

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio )  
Power Company and Columbus Southern ) Case No. 10-2376-EL-UNC  
Power Company for Authority to Merge )  
and Related Approvals. )

In the Matter of the Application of )  
Columbus Southern Power Company and )  
Ohio Power Company for Authority to ) Case No. 11-346-EL-SSO  
Establish a Standard Service Offer Pursuant ) Case No. 11-348-EL-SSO  
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 and ) Case No. 11-349-EL-AAM  
Ohio Power Company for Approval of ) Case No. 11-350-EL-AAM  
Certain Accounting Authority. )

In the Matter of the Application of )  
Columbus Southern Power Company and ) Case No. 10-343-EL-ATA  
Ohio Power Company to Amend their ) Case No. 10-344-EL-ATA  
Emergency Curtailment Service Riders. )

In the Matter of the Commission Review of )  
the Capacity Charges of Ohio Power ) Case No. 10-2929-EL-UNC  
Company and Columbus Southern Power )  
Company. )

In the Matter of the Application of )  
Columbus Southern Power Company and )  
Ohio Power Company for Approval of ) Case No. 11-4920-EL-RDR  
Mechanisms to Recover Deferred Fuel ) Case No. 11-4921-EL-RDR  
Costs Ordered Under Section 4928.144, )  
Revised Code. )

ENTRY

The Commission finds:

- (1) On January 27, 2011, in Case Nos. 11-346-EL-SSO, 11-348-EL-SSO, 11-349-EL-AAM and 11-350-EL-AAM, Columbus Southern Power Company (CSP) and Ohio Power Company (OP) (jointly, AEP-Ohio or the Companies) filed an application for a standard service offer (SSO) pursuant to Section 4928.141, Revised Code (ESP 2).
- (2) On September 7, 2011, a Stipulation and Recommendation (Stipulation) was filed for the purpose of resolving all the issues raised in the ESP 2 cases and several other AEP-Ohio cases pending before the Commission, Case No. 10-2376-EL-UNC, *In the Matter of the Application of Ohio Power Company and Columbus Southern Power Company for Authority to Merge and Related Approvals* (Merger Case); Case No. 10-343-EL-ATA, *In the Matter of the Application of Columbus Southern Power Company to Amend its Emergency Curtailment Service Riders* and Case No. 10-344-EL-ATA, *In the Matter of the Application of Ohio Power Company to Amend its Emergency Curtailment Service Riders* (jointly Curtailment Cases); Case No. 10-2929-EL-UNC, *In the Matter of the Commission Review of the Capacity Charges of Ohio Power Company and Columbus Southern Power Company* (Capacity Charges Case); and Case No. 11-4920-EL-RDR, *In the Matter of the Application of Columbus Southern Power Company for Approval of a Mechanism to Recover Deferred Fuel Costs Pursuant to Section 4928.144, Revised Code*, and Case No. 11-4921-EL-RDR, *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of a Mechanism to Recover Deferred Fuel Costs Pursuant to Section 4928.144, Revised Code* (jointly Deferred Fuel Cost Cases).
- (3) On December 14, 2011, the Commission issued its Opinion and Order in the consolidated cases, finding that the Stipulation, as modified, be adopted and approved.
- (4) However, on February 23, 2012, the Commission issued its Entry on Rehearing determining that the Stipulation, as a package, did not benefit ratepayers and the public interest and, thus, did not satisfy the three-part test for the consideration of stipulations. The Commission directed AEP-Ohio to file new proposed tariffs to continue the provisions, terms, and conditions of its previous electric security plan no later than February 28, 2012.

- (5) On February 28, 2012, AEP-Ohio submitted its proposed compliance tariffs containing the provisions, terms, and conditions of its previous electric security plan, as approved in Case No. 08-917-EL-SSO (ESP 1) et al. *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan.* AEP-Ohio further explains that the implementation of the phase-in recovery rider (PIRR), as approved in ESP 1, was recalculated on its January and February collections and carrying costs for those two months based on the long term debt rate. Therefore, AEP-Ohio states that the new PIRR rates are designed to collect the revised balance over the remaining 82 months of the amortization period.
- (6) On March 2, 2012, Industrial Energy Users-Ohio (IEU-Ohio) filed objections to AEP-Ohio's compliance tariffs. In its objections, IEU-Ohio asserts that AEP-Ohio's compliance tariffs contain a blended fuel adjustment clause (FAC) transmission cost recovery rider (TCRR) for both Ohio Power Company and Columbus Southern Power Company instead of individual provisions, improperly included the PIRR in its compliance tariffs, and failed to file an appropriate application of its capacity charges. IEU-Ohio also maintains that AEP-Ohio incorrectly omitted key terms and conditions of service.
- (7) On March 5, 2012, Ormet filed an objection to AEP-Ohio's compliance tariffs. Ormet contends that the inclusion of the PIRR in the compliance tariffs is improper and unauthorized.
- (8) On March 5, 2012, AEP-Ohio filed a Notice of Intent that it intends to submit a modified ESP pursuant to Section 4928.143, Revised Code, by March 30, 2012.
- (9) On March 6, 2012, the Ohio Consumers' Counsel and the Appalachian Peace and Justice Network (collectively OCC/APJN) filed a motion to reject portions of AEP-Ohio's compliance filing that implement the PIRR. In the alternative, OCC/APJN request that the Commission issue an order to stay the collection of the PIRR rates or order the PIRR rates be collected subject to refund.

- (10) Also on March 6, 2012, FirstEnergy Solutions (FES) filed objections to AEP-Ohio's proposed tariffs. FES opines that no recovery mechanism for the PIRR has been authorized, and AEP-Ohio failed to include a TCRR rate for its IRP-D customers.
- (11) AEP-Ohio filed revised tariffs on March 6, 2012, that reinserted terms and conditions that were omitted from the proposed tariffs filed on February 28, 2012. Also on March 6, 2012, AEP-Ohio filed a reply to objections filed by IEU-Ohio, Ormet, and OCC/APJN. AEP-Ohio asserts that the Commission already merged the FAC in a separate docket in Case No. 11-5906-EL-FAC (11-5906), and it would be impractical and unnecessary to revise not only the FAC provisions, but also the TCRR implementation. AEP-Ohio argues the inclusion of the PIRR was appropriate, and the capacity charges are appropriate as they do not relate to the implementation of the prior retail rate plan. Further, AEP-Ohio urges the Commission to reject OCC's requests to stay the prior rate plan or make the rates subject to refund.
- (12) The Commission finds that, with the exception of the tariffs for the PIRR, FAC, and TCRR, the tariffs filed by AEP-Ohio are consistent with its February 23, 2012, Entry on Rehearing, do not appear to be unjust or unreasonable, and should be approved, effective March 9, 2012.
- (13) Regarding the FAC and TCRR, the Commission finds that, pursuant to AEP-Ohio's application in the Merger Case, the approval of the merger will not affect CSP and OP's rates. Specifically, the application provides that CSP and OP shall continue service to customers within the pre-merger certified territories in accordance with their respective rates and terms and conditions in effect until such time as the Commission approves new rates and terms and conditions. While AEP-Ohio is correct that its FAC rates were approved in 11-5906, the rates were approved in light of the Commission's approval of the Stipulation in the ESP 2 proceedings, which was subsequently disapproved on February 23, 2012. Accordingly, OP shall file final unblended TCRR and FAC rates to be effective March 7, 2012, subject to subsequent Commission review. Further, FES correctly points out that AEP-Ohio failed

to include a TCRR rate for its IRP-D customers. Therefore, we direct AEP-Ohio to amend Original Sheet No. 475-1 to make it consistent with ESP 1's terms and conditions.

- (14) With respect to the PIRR, AEP-Ohio is directed to file, in final form, new tariffs removing the PIRR at this time. The Commission will address AEP-Ohio's application to establish the PIRR by subsequent entry in the Deferred Fuel Cost Cases.
- (15) Further, as AEP-Ohio filed corrections to its compliance filing on March 6, 2012, we do not need to address IEU-Ohio's objection that AEP-Ohio incorrectly omitted key terms and conditions of service.
- (16) In addition, as the captioned cases were consolidated by the Stipulation which the Commission disapproved, all future filings should be made in the appropriate case docket, as the consolidated case matters will no longer be docketed in all of the above-captioned cases.
- (17) Finally, the Commission notes that, on March 5, 2012, AEP-Ohio filed its notice of intent to file a modified ESP application. The Commission expects that such modified ESP application will include a thorough discussion of: any plans of AEP-Ohio to divest its generation assets, including provisions to ensure that adequate capacity will be available on an on-going basis to Ohio customers, notwithstanding any potential plant retirements; provisions to address rate design concerns for small commercial customers and residential customers in the former CSP service territory using more than 800 kWh in winter months; provisions regarding plans to take advantage of a territory-wide deployment of emerging metering technology to provide ample choices regarding pricing, information, and electric energy services for customers in a competitive market, including provisions that AEP-Ohio does not foreclose the possibility of working collaboratively with other utilities, retail energy suppliers, and interested stakeholders to explore cost saving and market development opportunities; provisions to take advantage of the deployment of emerging distribution system technologies in all locations where they can cost-effectively improve the efficiency of the distribution system or enhance reliability consistent with the value customers place on

service reliability; provisions for reasonable support for the development of technologies that could provide significant economic benefits; provisions ensuring that AEP-Ohio has the ability to meet Ohio's renewable energy standards over the long-term; provisions that any proposed retail stability charge be applied to all customers within AEP-Ohio service territory; provisions addressing the prompt modification or termination of the AEP Interconnection Agreement to reflect State law and policies; or provisions that provide for market-based pricing for standard service offer customers in a manner more expeditious than proposed within AEP-Ohio's Notice of Intent. The Commission further expects that AEP-Ohio will look to recent Commission precedent for guidance in formulating its modified ESP in considering how to best ensure its customers have market-based standard service offer pricing in an efficient and expeditious manner. (See *In the Matter of Application of Duke Energy Ohio, Inc. for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code*, Case No. 11-3549-EL-SSO; *In the Matter of Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code*, Case No. 10-388-EL-SSO.)

It is, therefore,

ORDERED, That, with the exception of the tariffs for the PIRR, TCRR, and FAC, the tariffs filed on February 28, 2012, by AEP-Ohio be approved, effective for bills rendered on or after March 9, 2012. It is, further,

ORDERED, That OP file unblended TCRR and FAC rates to be effective March 9, 2012, subject to Commission review. It is, further,

ORDERED, That OP file tariffs including a TCRR rate for IRP-D customers, consistent with ESP 1's terms and conditions. It is, further,




ORDERED, That AEP-Ohio file new tariffs removing the PIRR at this time. The Commission will address AEP-Ohio's applications in the Deferred Fuel Cost Cases. It is, further,

ORDERED, That the Companies file in final form four complete copies of tariffs. One copy shall be filed with this case docket, one shall be filed with each company's TRF docket, and the remaining two copies shall be designated for distribution to the Rates and Tariffs Division of the Commission's Utilities Department. The Companies shall also update their respective tariffs previously filed electronically with the Commission's Docketing Division. It is, further,

ORDERED, That the Companies shall notify their customers of the changes to the tariff via bill message or bill insert within 30 days of the effective date. A copy of this notice shall be submitted to the Commission's Service Monitoring and Enforcement Department prior to its distribution to customers. It is, further,

ORDERED, That a copy of this entry be served on all parties of record.

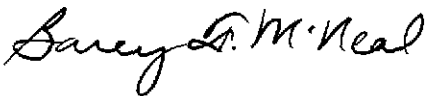
THE PUBLIC UTILITIES COMMISSION OF OHIO

  
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JJT/sc

Entered in the Journal

**MAR 07 2012**



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Secretary