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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application)
of Columbus Southern Power)
Company and Ohio Power Company)
for a Temporary Partial Waiver of)
Section 4901:1-10-14 (G) and (I),)
Ohio Administrative Code)

Case No. 09- 308 -EL-WVR

APPLICATION
AND REQUEST FOR EXPEDITED RULING

1. Columbus Southern Power Company (CSP) and Ohio Power Company (OP) (collectively, the Companies) are public utilities and electric light companies as those terms are defined in §§4905.02 and 4905.03 (A) (4), Ohio Rev. Code, respectively.
2. The Companies also are electric distribution utilities (EDU) and electric utilities as those terms are defined in §4928.01 (A) (6) and (11), Ohio Rev. Code, respectively.
3. The Companies are electric utility operating company subsidiaries of American Electric Power Company, Inc. (AEP).
4. Section 4901:1-10-14 (G), Ohio Admin. Code, which sets out the circumstances which must exist to enable electric utilities to require existing customers to reestablish creditworthiness, currently provides as follows:
 - (G) Deposit to reestablish creditworthiness for tariffed service.
 - (2) An EDU may require a customer to make an initial or additional deposit on an account, as set forth in this rule, to reestablish

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creditworthiness for tariffed service based on the customer's credit history on that account with that company.

(3) A deposit may be required if the customer has:

- (a) Not made full payment or arrangements by the date on which the bill becomes past due for two consecutive bills;
- (b) Received a disconnection notice for nonpayment on two or more occasions during the preceding twelve months; or
- (c) Had service disconnected for nonpayment, a fraudulent practice, tampering, or unauthorized reconnection during the preceding twelve months.¹

5. Section 4901:1-10-14 (I), Ohio Admin. Code, which sets out the requirement for returning the deposit to customers after the first two years of service for which the deposit is held, and not more often than annually thereafter, currently provides as follows:

(I) Each EDU shall:

- (1) Review each nonresidential account after the first two years of service for which a deposit is being held, and shall promptly refund the deposit or credit the nonresidential customer's account, plus interest accrued, if during the preceding twenty-four months:

¹ In its November 5, 2008 Finding and Order in Case No. 06-653-EL-ORD, the Commission has proposed to amend Paragraph (I) as shown in the following red-line format:

- (G) Deposit to reestablish creditworthiness for tariffed service.
 - (1) An ~~EDU~~ electric utility may require a customer to make an initial or additional deposit on an account, as set forth in this rule, to reestablish creditworthiness for tariffed service based on the customer's credit history on that account with that ~~company~~ electric utility.
 - (2) A deposit may be required if the customer ~~has~~ meets one of the following criteria:
 - (a) ~~Not~~ The customer has not made full payment or payment arrangements by the ~~due date on which the bill becomes past due~~ during the preceding twelve months;
 - (b) ~~Received~~ The customer has been issued a disconnection notice for nonpayment on two or more occasions during the preceding twelve months; ~~or~~
 - (c) ~~Had~~ The customer has had service disconnected for nonpayment, a fraudulent practice, tampering, or unauthorized reconnection during the preceding twelve months.

These amendments do not appear to change the substance of the current rule. On December 17, 2008, the Commission granted rehearing of its November 5, 2008 Finding and Order so as to further consider the matters raised in the rehearing applications. Based on their review, the Companies do not believe any issues regarding Section 4901:1-10-14, Ohio Admin. Code, were raised on rehearing.

- (a) The customer's service was not disconnected for nonpayment, a fraudulent practice, tampering, or unauthorized reconnection; and
 - (b) The customer had not more than three past due bills.
- (2) Upon customer request, but no more than annually, review each nonresidential account after the first two years of service for which a deposit is being held, and shall promptly refund the deposit or credit the customer's account, plus interest accrued, if during the preceding twelve months:
- (a) The customer's service was not disconnected for nonpayment, a fraudulent practice, tampering, or unauthorized reconnection; and
 - (b) The customer had not more than two past due bills.
- (3) Annually review each residential account, for which a deposit is being held, and shall promptly refund the deposit or credit the customer's account, plus interest accrued, if during the preceding twelve months:
- (a) The customer's service was not disconnected for nonpayment, a fraudulent practice, tampering, or unauthorized reconnection; and
 - (b) The customer had not more than two past due bills.²

² In its November 5, 2008 Finding and Order in Case No. 06-653-EL-ORD, the Commission has proposed to amend Paragraph (I) as shown in the following red-line format:

- (I) Each ~~EDU~~-electric utility shall:
- (1) Review each ~~nonresidential~~ account after the first two years of service for which a deposit is being held, and shall promptly refund the deposit or credit the ~~nonresidential~~ customer's account, plus interest accrued, if during the preceding twenty-four months, both of the following are true:
 - (a) The customer's service was not disconnected for nonpayment, a fraudulent practice, tampering, or unauthorized reconnection; ~~and~~,
 - (b) The customer had not more than two past due bills.
 - (2) Upon customer request, but not more than annually, review each ~~nonresidential~~ account after the first two years of service for which a deposit is being held, and shall promptly refund the deposit or credit the customer's account, plus interest accrued, if ~~during~~, with regard to the preceding twelve months, both of the following are true:
 - (a) The customer's service was not disconnected for nonpayment, a fraudulent practice, tampering, or unauthorized reconnection; ~~and~~,
 - (b) The customer had not more than two past due bills.
 - (3) ~~Annually review each residential account, for which a deposit is being held, and shall promptly refund the deposit or credit the customer's account, plus interest accrued, if during the preceding twelve months:~~
 - ~~(a) The customer's service was not disconnected for nonpayment, fraudulent practice, tampering, or unauthorized reconnection; and~~
 - ~~(b) The customer had more than two past due bills.~~

These amendments do not appear to change the substance of the current rule, except to remove the distinction that currently exists between residential and non-residential customers deposit review periods. On December 17, 2008, the Commission granted rehearing of its November 5, 2008 Finding and Order so as to further consider the matters raised in the rehearing applications. Based on their review, the Companies do not believe any issues regarding Section 4901:1-10-14, Ohio Admin. Code, were raised on rehearing.

6. In more normal economic conditions, Paragraphs (G) and (I) have provided a relatively acceptable level of flexibility for the Companies to protect themselves, and ultimately the majority of their customers, from other customers whose creditworthiness deteriorates to the point of triggering either Paragraph (G) (2) (a) or (b), or preventing the triggering of the return of a deposit under Paragraph (I).
7. However, even in normal economic conditions the Companies experience commercial and industrial customer arrearages which become uncollectible because such customers did not trigger the condition in Paragraph (G) (2) (a) or (b) before they went out of business without paying their final bills or such customers who receive the return of their deposit, plus interest, under Paragraph (I) and then go out of business without paying their final bills. Depending on the size of such a commercial or industrial account, the uncollectible amount can be in the hundreds of thousands of dollars.
8. Recently, as economic conditions in the Companies' service territories have deteriorated, the Companies believe the creditworthiness of a growing number of commercial and industrial customers, while they have not triggered either Paragraph (G) (2) (a) or (b), has deteriorated to a point where a deposit would be required if they were now applying for initial service; or their creditworthiness would dictate the immediate imposition of a deposit requirement if their deposit, plus interest, were returned under Paragraph (I).

9. This growing number of commercial and industrial customers exposes the Companies to an increasing and extraordinary level of uncollectibles, the cost of which ultimately will affect the rates of both Companies' customers.
10. The Companies regularly review the creditworthiness of commercial and industrial accounts in conjunction with their efforts to determine their exposure to financially troubled customers and to protect themselves, within the scope of the Commission's rules, from customers who do not have a deposit or other means of reestablishing creditworthiness, but who have not triggered either Paragraph (G) (2) (a) or (b).
11. In order to properly protect itself, the Companies request a waiver from Paragraph (G) (2) (a) and (b), to expand the circumstances in which a deposit can be required in addition to those set out in that provision, and Paragraph (I), as those provisions relate to non-residential customers for a period ending April 30, 2011, including subsequent rule amendments imposing similar requirements that may be adopted during this period. Under this waiver, the Companies will apply an objective evaluation of credit risk of existing customers based on evaluations made by Value Line Financial Services, a nationally recognized credit rating agency. If a non-residential customer's credit rating falls below a "B" rating by Value Line the Companies would be entitled to require such customer to reestablish creditworthiness by means of providing a deposit to the customer's respective service provider - CSP or OPCO - or continue to hold the existing deposit which otherwise would be returned under Paragraph (I). The "Value Line" criteria would be in addition

to the criteria in Paragraph (G) (2) (a) and (b). By way of reference, Value Line's grading and its characterization of the grades is shown in the following chart:

Ratings		Description
Excellent	A++	Supreme relative financial strength
	A+	Excellent financial position relative to other companies
	A	High grade relative financial strength
	B++	Superior financial health on a relative basis
Questionable	B+	Very good relative financial structure
Poor	B	Good overall relative financial position
	C++	Satisfactory finances relative to other Companies
	C+	Below average relative financial position
	C	Poorest financial strength relative to Other major companies
Not Available ³		The company's stock is not included in the Value Line evaluation.

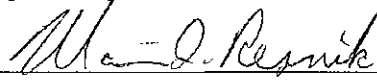
12. The new or continuing deposit held by the Companies will be applied in the same manner as any other deposit the Companies require. Interest at a rate of not less than 3 percent per annum will be paid in accordance with Section 4901:1-10-14 (J), Ohio Admin. Code, and the deposit, including interest, will be applied if necessary toward the customers final bill or will be returned to the customer when its Value Line credit rating returns to at least a "B" rating (or to a "2" rating by Dunn & Bradstreet if no Value Line rating is available) for nine consecutive months or when it terminates its service relationship with CSP or OPCO.

³ If a Value Line rating is not available for the customer, the Companies would refer to the Dunn & Bradstreet Composite Credit Appraisal. A Dunn & Bradstreet appraisal score below a "2" (out of 4) would result in a deposit being required.

13. The Companies' proposal will remain in effect for a two-year period. The Companies have chosen this period of time in hopes that the economic situation facing Ohio will be sufficiently relieved by the first quarter of 2011 to warrant termination of the waiver. Of course, if circumstances have not sufficiently improved the Companies reserve the right to seek an extension of this waiver. Similarly, if economic conditions sufficiently improve prior to that time the Commission retains jurisdiction to terminate the waiver earlier than April 30, 2011.
14. The Companies believe that granting this waiver is preferable to an uncontrolled increase in uncollectibles. The waiver is needed to address the increasingly common practice of commercial and industrial customers staying current on their electric bill right up until the time they go out of business, leaving the Companies with the daunting task of collecting the amount due with a complete lack of leverage. For many commercial and industrial customers, a one-month unpaid bill can involve a substantial sum. Those customers whose financial condition is leading to an ultimate closure should be subject to deposit requirements.

Therefore, the Companies request that their waiver request be granted. Because the economic conditions in the Companies' respective service areas continue to deteriorate the Companies request that the Commission rule favorably upon this request as soon as possible.

Respectfully submitted,



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