

FILE

BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO

RECEIVED-DOCKETING DIV  
2008 DEC 15 PM 3:47  
PUCO

In the Matter of the Application of Columbus )  
Southern Power Company and Ohio Power )  
Company for Authority to Modify Their )  
Accounting Procedure for Certain )  
Storm-Related Service Restoration Costs )

Case No. 08- / 301 -EL-AAM

APPLICATION

1. Columbus Southern Power Company (CSP) and Ohio Power Company (OPCO), collectively referred to as "the Companies," are public utilities as defined in §4905.02 and 4905.03, Ohio Rev. Code.
2. The Companies are applying for authority, pursuant to §4905.13, Ohio Rev. Code, to defer as regulatory assets the portion of their respective Operation and Maintenance (O & M) expenses associated with restoring electric service to their customers in the aftermath of Hurricane Ike's destructive wind storm on September 14, 2008. The Companies propose to defer these O & M expenses for future recovery under their approved Rate Stabilization Plans from all customers, over a twelve-month period, beginning at a date determined in a future Commission proceeding or with the first billing cycle of January, 2011, whichever date comes first. Until fully recovered, the Companies will apply a carrying charge, based on their respective Weighted Average Cost of Capital, (WACC) on the unrecovered deferral balance and defer such carrying charge for future recovery. The Companies propose using actual average long-term debt costs, a 10.5% cost of equity and a 50/50 capitalization ratio for purposes of calculating their WACC rate

This is to certify that the images appearing are an  
accurate and complete reproduction of a case file  
document delivered in the regular course of business.  
Technician TM Date Processed 12/15/2008

3. The portion of the O&M expenses each Company proposes to defer is the amount by which the total O&M expenses associated with the Hurricane Ike-related service restoration expenses exceeds the three-year average service restoration O&M expenses associated with major storms.
4. The Companies' current distribution rates have been set pursuant to the terms of the Commission's Opinion and Order in the Companies' Rate Stabilization Plan (RSP) proceeding -- Case No. 04-169-EL-UNC.
5. The RSP Opinion and Order provides express authority for the recovery of "increased distribution-related expenses associated with ... major storm damage service restoration." (Opinion and Order, pp. 22, 23, January 26, 2005). This present application is consistent with the Commission-approved application in Case No. 06-412-EL-UNC.
6. In Case No. 06-412-EL-UNC the Commission authorized the Companies to recover O & M expenses associated with extraordinary ice storms that struck the Companies' service territories in December 2004 and January 2005. The Companies' bases for their application in that proceeding included not only the Commission-approved settlements in the Companies' Electric Transition Plan proceeding (Case Nos. 99-1729-EL-ETP and 99-1730-EL-ETP), but also the Commission-approved RSP. This present application is consistent with the Commission-approved application in Case No. 06-412-EL-UNC.

7. On September 14, 2008, unpredicted severe winds associated with Hurricane Ike caused extraordinarily extensive damage to the Companies' distribution system facilities. Sustained winds measuring 65 to 75 MPH across the state remained in areas for several hours causing large trees and associated debris to come into contact with distribution power lines and equipment. Of the Companies' approximate 1.5 million customers, nearly 700,000 were without power at the height of the storm. More than 3,600 individuals were deployed to restore service, including assistance from approximately 20 mutual assistance partners from as far away as Canada, Minnesota and Wisconsin, and four AEP affiliate companies, including Appalachian Power, Kentucky Power, Indiana Michigan Power and Public Service Company of Oklahoma. More than 900 distribution poles, 1,480 cross arms, 2,580 cutouts/arrestors, 9,260 insulators and 530 transformers were damaged. In addition, approximately 491,500 feet of primary and secondary wire was replaced.
8. The provision of the Companies' RSP permitting the recovery of storm restoration costs through their distribution rates clearly has been triggered by the impact of Hurricane Ike. Therefore, the Companies' application is authorized by the Opinion and Order in their RSP case.
9. The Companies at this time are not requesting to commence recovery of O & M expenses associated with repairing/replacing those distribution facilities damaged by Hurricane Ike. Instead, they seek approval for deferring the related O & M expenses and the resultant carrying costs as described above. If, however, the Commission determines that such deferrals, with the related carrying charges, does not present the

optimal method for the Companies recovering these costs, then the Companies request that they be authorized to recover the O & M expenses over a twelve-month period beginning with the first billing cycle of February 2009.

10. The Commission concluded in Case No. 06-412-EL-UNC that the ability under the applicable cases to recover costs associated with major storm damage service restoration did not require the filing of a traditional rate case application or a hearing. (Finding and Order, ¶6, August 9, 2006).

WHEREFORE, the Companies request that the Commission grant the accounting authority requested in this application.

Respectfully submitted,



---

Marvin I. Resnik, Esq.

Steven T. Nourse

American Electric Power Service Corporation

1 Riverside Plaza

Columbus, Ohio 43215

(614) 716-1606

(614) 716-1608

Fax: (614) 716-2950

Email: miresnik@aep.com

Email: stnourse@aep.com

Counsel for Columbus Southern Power Company  
and Ohio Power Company