filed by AEP-Ohio and numerous other entities.

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).

- (2) The Commission's January 27, 2011, entry clarified that it was the Commission's intent that the Companies would be able to recover lost distribution revenues that were incurred 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 was permitted to continue to recover calendar year 2010 lost distribution revenue resulting from the implementation of the Companies' energy efficiency and peak demand reduction (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 was requesting recovery of lost distribution revenue costs incurred after December 31, 2010, such request was denied.

- (3) Section 4903.10, Revised Code, states that any party to a Commission proceeding may apply for rehearing with respect to any matter determined by the Commission, within 30 days of the entry of the order upon the Commission's journal.
- (4) The Companies filed an application for rehearing of the January 27, 2011, entry on February 25, 2011. The Companies claim that the clarification offered in the January 27, 2011, entry appears to contradict the Commission's May 13, 2010, order approving the Stipulation. AEP-Ohio submits that, in approving the Stipulation that included the net lost distribution revenue mechanism as part of a package deal, the Commission also adopted a set of EE/PDR programs that the Companies must implement through the end of 2011. Yet, the January 27, 2011, entry now takes away part of the recovery of those EE/PDR obligations that provided a benefit to AEP-Ohio. The Companies argue that they complied with the Commission's expressed concern set forth in the May 13, 2010, order by seeking to continue the previously approved method of recovery for lost distribution revenue costs occurring after December 31, 2010, while committing to address the Commission's concerns regarding the quantification of the fixed costs by filing an electric security plan case as well as a distribution rate case. Both cases have now been filed for consideration during 2011, claims the Companies. AEP-Ohio submits that the Companies should not be denied program costs that were already recognized and approved by the Commission.

Moreover, the Companies claim that the January 27, 2011, entry is in conflict with a recent entry on rehearing issued in *In the Matter of the Report of Duke Energy Ohio, Inc. Concerning its Energy Efficiency and Peak-Demand Reduction Programs and*

Portfolio Planning (Duke case), Case No. 09-1999-EL-POR (February 9, 2011). AEP-Ohio asserts that, in the Duke case, the Commission seemed to suggest that seeking recovery of lost distribution revenues was procedurally appropriate in the context of a program portfolio plan case, yet the Commission's decision in the instant case seems to suggest that AEP-Ohio must resolve such issues in a distribution rate case. Thus, the Companies are seeking clarification on whether the appropriate vehicle for seeking lost distribution revenue recovery is within the context of a portfolio plan filing or in a different case. As a final matter, AEP-Ohio seeks guidance on the ability to recover 2011 lost distribution revenues if the Commission denies continued recovery under what the Companies understood to be the Commission endorsed method of recovery.

- (5) IEU-Ohio filed a memorandum contra on March 7, 2011. IEU-Ohio argues that the Companies' November 18, 2010, motion was an untimely application for rehearing that represents a collateral attack of the Commission's May 13, 2010, order. IEU-Ohio submits that AEP-Ohio's concerns with the May 13, 2010, order should have been raised within 30 days after issuance of the order but that the Companies failed to avail themselves of that opportunity. Further, IEU-Ohio notes that AEP-Ohio did not comply with the May 13, 2010, order as the Companies failed to propose a distribution revenue recovery mechanism prior to December 31, 2010. Accordingly, IEU-Ohio maintains that the Companies are now foreclosed from seeking recovery of 2011 EE/PDR program costs.
- (6) AEP-Ohio's application for rehearing is denied. As we clearly stated in both the May 13, 2010, order and the January 27, 2011, entry, the record in this case fails to establish what revenue is necessary to provide AEP-Ohio with the opportunity to recover its distribution costs and to earn a fair and reasonable return especially given that the Companies' last distribution rate case proceeding was more than 15 years ago. Thus, in the May 13, 2010, order in this proceeding, we determined to afford AEP-Ohio the opportunity to recover lost distribution revenue incurred during 2010 and encouraged the Companies to propose a mechanism to address the Commission's concern regarding quantification of fixed costs as well as a mechanism to achieve revenue decoupling prior to January 1, 2011. Provided the Companies proposed a reasonable mechanism

before January 1, 2011, the Commission stated that we would consider a request to extend the recovery period while the mechanism was considered. AEP-Ohio's motion filed on November 18, 2010, did not address the Commission's concerns regarding quantification of fixed costs or propose a reasonable mechanism to achieve revenue decoupling. Accordingly, the Commission did not find it reasonable to extend AEP-Ohio's recovery of lost distribution revenue costs incurred after December 31, 2010.

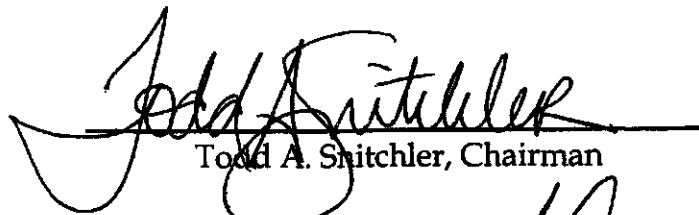
The Companies have also sought clarification on whether the appropriate vehicle for seeking lost distribution revenue recovery is within the context of a portfolio plan filing or in a different case. Ordinarily, the Commission would expect an electric distribution utility company to seek recovery of EE/PDR program costs through a portfolio plan filing in accordance with Section 4928.66, Revised Code, and Rule 4901:1-39-07, Ohio Administrative Code. However, in this case, the Stipulation entered into by the stipulating parties proposed the recovery of net lost distribution revenue recovery for three vintage years or until new rates were approved as part of the Companies' next distribution base rate case. Therefore, it was the stipulating parties, and not the Commission, that envisioned the filing of a cost recovery mechanism as part of a distribution rate case filing.

It is, therefore,

ORDERED, That AEP-Ohio's February 25, 2011, application for rehearing be denied in accordance with finding 6. It is, further,

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

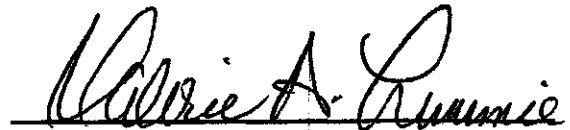
THE PUBLIC UTILITIES COMMISSION OF OHIO



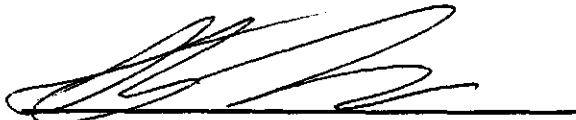
Todd A. Snitchler, Chairman



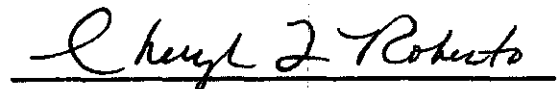
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