



1 PREPARED TESTIMONY OF ROBERT B. FORTNEY

2 1. Q. Please state your name and business address.

3 A. My name is Robert B. Fortney. My business address is 180 E. Broad  
4 Street, Columbus, Ohio 43215.

5 2. Q. By whom are you employed and in what capacity?

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO) as  
7 a Public Utilities Administrator 3 in the Rates and Tariffs Division of  
8 the Utilities Department.

9 3. Q. Please outline your educational background and work experience.

10 A. I received a Bachelor of Science Degree in Business Administration  
11 from Ball State University, Muncie, Indiana, in 1971. I received a  
12 Master of Business Administration Degree from the University of  
13 Dayton, Dayton, Ohio, in 1979. I have been with the Commission staff  
14 for 23 years, involved in all aspects of electric utility rates, rules and  
15 regulations.

16 4. Q. What is the purpose of your testimony in this proceeding?

17 A. On April 10, 2009, Ormet Primary Aluminum Corporation (Ormet) filed  
18 an amended application for approval of a unique arrangement with  
19 Ohio Power Company and Columbus Southern Power Company  
20 (collectively, AEP Ohio). The intent of the application is that the rates  
21 provided in the arrangement would be the lesser of the AEP Ohio GS-4  
22 tariff rates or the all-in rates proposed in the application. Ormet's

1 proposed all-in rate is \$38.00/MWh for the calendar year 2009. If  
2 Ormet reduces its metal production by the equivalent of at least two  
3 potlines, the Ormet proposed rate would be \$34.00/MWh for the  
4 balance of 2009. For the years 2010 – 2018, Ormet’s rates would be a  
5 formula approach based upon the price of aluminum. The lower the  
6 price of aluminum, the greater the discount. The purpose of my  
7 testimony is to provide the Commission with staff’s perspective on the  
8 application.

9 5. Q. What is that perspective?

10 A. Staff’s perspective focuses on the issue of delta revenues.

11 6. Q. What are “delta revenues?”

12 A. “Delta revenue” is defined in 4901:1-38-01 as the deviation resulting  
13 from the difference in rate levels between the otherwise applicable rate  
14 schedule and the result of any reasonable arrangement approved by the  
15 Commission.

16 7. Q. Does the application address the issue of delta revenue recovery?

17 A. Yes. The application states that “AEP Ohio supported the Unique  
18 Arrangement originally proposed in this proceeding on the condition  
19 that AEP Ohio is granted permission by the Commission to recover  
20 from other customers through a rider all revenues lost by entering into  
21 this Unique Arrangement. Ormet supports AEP Ohio’s request for  
22 recovery of lost revenues in recognition that AEP Ohio must remain

1 financially strong to ensure it continues to have the ability to satisfy  
2 Ormet's load requirements." In addition, paragraph 3.01 of the Power  
3 Agreement allows either party to terminate the agreement "if the  
4 Commission, in any order, whether specifically modifying this Power  
5 Agreement or otherwise, precludes AEP Ohio from recovering the  
6 Delta Revenues associated with this Power Agreement."

7 8. Q. What does this mean?

8 A. Unless modified by the Commission, approval of this arrangement  
9 would grant AEP Ohio 100% recovery of any delta revenues. While  
10 not stated in this application, AEP Ohio has indicated in its ESP  
11 proceedings that it intends to seek recovery of 100% of any delta  
12 revenues to be recovered from all Ohio Power and Columbus Southern  
13 Power customers on a percentage of each customer's distribution  
14 charges.

15 9. Q. Have you quantified the level of delta revenues that would result from  
16 this arrangement?

17 A. At this point, any delta revenues past 2009 cannot be determined  
18 because the future prices of aluminum are unknown. A calculation  
19 using the current GS-4 tariff rates for the AEP Ohio companies  
20 compared to the \$38.00/MWh proposal indicates that the annual delta  
21 revenue resulting from that comparison would be in the neighborhood  
22 of \$28,500,000 (out of approximately \$200,000,000 in revenue at tariff

1 rates). Combined, AEP Ohio has approximately 1.5 million customers.  
2 Therefore, the \$28,500,000 delta revenue equates to \$19.00 per  
3 customer annually. Obviously, the delta revenue number could change  
4 significantly based of the price-of-aluminum approach. OCC witness  
5 Ibrahim has done that type of analysis in his testimony. In addition, the  
6 objections of the Ohio Energy Group, filed on April 28, 2009, discuss  
7 the resulting delta revenues based on that approach.

8 10. Q. Does staff have any recommendations to the Commission regarding this  
9 application?

10 A. Staff recommends that the Commission, in its review of this application,  
11 bifurcate the application between the 2009 proposal and the proposal for  
12 the remaining nine years (2010 – 2018). The Commission could set a  
13 procedural schedule for a later date(s) to revisit the application for those  
14 subsequent years. At such time the Commission could better consider  
15 the then-current economic circumstances of the company, the aluminum  
16 industry, and the State of Ohio.

17 11. Q. Does this conclude your testimony?

18 A. Yes, it does. However, I reserve the right to submit supplemental  
19 testimony, as described herein, as new information becomes available or  
20 in response to positions taken by other parties.

**CERTIFICATE OF SERVICE**

I certify that a copy of the foregoing Testimony of Robert B. Fortney was served via electronic mail and/or regular U.S. mail, postage prepaid upon the following parties of record this 29<sup>th</sup> day of April, 2009.



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