

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbus Southern Power Company and)
Ohio Power Company to Set the 2007) Case No. 06-1504-EL-UNC
Generation Market Price for Ormet's)
Hannibal Facilities.)

FINDING AND ORDER

The Commission finds:

- (1) On August 25, 2005, in Case No. 05-1057-EL-CSS, Ormet Primary Aluminum Corporation and Ormet Aluminum Mill Products Corporation (Ormet) filed a petition to transfer rights to furnish electric service and/or reallocate certified electric service territories, a complaint for inadequate service against South Central Power Company (South Central) and a complaint for unjust, unreasonable and discriminatory proposed rates against Ohio Power Company (Ohio Power). This pleading requested that the Commission transfer South Central's rights to serve Ormet's facilities to Ohio Power or reallocate the service territories of Ohio Power and South Central such that all of Ormet's facilities are part of Ohio Power's certified territory and order Ohio Power to serve Ormet, upon such transfer or reallocation, at rates in accordance with Ohio Power's unbundled standard tariff.
- (2) On November 8, 2006, the Commission issued its Supplemental Opinion and Order in Case No. 05-1057-EL-CSS. In the Supplemental Opinion and Order, the Commission adopted a stipulation entered into between the parties and approved an electric service agreement between Ormet and Ohio Power and Columbus Southern Power Company (AEP Ohio).
- (3) Under the terms of the stipulation, generation, transmission and distribution service will be supplied to Ormet by AEP Ohio. For the period between January 1, 2007 and December 31, 2008, Ormet will pay \$43 per megawatt-hour for generation service and tariff rates and all applicable riders for transmission and distribution service. AEP Ohio will be permitted to amortize to

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income their Ohio Franchise Tax phase-out regulatory liability, in the amount of the differential between service at a market rate and the \$43 per megawatt-hour charge for generation service provided for under the stipulation. The stipulation required AEP Ohio to make a filing to set a market rate for generation service to Ormet's Hannibal facilities for 2007 and to make a separate filing to set a market rate for 2008.

- (4) On December 26, 2006, AEP Ohio submitted its market rate filing for 2007, setting a price of \$47.69/MHW for generation service to Ormet's Hannibal facilities. AEP Ohio included its market pricing methodology as part of its market rate filing.
- (5) On January 16, 2007, Industrial Energy Users-Ohio (IEU-Ohio) filed a motion to intervene. In its motion, IEU-Ohio states that it does not dispute the mathematical calculations reflected in the generation market prices submitted by AEP Ohio in its market rate filing. However, IEU-Ohio observes that AEP Ohio's methodology relies on a thinly traded market, in which a single quote for each time period was relied upon to assemble the market price. IEU-Ohio argues that the thinly traded market means that incremental trades have a larger percentage impact on the market and that a single transaction does not inspire confidence in the predictive value of information available from the market. IEU also notes that the thinly traded markets which AEP relies upon for its market price are built upon a foundation of regional transmission organization pricing conventions and market rules. AEP does not cite to any specific contract or contractual terms and conditions that precisely define cost elements or who may be responsible for them. IEU-Ohio concludes that it would not be appropriate or prudent for the Commission to rely upon the market price submitted by AEP-Ohio for anything other than the narrow purposes contemplated by the stipulation in Case No. 05-1057-EL-CSS.
- (6) AEP Ohio did not oppose intervention by IEU-Ohio in this proceeding. The Commission finds that IEU-Ohio has stated reasonable grounds for intervention in this proceeding and that IEU-Ohio's motion to intervene should be granted.
- (7) The Commission has reviewed the market rate filing submitted by AEP Ohio and finds that the calculation of the market rate

for generation service is consistent with the stipulation approved by the Commission in Case No. 05-1057-EL-CSS, does not appear to be unjust or unreasonable, and should be approved. Further, the Commission finds that it is unnecessary to hold a hearing in this matter. Finally, the Commission noted that our approval of AEP Ohio's market rate filing is based upon the specific facts and circumstances before us in this proceeding. Nothing in this decision is intended to be construed as setting a precedent in future proceedings.

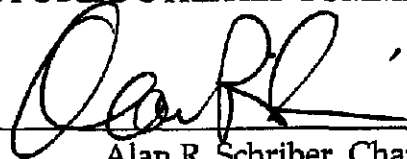
It is, therefore,

ORDERED, That the market rate filing submitted by AEP Ohio be approved. It is, further,

ORDERED, That the motion to intervene filed by IEU-Ohio be granted. It is, further,

ORDERED, That a copy of this order be served upon AEP Ohio and all other interested parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO



Alan R. Schriber, Chairman



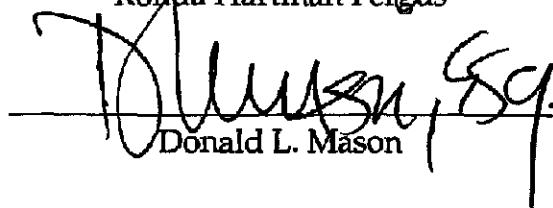
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Entered in the Journal

JUN 27 2007



Renee J. Jenkins
Secretary