

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Power Company to Establish)	Case No. 12-3255-EL-RDR
Initial Storm Damage Recovery)	
Rider Rates.)	

**MEMORANDUM IN RESPONSE TO THE OHIO POWER COMPANY'S
MOTION TO RECORD A CARRYING COST
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

On August 22, 2013, Ohio Power Company (Company) moved for permission to record carrying costs at the Weighted Average Cost of Capital (WACC) on approximately \$61 million in incremental operational and maintenance (O&M) costs to restore service after major storms in excess of the normal ongoing major storm expense threshold in base rates. In its motion, the Company stated that the initial process was to set up a 60-day comment timetable to allow parties to review the costs incurred. Since the initial filing was on December 21, 2012, initial comments would have been due on or about February 20, 2013. Because of the amount of data to be reviewed, the Commission agreed to delay the due date for comments to May 29, 2013.

On July 19, 2013, the Office of the Ohio Consumers' Counsel (OCC) requested that the Commission establish a procedural schedule to allow additional time for discovery and hearing preparation. On August 6, 2013, the Commission granted OCC's

request, and established November 4, 2013 as the date by which each party is to file a nonbinding list of issue(s) not addressed by AEP Ohio that they may wish to pursue at the evidentiary hearing.

The Company has requested that it be allowed to record a carrying cost at WACC, effective April 1, 2013 on March 31, 2013 balances, due to the delay in the process. Staff agrees that the Company should be allowed to record carrying charges beginning April 1, 2013, on the March 31, 2013 balance of the Commission-authorized amount to be recovered, subject to true-up. Staff does not agree, however, that the charges should be calculated using the WACC. Staff submits that the carrying charges should be calculated using the most recently approved cost of long-term debt. WACC is typically used to determine carrying charges when a request includes capital expenditures. This case, however, includes only O&M expenses, for which carrying charges calculated by using the long-term debt rate is more appropriate.

The Company stated that each month that goes by without carrying charges at the WACC rate costs the Company \$558,000, for an accumulated total of just over \$5 million by the end of December 2013. Using Staff's recommended long-term cost of debt rate of 5.36%, carrying charges would accrue in the amount of approximately \$278,000 per month (based on the Company's requested amount of approximately \$61 million), or approximately \$2.5 million for the months of April 2013 through December 2013. Staff recommends that the Company's motion be granted, but that carrying costs be calculated using the most recently approved cost of long-term debt, and not the weighted average cost of capital.

Respectfully submitted,

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Ohio Attorney General

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/s/ *Werner L. Margard III*

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PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Memorandum in Response to The Ohio Power Company's Motion to Record a Carrying Cost, submitted on Behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the following parties of record, this 6th day of September, 2013.

/s/ Werner L. Margard III

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Summary: Memorandum electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO