BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Power Company to Adjust Its Economic Development Rider Rate.	)))	Case No. 15-279-EL-RDR

FINDING AND ORDER

The Commission finds:

(1) Ohio Power Company d/b/a AEP Ohio (AEP Ohio or the Company) is a public utility as defined in R.C. 4905.02 and an electric utility as defined in R.C. 4928.01(A)(11), and, as such, is subject to the jurisdiction of this Commission.

(2) On February 6, 2015, AEP Ohio filed an application to adjust its economic development rider (EDR) rate. AEP Ohio states that, in Case No. 11-346-EL-SSO, et al., the Commission approved the EDR, which is to be adjusted periodically to recover economic development amounts authorized by the Commission. *In re Columbus Southern Power Co. and Ohio Power Co.*, Case No. 11-346-EL-SSO, et al., Opinion and Order (Aug. 8, 2012) at 66-67. In AEP Ohio's prior EDR rate adjustment case, the EDR rate was set at 11.44664 percent of base distribution rates. *In re Ohio Power Co.*, Case No. 14-1329-EL-RDR, Finding and Order (Sept. 17, 2014). In the application in the present case, AEP Ohio proposes to decrease the EDR rate to 3.72606 percent to be effective with the first billing cycle in April 2015.

(3) In support of its application, AEP Ohio explains that the proposed EDR rate is based on estimated cost under-recoveries as evidenced by the projected 2015 delta revenues, as well as on the actual and projected delta revenues associated with the Company's current or prior reasonable arrangements with Eramet Marietta, Inc. (Eramet), Globe Metallurgical, Inc. (Globe), The Timken Company (Timken), and Ormet Primary Aluminum Corporation (Ormet). Further, AEP Ohio notes that it has provided one set of schedules that reflect the amounts attributable to Ormet that the Company seeks to recover through the EDR pursuant to a stipulation and

recommendation (stipulation) filed in *In re Complaint of Ormet Primary Aluminum Corp. v. Ohio Power Co.*, Case No. 13-2206-EL-CSS (*Ormet Complaint Case*), which would resolve billing disputes and bankruptcy-related matters in connection with Ormet's reasonable arrangement. AEP Ohio adds that it has provided a second set of schedules that include only the Ormet deferrals previously authorized by the Commission for recovery through the EDR, which reflect a decreased EDR rate of 2.03573 percent. AEP Ohio asserts, however, that recovery of the delta revenues associated with the stipulation is comparable to the current level of delta revenues associated with Ormet's reasonable arrangement and would not cause the EDR to increase significantly.

(4) AEP Ohio states that its calculation of the proposed EDR rate, as in prior EDR applications, utilizes a levellzed rate approach previously approved by the Commission, including the accrual of a carrying cost at the weighted average cost of the Company's long-term debt on the under-recovery caused by the levelized EDR rate. AEP Ohio adds that, if it determines during the EDR rate period that the EDR collections are or will be substantially different than anticipated or that the unrecovered costs based on delta revenues are or will be substantially different than anticipated, the Company will file an application to modify the EDR rate for the remainder of the rate period. AEP Ohio notes that it will continue to track the delta revenues and the EDR collections in order to reconcile any difference through subsequent EDR rate adjustments.

(5) Finally, AEP Ohio explains that its proposed EDR rate is just and reasonable and that a hearing is not necessary. AEP Ohio requests that, at the conclusion of the 20-day comment period prescribed by Ohio Adm.Code 4901:1-38-08(C), the Commission approve the application in time for the new EDR rate to take effect with the first billing cycle of April 2015.

(6) Along with its application, AEP Ohio filed a motion for protective treatment of customer-specific information filed in certain schedules under seal on behalf of Eramet, Globe, and Timken, in accordance with Ohio Adm.Code 4901-1-24. While AEP Ohio takes no position as to the confidential and

proprietary nature of the information under Ohio law, the Company notes that it filed the motion to permit its customers a timely opportunity to seek protective treatment. AEP Ohio also notes that Ormet's load information has been publicly disclosed, consistent with Ormet's prior representations that there is no need to redact the information or to seek protective treatment.

(7) On February 9, 2015, and February 10, 2015, Eramet filed a motion for a protective order and a motion to intervene, respectively. On February 11, 2015, Globe filed a motion for a protective order, as well as a motion to intervene. TimkenSteel Corporation (TimkenSteel)[1] filed a motion to intervene and a motion for a protective order on February 20, 2015. In their respective motions to intervene, Eramet, Globe, and TimkenSteel state that they are each served by AEP Ohio pursuant to a Commission-approved reasonable arrangement, and each also notes that its customer-specific information is part of the Company's EDR application. Eramet, Globe, and TimkenSteel assert that they may be affected by AEP Ohio's proposed adjustment to its EDR rate and, as such, each claims a direct, real, and substantial interest in this case that cannot be adequately represented by any other party to the proceeding. For these reasons, Eramet, Globe, and TimkenSteel request that the Commission grant their respective motions for intervention. No memoranda contra the motions to intervene of Eramet, Globe, and TimkenSteel were filed.

(8) In their motions for protective treatment, Eramet, Globe, and TimkenSteel state that AEP Ohio's EDR application includes certain customer-specific information related to electric usage and pricing that is confidential, sensitive, and proprietary trade secret information, as defined in R.C. 1333.61(D), and, as recognized by Ohio Adm.Code 4901-1-24(A)(7). According to Eramet, Globe, and TimkenSteel, if the customer-specific information is released to the public, it would compromise their business position and ability to

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1 TimkenSteel notes that AEP Ohio's reasonable arrangement with Timken has been amended to reflect Timken's corporate restructuring and the transfer of Timken's steel interests to TimkenSteel. TimkenSteel notes that the corporate restructuring is now complete and, accordingly, Timken does not seek intervention in this proceeding.

compete, by disclosing actual customer usage and pricing terms that are not generally known or readily ascertainable by their competitors. Eramet, Globe, and TimkenSteel assert that non-disclosure of the customer-specific information is not inconsistent with the purposes of R.C. Title 49. No memoranda contra the motions for protective treatment were filed.

(9) On February 26, 2015, a motion to intervene in this proceeding was filed by the Ohio Consumers' Counsel (OCC). OCC notes that it represents AEP Ohio's residential customers, which may be adversely affected by the proposed EDR adjustment. OCC points out that customers could be charged between $12.9 million and $23.7 million to subsidize economic development arrangements in AEP Ohio's service territory. Accordingly, OCC asserts that it has a direct, real, and substantial interest in this case that cannot be adequately represented by any other party. No memoranda contra were filed.

(10) The Commission finds that Eramet, Globe, TimkenSteel, and OCC have set forth reasonable grounds for intervention and, therefore, their respective motions to intervene should be granted. With respect to the pending motions for protective orders, we note that the Commission has previously granted protective treatment for the same customer usage and pricing information that is the subject of the pending motions. *In re Ohio Power Co.*, Case No. 14-193-EL-RDR, Finding and Order (Mar. 26, 2014) at 5. The Commission again finds that the motions for protective treatment filed by AEP Ohio, Eramet, Globe, and TimkenSteel are reasonable and should be granted. Pursuant to Ohio Adm.Code 4901-1-24(F), this protective order shall expire 24 months after the issuance of this Finding and Order, unless an appropriate motion seeking to continue protective treatment is filed at least 45 days in advance of the expiration date.

(11) On February 26, 2015, OCC filed comments, asserting that the Commission should only permit AEP Ohio to collect delta revenues from the reasonable arrangements that have been previously approved by the Commission. Specifically, OCC contends that, because the stipulation in the *Ormet Complaint Case* remains pending, the Commission should

approve the EDR rate proposed in AEP Ohio's second set of schedules, as it is based on only the reasonable arrangement costs that have already been approved by the Commission.

(12) On March 11, 2015, Staff filed its review and recommendations regarding AEP Ohio's application to adjust its EDR rate. After reviewing AEP Ohio's application and both sets of supporting schedules, Staff recommends that the Commission approve the alternate proposed EDR rate of 2.03573 percent, given that the stipulation in the *Ormet Complaint Case* is pending before the Commission. Staff notes that, once the stipulation is acted upon by the Commission, the EDR may require further adjustments.

(13) Under Ohio Adm.Code 4901:1-38-08(A)(5), the Commission requires that an electric utility's EDR rate be updated and reconciled semiannually. Ohio Adm.Code 4901:1-38-08(C) permits affected persons to file a motion to intervene, as well as comments and objections to the electric utility's application, within 20 days of the date on which the application is filed. Additionally, the Commission has previously directed AEP Ohio to file an application to adjust its EDR rate to allow the Commission sufficient time to review the filing and perform due diligence with regard to the application in order to facilitate implementation of the adjusted EDR rate with the first billing cycle of April and October. *In re Columbus Southern Power Co. and Ohio Power Co.*, Case No. 09-1095-EL-RDR, Finding and Order (Jan. 7, 2010) at 12.

(14) Upon review of AEP Ohio's application to adjust its EDR rate, Staff's recommendations, and OCC's comments, the Commission finds that the application does not appear to be unjust or unreasonable and that it should be approved to the extent set forth in this Finding and Order. Therefore, the Commission finds that it is unnecessary to hold a hearing in this matter.

(15) Specifically, the Commission finds that AEP Ohio's alternate proposed EDR rate of 2.03573 percent, as set forth in Schedule 1A, is reasonable. Although AEP Ohio seeks in this proceeding to recover amounts related to the stipulation in the *Ormet Complaint Case*, the stipulation remains pending

before the Commission. In order to facilitate implementation of the adjusted EDR rate with the first billing cycle of April 2015, we find that AEP Ohio's alternate proposal, which would include only the Ormet deferrals previously authorized by the Commission for recovery through the EDR, should be approved. If the stipulation is subsequently found to be reasonable and, thereby, is adopted by the Commission, AEP Ohio may file an application to modify its EDR rate for the remainder of the rate period, upon conclusion of the *Ormet Complaint Case*.

(16) We also find, consistent with our rulings on prior EDR applications, that the levelized approach proposed by AEP Ohio for the collection of EDR costs is a just and reasonable means of collection, as it will operate to avoid the extreme swings in EDR costs linked to the structure of reasonable arrangements. We find it reasonable for AEP Ohio to accrue a carrying cost on the under-recovery of delta revenues due to the levelized rate and, to the extent that there is an over-recovery of delta revenues, customers shall be afforded symmetrical treatment. Therefore, if an over-recovery of delta revenues occurs, AEP Ohio shall credit customers with the value of the equivalent carrying cost, calculated according to the weighted average cost of long-term debt.

(17) Accordingly, the Commission authorizes AEP Ohio to implement an adjusted EDR rate of 2.03573 percent to be effective with bills rendered in the first billing cycle of April 2015.

It is, therefore,

ORDERED, That the motions for intervention filed by Eramet, Globe, TimkenSteel, and OCC be granted. It is, further,

ORDERED, That the motions for protective treatment filed by AEP Ohio, Eramet, Globe, and TimkenSteel be granted. It is, further,

ORDERED, That AEP Ohio's application to adjust its EDR rate be approved as discussed herein. It is, further,

ORDERED, That AEP Ohio be authorized to implement its adjusted EDR rate of 2.03573 percent effective with bills rendered for the first billing cycle of April 2015. It is, further,

ORDERED, That a copy of this Finding and Order be served upon all parties and interested persons of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Thomas W. Johnson, Chairman

Steven D. Lesser

Lynn Slaby

M. Beth Trombold

Asim Z. Haque

SJP/sc

Entered in the Journal
MAR 18 2015

Barcy F. McNeal
Secretary