

FAX

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Power Company and Columbus)	
Southern Power Company for)	Case No. 10-2376-EL-UNC
Authority to Merge and Related)	
Approvals.)	
)	
In the Matter of the Application of)	
Columbus Southern Power Company)	
and Ohio Power Company for)	Case No. 11-346-EL-SSO
Authority to Establish a Standard)	Case No. 11-348-EL-SSO
Service Offer Pursuant to Section)	
4928.143. Revised Code, in the Form of)	
an Electric Security Plan.)	
)	
In the Matter of the Application of)	
Columbus Southern Power Company)	Case No. 11-349-EL-AAM
and Ohio Power Company for)	Case No. 11-350-EL-AAM
Approval of Certain Accounting)	
Authority.)	
)	
In the Matter of the Application of)	
Columbus Southern Power Company)	
to Amend its Emergency Curtailment)	Case No. 10-343-EL-ATA
Service Riders.)	
)	
In the Matter of the Application of)	
Ohio Power Company to Amend its)	
Emergency Curtailment Service)	Case No. 10-344-EL-ATA
Riders.)	
)	
In the Matter of the Commission)	
Review of the Capacity Charges of)	
Ohio Power Company and Columbus)	Case No. 10-2929-EL-UNC
Southern Power Company.)	
)	
In the Matter of the Application of)	
Columbus Southern Power Company)	
for Approval of a Mechanism to)	
Recover Deferred Fuel Costs Ordered)	Case No. 11-4920-EL-RDR
Under Section 4928.144, Ohio Revised)	
Code.)	

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**In the Matter of the Application of
Ohio Power Company for Approval of
a Mechanism to Recover Deferred
Fuel Costs Ordered Under Section
4928.144, Ohio Revised Code.**

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)

Case No. 11-4921-EL-RDR

(Consolidated)

**OBJECTION TO COMPLIANCE FILING
OF ORMET PRIMARY ALUMINUM CORPORATION**

AEP Ohio's compliance filing made in this proceeding February 28, 2012 and updated February 29, 2012 and March 1, 2012 fails to comply with the Commission's order and should be modified or rejected. AEP Ohio's compliance filing adds a Phase-In Recovery Rider (PIRR) rate not in the ESP I rates and not authorized by the Commission. The compliance tariffs result in a rate increase in the GS-4 Tariff rate applicable to Ormet Primary Aluminum Corporation of approximately \$25.6 million per year over the 2011 rates. This rate increase is even higher than the \$24.2 million per year rate increase that would have applied to Ormet under the Stipulation the Commission rejected in its February 23 Order. The Commission has not approved a mechanism for the recovery of the sums AEP Ohio seeks to collect through the PIRR, and should take into account the state of the economy and the sudden rate increase already being experienced by many ratepayers due to the expiration of the caps on the FAC in designing a recovery mechanism. The PIRR charge alone, as proposed by AEP Ohio, adds \$700,000 per month to Ormet's electricity bill, or \$8.4 million -- approximately 33% of the rate increase.

AEP Ohio was ordered by the Commission to continue the terms and conditions of the ESP I rates, which did not contain a PIRR. The Commission's order directed AEP Ohio to file compliance tariffs:

to continue the provisions, terms, and conditions of its previous electric security plan, including but not limited to the base generation rates as approved in ESP I, along with the current uncapped fuel costs and the environmental investment carry cost rider set at the 2011 level, as well as modifications to those rates for credits for amounts fully refunded to customers, such as the significantly excessive earnings test (SEET) credit, and an appropriate application of capacity charges under the approved state compensation mechanism established in the Capacity Charge Case.

Although the ESP I Order stated that AEP Ohio would be permitted to collect the deferrals, with carrying costs in the time period of 2012 to 2018, the Commission has not approved a mechanism for AEP Ohio to do so, nor has it authorized AEP Ohio to begin doing so.¹ The only authorization the Commission made for AEP Ohio to begin collection of the deferrals was through the approval of the Stipulation in this proceeding, which was subsequently revoked. Given the severe rate increase resulting from uncapping the FAC rates, the Commission should thoroughly examine and give serious consideration to any proposal to further increase rates at this moment in time through the collection of the deferred balances.

Further, the proposed PIRR also reflects a continuation of the 11.26% carrying charges on the deferred costs based on AEP Ohio's weighted average cost of capital. As it considers whether and how to allow AEP Ohio to begin collections of the deferred balances, the Commission should also reconsider the reasonableness of continuing to allow AEP Ohio to collect 11.26% in light of the Commission's precedent requiring that carrying costs on a deferral be limited to the utility's long-term cost of debt once amortization of a deferred asset begins.²

¹ *In the Matter of the Application of Columbus Southern Power Company for Approval of an Electric Security Plan; an Amendment to its Corporate Separation Plan; and the Sale or Transfer of Certain Generating Assets*, Case Nos. 08-91 7-EL-SSO, et al., Opinion and Order at 23 (March 18, 2809) (hereinafter "ESP I").

² *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Approval of a New Rider and Revision of an Existing Rider*, Case No. 10-176-EL-ATA, Opinion and Order at 24 May 25, 2011), *see also In re*

Finally, Ormet urges the Commission to consider whether the balance of the deferral should be adjusted to reflect accumulated deferred income taxes ("ADIT"). The timing difference between the tax deduction and the book accounting treatment reduces AEP's federal income tax liability creating tax savings realized by AEP Ohio related to the deferral balances that should be passed on to customers. Because of the tax savings, AEP Ohio is not financing 100% of the deferral, and the amortization of the deferral balance should be reduced by the effects of the ADIT.

CONCLUSION

AEP Ohio's inclusion of the PIRR in the compliance tariffs it has filed is unauthorized, creates a significant rate increase, and should be rejected by the Commission. AEP Ohio should be required to resubmit its compliance tariff to more closely align it to the ESP I rates, terms and conditions, as required by the Commission's February 23 Order in this proceeding.

Respectfully submitted,



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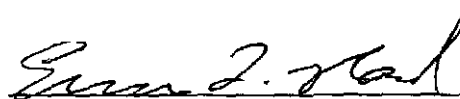
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March 5, 2012

CERTIFICATE OF SERVICE

I hereby certify that a copy of the *Objection to Compliance Filing of Ormet Primary Aluminum Corporation* was served by U.S. Mail and email upon counsel identified below for all parties of record this 5th day of March, 2012.



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