

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Application of )  
Columbus Southern Power Company and )  
Ohio Power Company for Authority to ) Case No. 08-1338-EL-AAM  
Modify their Accounting Procedures. )

In the Matter of the Joint Application of )  
Columbus Southern Power Company and )  
Ohio Power Company and Ormet Primary ) Case No. 08-1339-EL-UNC  
Aluminum Mill Products Corporation for )  
Approval of a Temporary Amendment to )  
their Special Arrangement. )

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 (CSP) (collectively, AEP Ohio).

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- (3) Under the terms of the stipulation, generation, transmission and distribution services have been supplied to Ormet by AEP Ohio. For the period between January 1, 2007 and December 31, 2008, Ormet paid \$43 per megawatt-hour for generation service and tariff rates and all applicable riders for transmission and distribution services. AEP Ohio was permitted to amortize to income its Ohio Franchise Tax phase-out regulatory liability, in the amount of the differential between providing 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 filings to set a market rate for generation service to Ormet's Hannibal facilities for 2007 and 2008.
- (4) On December 26, 2006, AEP Ohio submitted its market rate filing for 2007, setting a price of \$47.69 per megawatt-hour for generation service to Ormet's Hannibal facilities. The 2007 market rate filing was approved by the Commission on June 27, 2007 in Case No. 06-1504-EL-UNC.
- (5) On December 27, 2007, AEP Ohio submitted its market rate filing for 2008, setting a price of \$53.03 per megawatt-hour for generation service to Ormet's Hannibal facilities. AEP Ohio included its methodology for establishing the market price in its market rate filing. On December 10, 2008, the Commission approved the market rate filing submitted by AEP Ohio, finding that the calculation of the market rate for generation service was consistent with the stipulation approved by the Commission in Case No. 05-1057-EL-CSS.
- (6) On December 29, 2008, AEP Ohio and Ormet filed a joint application for approval of a temporary amendment to their special arrangement and for authority to modify accounting procedures. The joint applicants state that their special arrangement covered a two-year period which ended December 31, 2008 and that they are currently in negotiations for a new long-term arrangement. The applicants also state that rates for generation service to Ormet are being considered in AEP Ohio's electric security plan (ESP) application currently before the Commission. The applicants request that the Commission approve a temporary arrangement that would extend the previous stipulation and recovery of the differential

approved by the Commission with the exception of the price that Ormet pays for generation service. In lieu of the \$43 per megawatt-hour, the joint applicants request that Ormet pay the companies' applicable tariff rates currently in effect for generation service. Such arrangement will allow Ormet to comply with the terms of Ormet's bank financing arrangements. The joint applicants request that the temporary arrangement expire upon the effective date of the new AEP Ohio approved tariffs based on a Commission ruling on AEP Ohio's ESP application and the effective date of a new special arrangement subsequently approved by the Commission.

- (7) As part of the joint application, AEP-Ohio is also applying for authority, pursuant to Section 4905.13, Revised Code, to defer as a regulatory asset beginning in 2009, the difference between the 2008 market price approved by the Commission for use in administering the special arrangement and a blend of CSP's and Ohio Power's current standard service offer generation rates (market delta). AEP Ohio proposes to continue to amortize the Ohio Franchise Tax regulatory liability until fully depleted prior to deferring any amount under the market delta as a regulatory asset. The 2009 deferrals will continue to accrue until the temporary amendment is superseded through either a new special arrangement approved by the Commission or through the approval of final tariffs effectuating the Commission's ESP ruling.
- (8) Given that the Commission is not granting recovery of the deferred amount at this time, the Commission finds that it is unnecessary to hold a hearing in this matter. The Commission finds that, inasmuch as AEP Ohio's ESP application is still pending before the Commission and there is a need to establish interim rates for electric service for Ormet pending current ongoing negotiations between the parties, the temporary arrangement proposed in the joint application and AEP Ohio's request for deferrals is reasonable and should be approved. The Commission's approval of this interim arrangement should not be considered precedent for further consideration of a long-term arrangement in either AEP Ohio's ESP proceeding or any application for a reasonable arrangement.

- (9) Accompanying the joint application was a motion of Ethan E. Rii to permit Clinton A. Vince, William D. Booth, and Emma F. Hand, attorneys for Ormet, to practice pro hac vice before the Commission in this matter. The request is reasonable and should be granted.

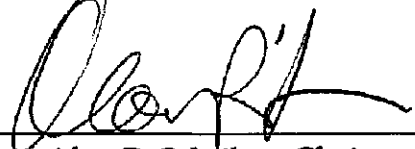
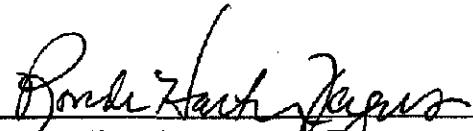
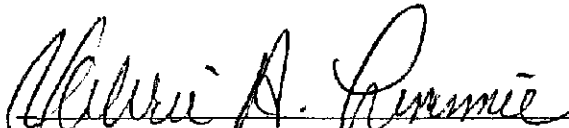

It is, therefore,

ORDERED, That the temporary arrangement proposed in the joint application and AEP Ohio's request for deferrals be approved. It is, further,

ORDERED, That the motion of Ethan E. Rii to permit Clinton A. Vince, William D. Booth and Emma F. Hand, attorneys for Ormet, to practice pro hac vice before the Commission in this matter is granted. It is, further,

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

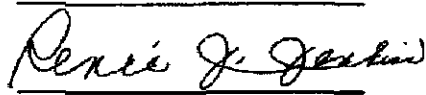
THE PUBLIC UTILITIES COMMISSION OF OHIO

  
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Alan R. Schriber, Chairman  
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Paul A. Centolella  
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Ronda Hartman Fergus  
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Entered in the Journal

JAN 07 2008

  
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Renee J. Jenkins  
Secretary