

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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)
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 ON REHEARING

- (1) On January 27, 2011, Columbus Southern Power Company and Ohio Power Company (jointly, AEP-Ohio)¹ filed an application for a standard service offer pursuant to Section 4928.141, Revised Code. The application was for an electric security plan in accordance with Section 4928.143, Revised Code.
- (2) On September 7, 2011, a Stipulation and Recommendation (Stipulation) was filed by AEP-Ohio, Staff, and other parties to resolve the issues raised in several cases pending before the Commission, including the above captioned cases.
- (3) On December 14, 2011, the Commission issued its Opinion and Order, adopting the Stipulation, with modifications.

¹ By entry issued on March 7, 2012, the Commission approved and confirmed the merger of Columbus Southern Power Company into OP, effective December 31, 2011. *In the Matter of the Application of Ohio Power Company and Columbus Southern Power Company for Authority to Merge and Related Approvals*, Case No. 10-2376-EL-UNC.

- (4) 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 its 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 *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*, Case No. 08-917-EL-SSO et al. (*ESP I*). The Industrial Energy Users-Ohio (IEU-Ohio), Ormet Primary Aluminum Corporation (Ormet), the Ohio Consumers Counsel and the Appalachian Peace and Justice Network (OCC/APJN), and FirstEnergy Solutions (FES) filed objections to various parts of AEP-Ohio's proposed compliance tariffs, including the implementation of the phase-in recovery rider (PIRR), which was contained within the proposed tariffs.
- (6) 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.
- (7) On March 7, 2012, the Commission issued an entry (March 7 Entry) approving the tariffs in part and ordered AEP-Ohio to file new tariffs removing the PIRR and deferring consideration of AEP-Ohio's application to establish the PIRR to *In re Columbus Southern Power Company*, Case No. 11-4920-EL-RDR and *In re Ohio Power Company*, Case No. 11-4921-EL-RDR (jointly *Deferred Fuel Cost Cases*).
- (8) On March 14, 2012, AEP-Ohio filed an application for rehearing of the March 7 Entry. AEP-Ohio asserts that the Commission's refusal to allow the PIRR to become immediately effective violates the Commission's decision in the *ESP I* order. AEP-Ohio opines that *ESP I* authorized the recovery of the fuel cost deferrals beginning in 2012 and continuing through 2018. AEP-Ohio contends that the Commission also violated Sections 4928.143(C)(2)(b) and 4928.144, Revised Code. AEP-Ohio

believes these provisions require the Commission to ensure the recovery of the fuel cost deferrals as set forth in the *ESP I* proceedings. In AEP-Ohio's last two assignments of error, the Companies argue that the March 7 Entry should have authorized the PIRR to continue to incorporate a weighted average cost of capital carrying charge. AEP-Ohio also asserts that the Commission erred by failing to order the PIRR be enabled to recover the deferred fuel expense on a gross-of-tax basis, consistent with the *ESP I* order.

- (9) On March 21, 2012, Ormet filed a memorandum contra AEP-Ohio's application for rehearing. In its memorandum, Ormet explains that the March 7 Entry is not inconsistent with the *ESP I* order, as the Commission did not approve any specific recovery mechanism but rather, created a general approval of the future recovery of deferred fuel costs. Ormet points out that, even if the *ESP I* order had created a cost recovery mechanism, there is no language requiring that specific mechanism be effective by a certain date.
- (10) On March 26, 2012, FES filed a memorandum contra AEP-Ohio's application for rehearing. In its memorandum, FES argues that the *ESP I* order authorized a collection of any deferrals, if necessary, thus indicating a separate proceeding or assessment would occur as to the collection of the deferrals. Further, FES points out that there is no language within the *ESP I* order permitting AEP-Ohio to automatically begin recovery in the beginning of 2012; thus, nothing precludes AEP-Ohio from recovering deferrals from the 2012 to 2018 time frame. FES also states that the Commission's March 7 Entry does not violate Sections 4928.143(C)(2)(b) and 4928.144, Revised Code, as nothing within the March 7 Entry precludes AEP-Ohio from collecting the deferrals authorized in *ESP I* order.
- (11) OCC/APJN filed a memorandum contra AEP-Ohio's application for rehearing on March 26, 2012. OCC/APJN claim that there is nothing within either the *ESP I* order or Ohio law that requires the PIRR to be immediately collected by a set date. OCC/APJN argue that the March 7 Entry explained that the issues surrounding the PIRR would be addressed in the *Deferred Fuel Cost Cases*. Further, OCC/APJN note that, as there is no Commission precedent or state law requiring the

Commission to permit AEP-Ohio to recover PIRR charges after rejecting the Stipulation, it was not necessary for the Commission to address the weighted average cost of capital for carrying charges or collection of the deferred fuel expenses on a gross-of-tax basis.

- (12) On March 26, 2012, IEU-Ohio filed a memorandum contra AEP-Ohio's application for rehearing of the March 7 Entry. IEU-Ohio explains that the Commission properly ordered AEP-Ohio to exclude the proposed PIRR rates, and nothing within Sections 4928.143(C)(2)(b) or 4928.144, Revised Code, requires the Commission to immediately implement the PIRR. IEU-Ohio opines that since the Commission did not permit the PIRR to be filed within the tariffs, the Commission did not need to address the amortization rate of the *ESP I* order deferrals.
- (13) The Commission finds that AEP-Ohio's application for rehearing of the March 7 Entry should be denied. While the March 7 Entry ordered AEP-Ohio to remove the PIRR from its proposed tariffs filed before the Commission, the March 7 Entry did not preclude AEP-Ohio from the recovery of fuel cost deferrals with carrying costs but rather, provided that the PIRR recovery will be addressed in the *Deferred Fuel Cost Cases*. While the Commission's order in the *ESP I* proceedings permits AEP-Ohio to seek recovery of fuel cost deferrals from 2012 to 2018, it did not establish a rider or other tariff provision for AEP-Ohio to recover deferred fuel costs or set a hard deadline for when recovery shall begin. To the contrary, as FES points out, in the *ESP I* order, the Commission explicitly provided that any recovery shall occur as necessary, indicating the Commission would conduct an additional analysis to determine the appropriate recovery of fuel cost expenses incurred plus carrying costs. AEP-Ohio's mischaracterization of both the language within the March 7 Entry and the *ESP I* order unravels its other assignments of error, as the Commission cannot violate Sections 4928.144 and 4928.143(C)(2)(b), Revised Code, when the March 7 Entry is entirely consistent with its order in the *ESP I* proceedings. Further, AEP-Ohio's arguments that the March 7 Entry failed to order the PIRR to incorporate a weighted average cost of capital carrying charge or permit AEP-Ohio to recover the deferred fuel expense on a gross-of-tax basis should be rejected, as both arguments are premature and will be addressed in the

Deferred Fuel Cost Cases, as established in the March 7 Entry. Accordingly, AEP-Ohio's application for rehearing of the March 7 Entry is denied.

It is, therefore,

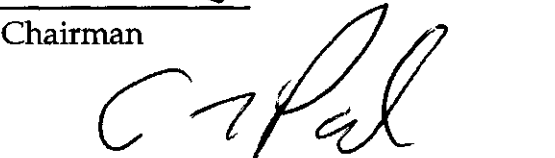
ORDERED, That AEP-Ohio's Application for Rehearing of the March 7 Entry be denied. It is, further,


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

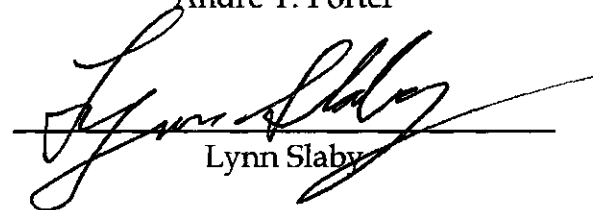
THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman


Steven D. Lesser


Andre T. Porter

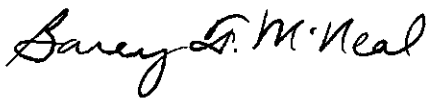

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Entered in the Journal

APR 11 2012


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Secretary