FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ormet	)	
Primary Aluminum Corporation for	)	Case No. 09-119-EL-AEC
Approval of a Unique Arrangement with	)	
Ohio Power Company and Columbus	)	
Southern Power Company.	)	

POST-HEARING BRIEF BY THE OFFICE OF THE OHIO CONSUMERS' COUNSEL AND THE OHIO ENERGY GROUP

JANINE L. MIGDEN-OSTRANDER
CONSUMERS' COUNSEL

Gregory J. Poulos, Counsel of Record
Maureen R. Grady
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
Telephone: 614-466-8574
poulos@occ.state.oh.us
grady@occ.state.oh.us

Attorneys for the Office of the Ohio Consumers' Counsel

David F. Boehm
Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
Telephone: (513) 421-2255
mkurtz@bkllawfirm.com
dboehm@bkllawfirm.com

Attorneys for The Ohio Energy Group

TABLE OF CONTENTS

PAGE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ormet Primary Aluminum Corporation for Approval of a Unique Arrangement with Ohio Power Company and Columbus Southern Power Company.	)))))	Case No. 09-119-EL-AEC

POST-HEARING BRIEF BY THE OFFICE OF THE OHIO CONSUMERS' COUNSEL AND THE OHIO ENERGY GROUP

I. SUMMARY OF ARGUMENT

The Office of the Ohio Consumers' Counsel ("OCC") and the Ohio Energy Group ("OEG") welcome the opportunity to recommend balanced solutions that promote economic development through electricity rate discounts and assure reasonable rates for Ohio customers. It is these Ohio customers who are being asked to reimburse electric utilities, such as AEP, for tens of millions of dollars in discounts (subsidies) to customers, such as Ormet. A balance can only be achieved if, among other things, the impact of the subsidies that customers must bear are reasonable. "Reasonableness" must be viewed in totality with all other subsidies for economic development.

A reasonable amount must be defined as one which does not impose economic burdens on the customers paying the subsidies. The Commission must also take appropriate measures to ensure that entities, like Ormet, are held accountable to demonstrate that the claimed economic benefits are actually realized. The Commission has a responsibility to spend Ohio customers' limited pool of economic development dollars wisely.

As proposed, the ten-year subsidy that Ormet Primary Aluminum Corporation ("Ormet") seeks in this case, which may reach $2.8 billion, would be entirely paid by the other 1.5 million AEP Ohio residential and business consumers. This will cause a long-term negative financial impact on the rest of Ohio's economy. An electric rate that ensures Ormet a break-even cash flow (including the payment of Ormet's out-of-state pension costs and $2.4 million in salaries and bonuses to the top three Ormet executives) must be closely scrutinized by the PUCO. Such a rate could cost other consumers on average $187 in 2010, or $473,579 per Ohio employee at Ormet, with $281 million in delta revenues (the revenues AEP would lose in discounts to Ormet) being paid by customers.

If the rate holds for the ten-year period requested by Ormet, customers could end up subsidizing the Ormet arrangement at a staggering amount -- $ 2.8 billion. These huge subsidies to Ormet will hurt, not help Ohio's economy. Here are the projected costs, starting in 2010, that customers will bear under the unique arrangement proposed by Ormet, along with less costly, more reasonable alternative proposals sponsored by OCC, OEG, and the PUCO Staff:

Ormet Proposal: Beginning in 2010, Ormet's power rate would vary with the price of aluminum to ensure that Ormet's cash flow will always be enough to sustain operations and pay its required legacy pension costs.[1] As a result of low aluminum prices forecasted for 2010 and a cash flow calculation that includes $2.4 million to Ormet's top three executives[2] and legacy pension costs for former employees located in four states as

[1] *See* Ormet Exhibit 8 at 6. (Amended Application).

[2] *See* Tr. I at 106-107. (Riley)(June 11, 2009).

well as Ohio,[3] it is conceivable that AEP customers will be in the extraordinary situation of paying Ormet \$77.1 million to use electricity. The delta revenue for 2010 alone would therefore be the negative electricity cost to Ormet (\$77.1 million) plus the full tariff rate that Ormet would otherwise have been charged (approximately \$204 million), or \$281.1 million. This is \$281.1 million that AEP's other customers would have to pay to subsidize Ormet's operations in 2010. This would result in an average annual rate increase for AEP Ohio's remaining 1.5 million customers of \$187, or 15.5%. The cost to AEP customers per Ohio employee at Ormet[4] would be an incredible \$473,579.

Under Ormet's break even cash flow proposal, the price of aluminum would have to increase by 64% to \$2,200/ton before Ormet would pay anything for the massive amounts of power it consumes. The 2010 delta revenue (revenue AEP would lose as a result of the discounts to Ormet) that AEP would receive as a result of the optimistic 64% increase in aluminum prices would be \$204 million. Even under this favorable "break even" scenario, the arrangement would require customers to fund an average rate increase of \$136 annually per AEP customer, or 11.3%. The cost to AEP customers per Ohio employee at Ormet would be slightly less, but a still staggering \$341,137.

PUCO Staff's proposal: The PUCO Staff's proposal is to have consumers fund a 2010 subsidy of no more than \$54 million. This would still result in a very substantial annual average rate increase of \$36 per AEP customer, or 3%. The cost to AEP customers per Ohio employee at Ormet would be \$90,301.

---

[3] *See* Tr. III at 432-438. (Riley)(June 11, 2009).

[4] Ormet employs over 1,000 employees, only 598 of which reside in Ohio. *See* Ormet Exhibit 5 at 5. (Dr. Coomes' Study "The Estimated and Fiscal Impacts of the Ormet Aluminum Smelter Operation in Hannibal, Ohio) ("Dr. Coomes' Study").

OCC/OEG proposal[5]: Our conclusion is that the subsidy requested by Ormet is grossly disproportionate to its 598 direct Ohio jobs – Ohio residents working at Ormet – with an average salary of $55,000 per year. As discussed herein, OCC and OEG recommend that the annual subsidy, starting in 2009, be no more than the approximate value of Ormet's Ohio payroll, or $32 million. This high level of subsidy is based on Ormet-specific characteristics and should not be considered precedent for other cases. It would still result in an average annual rate increase of $21.8 per AEP customer, or 1.8%.

For 2009, we propose three modifications to Ormet's request. First, any new rate should operate prospectively and should not be made retroactive to January 1, 2009. In addition, the non-bypassable economic development rider should apply to Ormet, just as it applies to other customers of AEP Ohio. Finally, Ormet has agreed to forfeit its right to shop for competitive electric generation rates while the contract is in effect and therefore AEP should not be permitted to collect provider of last resort ("POLR") charges.

In terms of what is reasonable after 2009, OCC and OEG assert that an agreement should encompass a five-year, not ten-year period. Thus, OCC and OEG propose through 2014, modifications to the proposal, including the following basic provisions:

- Each year of the 2010-2014 term, Ormet shall prepare a schedule showing the Indexed Rate and the Target Rate and shall file in a public docket at the Commission such schedule, along with an evaluation prepared by an independent third party, no later than October 1st of each year for the following year;

---

[5]The proposal reflects the positions of OCC and OEG which have developed since the filing of OCC and OEG individual comments on April 28, 2009. To the extent that the proposal differs from comments, the Commission should consider the proposal as reflecting the most current position of the parties. To the extent that issues are addressed in comments and not fully covered in the OCC/OEG proposal, the Commission should look to the OCC/OEG comments as a supplement to positions taken herein.

- Ormet shall make available for review by the intervening parties to this case the independent evaluation, along with all supporting workpapers. The rate should be subject to audit after the fact to ensure the Ormet's minimum cash flow needs were not exceeded.

- The maximum annual discount under the Indexed Rate compared to a 50/50 weighted OPCO/CSP GS4 standard service offer rate, including all riders, should be $32 million. $32 million is the approximate payroll for Ormet's 598 employees that are Ohio residents. This subsidy, combined with the waiver of AEP's POLR charge, consistent with Ormet's agreement not to shop during the contract term, would result in a maximum annual discount to Ormet of approximately $43.6 million.

- There should be improved symmetry for the benefit of customers subsidizing Ormet, beyond that contained in the proposed contract, when the price of aluminum rises. The symmetry would require Ormet to pay electricity at a rate that could exceed tariff rates. The price of electricity would be increased by the factor of $0.049 times 50% for each 1$/ton increase greater than the target LME price. AEP customers would then receive delta revenue credits with the maximum cap on the delta revenue credit to customers being $16.35 million per year.

II. BACKGROUND AND PROCEDURAL HISTORY

Ormet is a major producer (smelter) of aluminum in the United States.[6] In 2008, the average electric rate paid by all U.S. smelters was $38.5/MWh.[7] Ormet's aluminum smelter, located in Hannibal, Ohio, is only one of a number of assets that it owns. Ormet

[6] *See* OCC Exhibit 11 at 1. (Ormet Corporation's Rule 15c2-11, Information and Disclosure Statement for the Quarter Ended March 31, 2009).

[7] *See* Tr. I at 90. (Tanchuk) (April 30, 2009).

also owns an alumina refinery in Burnside, Louisiana;[8] however, the smelter is currently Ormet's only operating unit.[9]

The smelter operation in Hannibal, Ohio employs over one thousand employees;[10] 598 employees who reside in Ohio, 427 who reside in West Virginia, and 2 who reside in Pennsylvania.[11] Ormet's smelter operation has a payroll of approximately 56 million – approximately $32 million for employees that reside in Ohio.[12]

On February 17, 2009, Ormet filed an application ("Original Application") for a "Unique Arrangement" pursuant to R.C. 4905.31 and Ohio Adm. Code 4901:1-38-05. On April 10, 2009, Ormet filed an amended application.[13] Under the terms of the Applications Ormet requested approval of an all-in $38/MWh rate for power for all of 2009 – including a proposal to make the rates retroactive back to January 1, 2009,[14] despite the fact that there are already existing approved rates for Ormet that cover that

---

[8] *See* OCC Exhibit 11 at 1. (Ormet Corporation's Rule 15c2-11, Information and Disclosure Statement for the Quarter Ended March 31, 2009).

[9] *See* Id.

[10] *See* Ormet Exhibit 5 at 1. (Dr. Coomes' Study).

[11] *See* Id. at 5.

[12] *See* Id.

[13] *See* Ormet Exhibit 8 at 1. (Amended Application).

[14] *See* Id. (The Amended Application inserted a request for a $34/MWh rate if Ormet is forced to curtail two potlines. The $34/MWh rate would allow (and require) Ormet to maintain 900 jobs while the operation is at down two potlines. *See* Ormet Exhibit 8 at cover letter).

same time period.[15] As part of the proposed unique arrangement Ormet is seeking exemptions from the standard deposit and advance pay requirements, which were required under the prior temporary Ormet reasonable arrangement and the pre-existing Ormet AEP arrangement.[16] Finally, Ormet requests that AEP collect from customers all delta revenues as a result of the proposed discount rate or an Ormet default.[17]

The $38/MWh was calculated in early February, 2009 by forecasting the cash flow Ormet will need at the end of 2009 to allow it to maintain the minimum cash flow needed to refinance its debts in 2010.[18] Despite that fact that the Company's actual cash flow balance after the first quarter of 2009 establishes a surplus of $35 million[19] which differs from the projected forecasted numbers -- the 2009 cash flow calculation was not updated with actual figures as of June 11, 2009. The Company's cash flow calculation was not calculated for the exclusive purpose of maintaining the operations of the aluminum smelter in Hannibal, Ohio. Instead the cash flow analysis is also calculated to support all of Ormet Corporation's national pension obligations including ongoing pension costs for residents of Louisiana, Mississippi, and Tennessee[20] as well as the

---

[15] *See In the Matter of the Joint Application of Columbus Southern Power Company and Ohio Power Company for Authority to Modify their Accounting Procedures; In the Matter of the Joint Application of Columbus Southern Power Company and Ohio Power Company and Ormet Primary Aluminum Mill Products Corporation for Approval of a Temporary Amendment to their Special Arrangement*, Case No. 08-1138-EL-UNC, Finding and Order (Jan. 7, 1009). OCC's Application for rehearing of this Order was granted on the basis that "sufficient reason has been set forth by OCC to warrant further consideration of the matters specified in the application for rehearing." Entry on Rehearing at 4 (Mar. 4, 2009).

[16] *See* Ormet Exhibit 8 at Attachment A, page 14. (Amended Application).

[17] *See* Id.

[18] *See* Tr. III at 396. (Riley). (June 11, 2009).

[19] *See* OCC Exhibit 11 at 34. (Rule 15c2-11, Information and Disclosure Statement for the Quarter ended March 31, 2009).

[20] *See* Tr. III at 432-438. (Riley) (June 11, 2009).

pension costs for 430 West Virginia workers and 600 Ohio residents working at the Hannibal facility.[21] Additionally, among other things, the cash flow analysis includes $2.4 million in base pay and bonuses for Ormet's top three executives.[22]

After 2009, Ormet proposes that the Commission approve an electric rate that indexes the electricity price that Ormet pays to: 1) the price of aluminum, as reported on the London Metal Exchange ("LME");[23] 2) Ormet's cash costs including its out-of-state pension costs;[24] and 3) AEP's standard tariff rates.[25] Ormet's proposed variable rate will guarantee that it will not have a negative cash flow no matter how low aluminum prices go, no matter how high its operating costs go, and no matter how high AEP's standard tariff electric rates go.[26]

As proposed, Ormet will create a "Target Price" "at which Ormet could afford to pay the AEP Ohio Tariff Rate and still maintain sufficient cash flow to sustain its operations at the Hannibal Facilities and pay its required legacy pension costs."[27] This means that, after 2009, the cash flow rate proposed by Ormet would require other consumers to ensure that Ormet can pay all of its operating expenses, including $2.4

---

[21] *See* Ormet Exhibit 5 at 5. (Dr. Coomes' Study, 40% of the Ormet workforce are residents of West Virginia).

[22] *See* Tr. I at 106-107. (Riley) (April 30, 2009).

[23] *See* Ormet Exhibit 8 at 6. (Amended Application).

[24] *See* Id.; *See also* Tr. III at 432-438. (Riley)(June 11, 2009).

[25] *See* Ormet Exhibit 8 at 6. (Amended Application).

[26] *See* Id.

[27] Ormet Exhibit 2 at 3. (Direct Testimony of Henry W. Fayne).

million to its top three executives[28] and legacy pension costs for former employees located in Louisiana, Mississippi, Tennessee, West Virginia, as well as Ohio.[29] Finally, under its proposal, AEP is the exclusive provider of electricity to Ormet and therefore Ormet is precluded from shopping for competitive generation during the term of the contract.[30]

On April 28, 2009, OCC and OEG, among others, filed separate detailed comments on the proposed Ormet arrangement. Such comments reflected the positions of OCC and OEG based upon their initial review of the arrangement. On April 30 and May 1, 2009, the Commission held a hearing on Ormet's proposed Unique Arrangement. OCC Witness Dr. Amr Ibrahim addressed the merits of Ormet's proposal, focusing on whether the proposal was reasonable from the perspective of the customers being asked to entirely subsidize the discount.[31] OCC also subpoenaed two AEP employees to testify. After all the parties had presented their evidence, Ormet was granted a continuance and an additional opportunity to supplement the record with evidence to support the $38 and $34 MWh rates for 2009. On June 11, 2009, Ormet presented additional testimony of James Riley to support the 2009 rates.

Finally, on June 17, 2009, the PUCO Staff offered rebuttal testimony from Robert Fortney. PUCO Staff Witness Fortney recommended that the Commission establish a

---

[28] *See* Tr. I at 106-107. (Riley) (June 11, 2009).

[29] *See* Tr. III at 432-438. (Riley) (June 11, 2009). (the discussion starts with the question "So if you were asking Ohio consumers to pay a subsidy rate to Ormet based upon cash flow that includes Louisiana pension obligations, Ohio consumers would be funding that, wouldn't they?" – Mr. Riley's Answer: "It's one corporation and it's all included, yes.").

[30] *See* Tr. IV at 484. (Fortney) (June 17, 2009); *See also* Tr. I. at 37. (Baker) (April 30, 2009).

[31] *See* OCC Exhibit 3. (Direct Testimony of Dr. Ibrahim).

reasonable floor, "or a rate below which the amount Ormet pays cannot go."[32] The PUCO Staff recommended that Ormet be permitted to collect no more than $54 million in discounts from customers on an annual basis.[33] In addition, the PUCO Staff recommended that the discount should be reviewed annually and reduced in subsequent years until it no longer is needed.[34] The PUCO Staff noted that the reason for recommending a $54 million floor for Ormet's discount was based on several factors including that: (1) the number represented 25 percent of Ormet's power costs;[35] (2) it was unreasonable to ask AEP customers to pay more;[36] and (3) the figure was very close to the Company's total payroll figure of $54 million.[37]

III. STANDARD OF REVIEW AND BURDEN OF PROOF

Senate Bill 221 explicitly permits reasonable arrangements based on unique circumstances, if the arrangement is filed with and approved by the PUCO.[38] The Applicant, Ormet, bears the burden of proving that its application is reasonable and

---

[32] *See* PUCO Staff Exhibit 2 at 2. (Rebuttal Testimony of Robert Fortney).

[33] *See* Id. at 3.

[34] *See* Id.

[35] *See* Id.

[36] *See* Id.

[37] *See* Id.

[38] *See* Am. Sub. Ohio S.B. No. 221, lines 131-138.

should be approved. OCC bears no burden of proof in this case.[39] Additionally, with respect to approval under R.C. 4905.31, the Commission has held, "Applicants shall have the burden of proof in demonstrating no adverse impacts or increase in rates."[40] The Company must establish that the proposal is reasonable and does not violate the provisions of R.C. 4905.31, 4905.33 and 4905.35.[41] Moreover, such arrangements are to be under the constant supervision and regulation of the Commission and subject to "change, alteration, or modification" by the Commission.[42]

IV. ARGUMENT

A. 2010 and Beyond

1. Ormet's proposed Unique Arrangement is unreasonable because it fails to limit the subsidy that customers could be asked to pay.

Ormet has proposed a variable rate for power that attempts to have customers, including residential customers, underwrite all of its operating expenses and essentially

[39] R.C. 4909.18 provides that, in the circumstance where a proposal "may be unjust or unreasonable, the commission shall set the matter for hearing" and "the burden of proof to show that the proposals in the application are just and reasonable shall be upon the public utility." As part of the Commission's recently adopted rules for Unique Arrangements: "A mercantile customer apply to the commission for a unique arrangement. Each customer applying for a unique arrangement **bears the burden of proof that the proposed arrangement is reasonable and does not violate the provisions of sections 4905.33 and 4905.35 of the Revised Code, and shall submit to the commission and the electric utility verifiable information** detailing the rationale for the arrangement." Ohio Adm. Code 4901:1-38-05(B)(1) (emphasis added).

[40] *See In the Matter of the Application for Blanket Approval of a Day-Ahead Replacement Electricity Contract Addendum for Electric Service Offered by Ohio Power Company as an Option to Customers Served Under Schedule IRP-CDB; In the Matter of The Application for Blanket Approval of a Day-Ahead Replacement Electricity Contract Addendum for Electric Service Offered by Columbus Southern Power Company as an Option to Customers Served Under Schedule IRP-CDB*, Case No. 98-1474-EL-AEC and Case No. 98-1476-EL-AEC, Finding and Order at ¶ 6 and 11 (Dec. 23, 1998).

[41] *See In the Matter of the Adoption of Rules for Standard Service Offer, Corporate Separation, Reasonable Arrangements, and Transmission Riders for Electric Utilities Pursuant to Sections 4928.14, 4928.17, and 4905.31, Revised Code, as amended by Amended Substitute Senate Bill No. 221*, Entry on Rehearing at ¶ 38 (Feb. 11, 2009).

[42] R.C. 4905.31(E).

act as guarantor for its survival, no matter what the cost and no matter what the circumstances of Ormet's management of its business. There are three basic components to Ormet's proposal. The first component is electric rates. As AEP Ohio's electric rates escalate under the terms of the ESP, the subsidy given to Ormet from customers will increase. The second component is aluminum prices as determined on the London Metal Exchange (LME). The lower the LME aluminum price, the lower Ormet's electric rate will go. There is no floor.[43] The rate can go below zero (meaning AEP would pay Ormet to sell Ormet electricity and customers would then be asked to recompense AEP) if that is necessary to sustain Ormet's cash flow.[44] That is, Ormet has proposed a contract where it can be paid for using electricity if such payment is required to fund its operations. The third component is Ormet's cash operating costs. The higher Ormet's costs go, the more subsidy would be required from AEP customers under the proposed contract. These operating costs include $2.4 million in salary and bonuses to Ormet's top three executives and legacy pension costs for former employees located in Louisiana, Mississippi, Tennessee, West Virginia, as well as Ohio.[45]

OCC witness Dr. Ibrahim provided an example of how Ormet's proposed variable rate would work. Dr. Ibrahim calculated that using AEP's ESP electric rate that would otherwise be applicable to Ormet of $44.24/MWh, any LME price less than $2,200 per ton would result in a zero price/MWh for Ormet.[46] Ormet would be, in such case,

---

[43] *See* Tr. I at 214-215 (Fayne) (April 30, 2009); *See* Ormet Exhibit 1 at 7. (Direct Testimony of Michael Tanchuk).

[44] *See* Id.

[45] Tr. III at 432-438 (Riley)(June 11, 2009).

[46] Tr. II at 296-297. (Dr. Ibrahim) (May 1, 2009).

passing its entire electricity bill onto all the other customers of AEP, including residential customers. When Dr. Ibrahim filed his testimony the LME price of aluminum was $1,335.84 per ton.[47] This means that aluminum prices would have to increase by 64% before Ormet would be charged anything for power.[48] The total annual cost to AEP customers of the proposed Unique Arrangement with LME prices of $2,200/ton or less – Ormet paying zero for electricity at full operation -- would be an amazing $204 million annually.[49] A $204 million annual discount paid entirely by AEP's customers (as proposed by AEP and Ormet), would result in an average charge per AEP customer of $136 per year.[50]

For some perspective on the likelihood of such a scenario occurring, it is helpful to look at LME historic prices. Over the period January 1, 2000 through March 31, 2009, LME prices were never above $2,725 per ton in 2000, 2001, 2002, 2003, 2004 and most of 2005.[51] LME prices have also been well below $1941 per ton since the last quarter of 2008.[52] Furthermore, if this formula is to be applied to observe an average LME price similar to the first three months of this year-- January through March 2009,[53] the Ormet

---

[47] *See* OCC Exhibit 3 at 11. (Direct Testimony of Dr. Ibrahim).

[48] $1335.84 is 64% of $2,200.

[49] Tr. IV at 477. (Fortney) (June 17, 2009) (The full cost of Ormet's load is $204 million).

[50] $204 million divided by 1.5 million = $136.00.

[51] *See* OCC Exhibit 3 at 11. (Direct Testimony of Dr. Ibrahim).

[52] *See* Id. at 10.

[53] Average Cash Seller and Settlement prices for Primary Aluminum were $1413.12, 1330.20, and $1335.84 for January, February, and March, 2009, respectively. Their average is $1,359.72 per ton. See http://www.lme.com/dataprices_historical.asp.

electricity rates for 2010 would be a *negative* $28.46/MWh.[54] Under Ormet and AEP's improvised business model, AEP (meaning its customers) would pay Ormet to use electricity!

It is patently unreasonable to permit Ormet to pass the cost of its entire electricity use onto other AEP customers, let alone have customers pay Ormet to use electricity. Any LME price less than $2,200 per ton will result in Ormet getting paid to use electricity.[55] As of May 1, 2009, the LME futures price for 15 months out, July 2010, was $1602 per ton.[56] Based on the formula proposed in Ormet's application if the LME futures price for July 2010 is correct, Ormet *will get paid* $77.1 million to use power next year.[57] Under this forecasted scenario, and following Ormet's proposal that AEP's customers are accountable for the entire bill, $281.1 million (approximately $204 million plus $77.1 million) of annual discount will be paid by other customers with the average AEP customer paying $187 per year.[58]

OCC and OEG assert that the proposed Unique Arrangement is not reasonable without an appropriate "hard floor" for the rate Ormet will pay. Staff proposes a floor as well.[59] It is not reasonable to expect customers to guarantee Ormet's continued operations no matter how high its operating costs or how tenuous its financial viability, no matter how high AEP's standard tariff rates rise, and no matter how low aluminum

---

[54] *See* OCC Exhibit 3 at 11. (Dr. Ibrahim's Direct Testimony).

[55] *See* Tr. II. at 297. (Dr. Ibrahim) (May 1, 2009).

[56] *See* Tr. I. at 150-155. (Tanchuk) (April 30, 2009).

[57] *See* Tr. I at 153. (Riley) (April 30, 2009).

[58] $281 million divided by 1.5 million = $187.00.

[59] See PUCO Staff Exhibit 2 at 3. (Rebuttal Testimony of Fortney).

prices fall. Accordingly, there must be a rate floor as advocated by the PUCO Staff as well as OCC and OEG. OCC and OEG propose a hard floor on the discounted rate Ormet may receive, which should be a total discount that does not exceed the Company's payroll expense as estimated to its Ohio employees ($32 million).[60]

Moreover, it is one thing to argue that customers should subsidize a discount in electricity, but it is an entirely different matter to require electric customers to pay cash to a business in a manner that is no longer related to the consumption of electricity. There is no basis in law for this proposal and the parties proposing that customers pay cash to a company beyond discounting rates to zero dollars have failed to provide any credible legal justification for such a proposition.

Subsidizing Ormet for more than the amount of Ohio wages it pays is excessive and places an unreasonable burden on the shoulders of AEP's customers. While not downplaying the economic impact that Ormet has on the surrounding communities, it is important to note that almost half of the employees and retirees identified by Ormet in its Amended Application reside in West Virginia and Pennsylvania[61] and a substantial amount of the tax revenues received from Ormet go to West Virginia.[62]

Ormet asserts that the total impact of wages on the states of Ohio, West Virginia, and Pennsylvania if Ormet closes its doors is approximately $195 million per year.[63]

[60] *See* OCC Exhibit 3 at 7. (Direct Testimony of Dr. Ibrahim); see also Tr. I at 262 (Dr. Coomes) (April 30, 2009) (a good place to start an analysis is with an estimate of 60% because 60% of the employees are Ohio residents).

[61] *See* Ormet Exhibit 5 at 5. (Dr. Coomes' Study).

[62] *See* Id. at 11-12. (For example "I estimate that Ohio state government is receiving about $6.8 million annually in individual income taxes, sales tax, and electricity taxes from Ormet-related activity. West Virginia state government receives about $4.2 million.").

[63] *See* Ormet Exhibit 8 at 4. (Amended Application).

Ormet's calculation may be a gross indicator of what will happen to the tri-state region if Ormet closes its doors, but the calculation is invalid for purposes of setting the appropriate electric subsidy to be funded from Ohio consumers – particularly when singling out AEP Ohio customers as the sole funders of such a proposition. An auto manufacturing plant with thousands of employees may have a total economic impact on the region of billions of dollars, but that does not mean the state should provide billions in taxpayer and/or customer subsidies to save the Company.

Moreover, Ormet's analysis of the impact of its closing is flawed in several respects. First it completely fails to factor in the negative economic impact on the rest of Ohio -- including AEP's other customers -- from raising electric rates to fund the Ormet subsidy. In fact, Ormet's study would conclude that Ormet's economic impact on the region is the same whether the electric subsidy paid by the other AEP customers to Ormet is $2, $200 million, or $2.8 billion. There will be a clear negative impact to asking all other AEP customers to pay an extra $137 annually (as proposed by Ormet) or even $36 annually as Proposed by the PUCO Staff.

One clear negative impact is the rate of disconnects due to increased rates. The Commission has routinely expressed concern for Ohioans who have their electricity (or gas) disconnected because of limited financial resources:

> As in past years, the Commission is concerned about those who, because of limited financial resources, have had their gas and/or electric utility service disconnected because they are unable to pay their bills and who, because of arrearages, have been unable to have these services restored.[64]

[64] *In the Matter of the Investigation into Long-Term Solutions Concerning Disconnection of Gas and Electric Service in Winter Emergencies*, Case No. 08-951-GE-UNC at 1. (September 10, 2008).

The discounted rates are already expected to increase as a result of the recent AEP ESP rate increase, and now under Ormet's proposal, customers will be asked to pay another huge increase -- this time to subsidize Ormet's business -- a subsidy that will cost millions of dollars. Surely this will cause even more disconnections by customers now struggling to get by the AEP ESP increase.

Second, over 40 percent of the $195 million economic impact calculated by Ormet would not benefit Ohioans, let alone AEP customers. Ormet could not and did not establish any benefit that AEP customers will receive from the estimated $80 million in economic impact that will flow to the West Virginia or Pennsylvania workers.[65] Ormet's workforce is comprised of a little more than 1,000 employees, 96 percent of those employees reside in seven counties – four counties in West Virginia (427 workers) and three counties in Ohio (598 workers).[66] Ormet's study concluded that those out-of-state workers will provide $80 million in economic impact to the four West Virginia counties and one Pennsylvania county – as opposed to three Ohio counties. Setting aside the failure to address the impact of higher rates on Ormet's customers,[67] (or the facility operating at less than full capacity[68]) Ormet's study would have to be discounted by 42% to even be close to a relevant study on the Ohio economic impact of closing Ormet's doors on Ohio customers.

[65] Tr. I at 260-262. (Dr. Coomes) (April 30, 2009) (Question: "Isn't it true that your research does not include a review of the economic or physical impact to [AEP] customers as a result of higher or lower rates necessary to keep the facility running?" Dr. Coomer's answer: "Yes, I did not investigate that.").

[66] *See* Ormet Exhibit 5 at 5. (Dr. Coomes' Study).

[67] *See* Tr. I at 263. (Dr. Coomes) (April 30, 2009) (Question: "Isn't it true that your research does not include a review of the economic or physical impact to [AEP] customers as a result of higher or lower rates necessary to keep the facility running?" Dr. Coomer's answer: "Yes, I did not investigate that.").

[68] *See* Tr. I. at 256. (Dr. Coomes) (April 30, 2009).

The PUCO Staff has stated that the Commission should "seriously" consider the interests of the other utility customers when looking at approving a unique arrangement and the burden that will be placed on those customers by the subsidy.[69] In this case, the PUCO Staff reviewed Ormet's regional impact analysis and concluded that a reasonable discount should be approximately the same amount of money as the Company's annual total payroll, including Ohio, Pennsylvania, and West Virginia payroll – approximately $54 million.[70]

Part of the PUCO Staff's analysis concluded that a $3 per month per customer or $36 a year charge to each AEP customer for this subsidy to Ormet is the maximum amount of money that could be reasonably assessed to other customers.[71] And the PUCO Staff recognizes that the discount should be phased out over the term of the contract,[72] a concept that OCC and OEG can agree with. While the PUCO Staff's position provides a reasonable framework for addressing subsidy issues, both OCC and OEG would further limit the subsidy to the wages of the Ohio workers only at Ormet -- $32 million.[73]

Finally, the Commission must take into account that other applicants will propose additional reasonable arrangements under which they will be seeking discounted rates to

[69] *See* In the Matter of the Application of the Cleveland Board of Education for the Cleveland Municipal School District to Establish a Reasonable Arrangement with the Cleveland Electric Illuminating Company for Electrical Service, Case No. 08-1238-EL-AEC, Post Hearing Brief Submitted on Behalf of the Staff of The Public Utilities Commission of Ohio (May 20, 2009) at 10.

[70] *See* PUCO Exhibit 2 at 3. (Fortney Rebuttal Testimony).

[71] *See* Id.

[72] *See* Id.

[73] OCC and OEG believe that every customer should at least pay the variable cost of production (including deferrals). Under OCC and OEG's approach proposed for Ormet – capping delta revenues by the salaries paid to Ormet's Ohio employees – the AEP variable cost of production will be covered.

be funded by other remaining customers. The subsidies for those arrangements will further exacerbate the ever increasing rates AEP customers must pay every month. Indeed, on Friday, June 19, 2009, Eramet Corporation filed a request for a discounted electric rate that would be subsidized by AEP customers for years to come.[74] Others are inevitable and expected. These requests will add-up. As the PUCO Staff stated in addressing the proposed unique arrangement by the Cleveland School Board: "If this arrangement is approved customers may only be taking on ... [one more] burden ... in addition to whatever else this currently tumultuous economy has handed each of them."[75] The costs of subsidizing each reasonable arrangement must be considered in addition to the burden that AEP customers must already absorb due to the excessive rate increases recently granted to AEP.

2. Ormet's proposed Unique Arrangement is unreasonable and unlawful because it compensates AEP for millions of dollars in provider of last resort ("POLR") monies, when Ormet cannot shop under the contract.

Under the terms of the unique arrangement proposed by Ormet, AEP is the exclusive electric supplier to the Hannibal, Ohio smelting operation.[76] If the Commission approves the unique arrangement, there is no risk to AEP that Ormet would shop for

---

[74] *See In the Matter of the Application for Establishment of a Reasonable Arrangement between Eramet Marietta Inc. and Columbus Southern Power Company*, Case No. 09-516-EL-AEC (June 19, 2009).

[75] *In the Matter of the Application of the Cleveland Board of Education for the Cleveland Municipal School District to Establish a Reasonable Arrangement with the Cleveland Electric Illuminating Company for Electrical Service*, Case No. 08-1238-EL-AEC, Post Hearing Brief Submitted on Behalf of the Staff of The Public Utilities Commission of Ohio (May 20, 2009) at 10.

[76] *See* Ormet Exhibit 8 at Attachment A, section 2.01 (Amended Application); Tr. I. at 37. (Baker) (April 30, 2009); Tr. IV at 484. (Fortney) (June 17, 2009).

competitive generation while the contract is in effect.[77] Therefore, there is no risk that AEP will have to serve as Ormet's Provider of Last Resort. Thus, a POLR charge should not be assessed to Ormet and the other customers should not pay any discount which compensates AEP for POLR risk.

AEP requested and received approval of the POLR charge as part of the Electric Security Plan filing that was approved in January, 2009, and was recently approved by the Commission.[78] The POLR charge is intended to compensate AEP for the financial risk that customers will purchase their generation from a competitive electric supplier when their price is lower and then later decide to return to AEP for generation service whenever the ESP rates are lower than market.[79] This creates a cost to AEP that the POLR charge is designed to correct. Ormet has agreed to forfeit the right to shop in this case and AEP should not be granted a windfall in the form of POLR charges as a result of the exclusive provider provision in the agreement.

Adopting OCC/OEG's proposal will increase the discount from tariff received by Ormet by $11.26 million in 2010[80] and will reduce the delta revenues paid by customers by this same amount. This discount is derived from the approved CSP and OPC POLR riders, found in the respective tariffs of these companies at Original Sheet No. 69-1D.[81] In 2010, the POLR rate for Ormet is an average rate of .242905. Multiplying the average POLR rate of .242905 by the demand (540 MW) times the annual hours (8,760) and the

---

[77] *See* Id.

[78] *See In the Matter of the Application of Columbus Southern Power Company for Approval of an Electric Security Plan; an Amendment to its Corporate Separation Plan; and the Sale or Transfer of Certain Generation Assets, Case No. 07-917-EL-SSO,* et. al., Opinion and Order at 38-40 (March 18, 2009).

[79] *See* Id.

[81] For convenience purposes, OCC and OEG attach Tariff Pages 69-1D hereto. (Attachment 1).

load factor (.98), it can be seen that the POLR revenues associated with Ormet for 2010 would be $11.260 million. Mathematically the calculation is: .242905 x 540 MW x 8760 x .98 equals $11.260 million.

3. Under the terms of Ormet's proposal AEP's customers bear great risks related to the price of aluminum, while gaining very little if the price of aluminum rises.

The proposed indexed rate is asymmetrical and extremely disadvantageous to the customers, while being overly generous to Ormet. Customers bear the heavy and likely risks of the discount increasing such that Ormet pays zero for electricity or is paid to use electricity. But, when the LME prices rise considerably, the benefit to customers is not proportionate to the risks. OCC Witness Amr Ibrahim testified to the lack of symmetry and how it is unreasonable.[82] It is important to note that the examples assume that the LME has reached the Target price, an assumption that has not happened very often in the last ten years.[83] This suggests that it is extremely unlikely that customers will be in the "bonus round" and receiving credits in the form of electricity rates to Ormet that are higher than tariff.

Putting that issue aside for the moment, according to the terms of the proposal, starting in 2010, when the LME aluminum price is greater than the Target LME price but not by more than $300 per ton, Ormet shall pay 102% of the AEP Ohio Tariff Rate.[84] Further, Ormet shall pay 105% of the AEP Ohio Tariff rate when the LME aluminum

[82] *See* OCC Exhibit 3 at 14-15. (Direct Testimony of Dr. Ibrahim).

[83] *See* Id. at 16 and Attachment AAI.

[84] *See* Ormet Exhibit 8 at Attachment A, Schedule A, p.1. (Amended Application).

price is greater than the Target LME price by more that $300 per ton.[85] At full operations, the possible annual benefits to AEP customers if aluminum prices more than double from the price when Dr. Ibrahim filed his testimony, is $3.6 million -$8.9 million.[86] On the other hand, applying actual 2010 LME futures prices to Ormet's proposed variable rate would result in it getting paid $77.1 million to use power with a resulting delta revenue of $281.1 million.

Consequently, Ormet's proposal is not reasonable. The asymmetrical indexed rate is extremely disadvantageous to the other AEP customers. Customers bear huge risks and subsidize huge discounts under the proposed arrangement, while the benefit, in the form of delta revenue credits, is extremely unlikely and minimal when compared to the risks. This part of the unique arrangement should be denied or modified with a more balanced approach, as suggested by OCC and OEG.

OCC and OEG propose an improved symmetry to the indexed rate for the benefit of those customers subsidizing Ormet. A reasonable symmetry would require Ormet to pay electricity at a rate that could exceed tariff rates under certain conditions. The price of electricity would be increased by the factor of $0.049 times 50% for each 1$/ton increase greater than the target LME price. Under these circumstances, AEP customers would then receive delta revenue credits with the maximum cap on the delta revenue credit to customers being $16.35 million per year.

---

[85] *See* Id.

[86] *See* OCC Exhibit 3 at 15. (Direct Testimony of Dr. Ibrahim).

4. **Ormet's proposed Unique Arrangement is unreasonable because it violates an important regulatory principle by attempting to limit the Commission's authority to review Ormet's performance.**

As addressed in the comments filed by OCC on April 28, 2009, Ormet cannot lawfully restrict or place timeframes on the Commission's authority to review and modify the Agreement.[87] Paragraph 2.03 in Article Two, "Scope and Term" of the Power Agreement attempts to define and limit the Commission's jurisdiction to review and modify the Power Agreement.[88] In accordance with Ohio law "Every such schedule or reasonable arrangement shall be under the supervision and regulation of the commission and is subject to change, alteration, or modification by the commission."[89] Ormet's Power Agreement proposes to suspend and place limits on the Commission's statutory authority, something the Commission cannot approve.

B. 2009

1. **While Ormet's proposed Unique Arrangement for 2009 is reasonable in most respects, the provisions calling for retroactive recovery of discounted rates should be rejected and Ormet should be required, like all other customers, to pay the non-bypassable economic development rider and POLR charges.**

Ormet's 2009 proposal for electricity rates is not an unreasonable starting point to set 2009 rates. At this stage in the proceeding, OCC and OEG do not generally take issue with the $38 and $34 MWh rate proposed. Rather, it is a few of the terms and conditions within the 2009 proposal that OCC and OEG believe should be modified. The terms in

[87] *See* Comments by OCC (April 28, 2009) at 18-19.

[88] *See* Ormet Exhibit 8 at 9. (Amended Application).

[89] R.C. 4928.31(E).

particular that OCC and OEG oppose are the retroactive recovery of discounted rates and the fact that Ormet does not pay AEP's non-bypassable economic development rider.

Ormet's proposed Unique Arrangement requests that the PUCO allow it to retroactively make the Unique Arrangement effective from January 1, 2009.[90] Ormet's request to make the Unique Arrangement effective retroactively would result in Ormet receiving discounted rates for electricity that were different than the rates approved and in effect at the time the service was delivered. Thus, Ormet's request is unlawful and unreasonable because the parties must abide by the approved and filed rates that were in place at the time.

The approved and filed rates beginning January 1, 2009 were those approved under the December 31, 2008, Ormet and AEP joint application. That application requested approval of a temporary amendment to their expiring Reasonable Arrangement.[91] It was on January 7, 2009, that the Commission approved the application permitting a temporary arrangement between AEP and Ormet.[92] The temporary arrangement replaced the previously established discounted $43 per megawatt hour with a lower price based on a blend of the Companies' current SSO rates for generation.[93] The temporary Reasonable Arrangement was to remain in place until a new Reasonable

[90] *See* Ormet Exhibit 8 at 1. (Amended Application).

[91] *See In the Matter of the Joint Application of Columbus Southern Power Company and Ohio Power Company and Ormet Primary Aluminum Mill Products Corporation for Approval of a Temporary Amendment to Their Special Arrangement*, Case No. 08-1338-El-UNC, Finding and Order at 2-4.

[92] *See* Id., Finding and Order at 4.

[93] *See* Id.

Arrangement is approved by the Commission or through the AEP ESP proceeding.[94] On March 30, 2009, the Commission approved AEP's revised tariffs with new rates and charges for electric service filed by AEP. Now Ormet is asking the Commission to re-write the rates it paid from January 1, 2009 to present – something the PUCO cannot lawfully do.

The Company's request for retroactive treatment of the proposed Unique Arrangement would violate the fundamental principle of rate regulation that rates are set on a prospective basis and would place an unfair burden on AEP's other customers. The Ohio Supreme Court has clearly established that retroactive ratemaking is prohibited.[95] Revised Code 4905.22 requires that "[a]ll charges made or demanded for any service rendered, or to be rendered, shall be just [and] reasonable…"[96] Because Ormet's request is unlawful, the PUCO should amend Ormet's proposed Amended Application to comply with the law and not permit Ormet to pay discounted electricity rates that differ from the filed and approved electricity rates during the time period service was rendered.

In the recently approved ESP proceeding, AEP proposed a non-bypassable economic development rider to be imposed on all customers. The Commission approved this rider. As a GS-4 customer Ormet should pay, like other customers, the cost of economic development in the state of Ohio. Under its proposal it does not. Because this is a non-bypassable rider, Ormet should pay it, just like all other customers.

---

[94] *See* Id.

[95] *Lucas County v. Public Util. Comm.* (1997), 80 Ohio St. 3d. 344, 348-349. ("[W]ere the commission to order either a refund or a credit, the commission would be ordering Columbus Gas to balance a past rate with a different future rate, and would thereby be engaging in retroactive ratemaking, prohibited by *Keco Industries Inc. v. Cincinnati & Suburban Bell Tel. Co.(1957), 166 Ohio St., 254, 257").*

[96] R.C. 4905.22.

2. Ormet's proposed Unique Arrangement is unreasonable and unlawful because it compensates AEP for millions of dollars in POLR monies, when Ormet cannot shop under the contract.

As discussed supra, Ormet is prohibited from shopping while it is under contract with AEP for the term of the contract, including 2009. AEP, thus, will not incur any risk that Ormet would leave and come back to the system and seek service when the market makes it more economical. Thus, a POLR charge should not be assessed to Ormet, and the other customers should not pay any discount which compensates AEP for a non-existent POLR risk for this customer.

For 2009, the POLR Rate for Ormet, under the ESP approved rates, would be the 50/50 average of the POLR GS-4 rates of both companies – 0.44595 for CSP, and .21522 for OP. That average rate is .33058 cents/KWh. Fully operational, Ormet utilizes 540 MWs of electricity 24 hours per day, 365 days per year.[97] Multiplying the average POLR rate of .33058 by the demand (540 MW) times the annual hours (8,760) and the load factor (.98), it can be seen that the POLR revenues associated with Ormet for 2009 would be $15.325 million. Mathematically the calculation is: .33058 x 540 MW x 8760 x .98 equals $15.325 million.

V. CONCLUSION

OCC and OEG echo the perspective of the PUCO Staff that reasonable arrangements established under Amended Senate Bill 221 must be reasonable for both the company receiving the subsidy *and* all of the customers who will be required to pay the subsidy and fund the reasonable arrangement. As stated in OCC's original comments,

[97] *See* Ormet Exhibit 8 at 2. (Amended Application).

AEP's other customers should not be asked to bear the entire burden and pay rates that are unjust or unreasonable. In this case, as established in the record, Ormet's request for AEP's other customers to pay as much as $187 per year – or up to $2.8 billion over ten years – is not reasonable. Indeed under Ormet's request Ormet could receive electricity for free and customers could end up paying Ormet to use electricity, both situations the Commission should find untenable.

Instead, OCC and OEG urge the Commission to modify the Ormet proposal in a number of respects. For 2009, OCC and OEG advocate that the 2009 rate should apply prospectively, not retroactively as proposed by Ormet. Additionally, Ormet should, like all the other AEP customers, pay the non-bypassable economic development rider, recently approved in the AEP ESP proceeding. A significant modification to the 2009 proposal is that the Commission should impose a cap on the subsidy that customers would be required to pay under the Ormet agreement. That cap would apply in 2009 and subsequent years of the arrangement. The proposed cap is tied to the Ohio Ormet jobs which provide $32 million to Ohio residents in direct wages for 598 employees. Finally, AEP should not be permitted to charge Ormet and collect from its customers a POLR charge.

For 2010 and beyond OCC and OEG propose a number of modifications including that the term of the reasonable arrangement be shortened to five, not ten years. Additionally, the cap of the discount customers must subsidize would again be tied to the Ohio payroll cost of $32 million per year. This is structured to ensure that AEP customers subsidize no more than the direct benefits of the jobs Ormet brings to Ohio. Additionally, OCC and OEG would have the Commission grant an additional discount to

Ormet in the form of an avoided POLR charge. For 2010, if Ormet does not pay POLR, its electricity bill will be further reduced by $ 11.26 million. The POLR charge should not be collected from Ormet, as argued herein, because Ormet cannot shop during the contract term, and thus, AEP bears no POLR risk for this customer. Further, under OCC and OEG's proposal, customers who bear the business risks of Ormet over the term of the arrangement would be entitled to a greater benefit if LME prices increase –a benefit that is proportional to the risks borne by customers under the Ormet proposal. OCC and OEG seek to inject much needed symmetry into the reasonable arrangement by enhancing the benefits to customers when LME prices increase.

OCC and OEG's proposal is structured to contribute customer funds toward Ormet's financial viability by offering Ormet a significant but reasonable discount from tariff over the next five years. The proposal is also structured to protect the customers of AEP from the undue and unreasonable economic burden of a massive rate increase—an increase that is likely under the proposal of Ormet. By capping the subsidy, OCC and OEG seek to ensure that the subsidies customers are asked to pay, when viewed in the totality with all other subsidies for economic development, are reasonable so as to not impose an economic burden on AEP's customers.

Respectfully submitted,

JANINE L. MIGDEN-OSTRANDER
CONSUMERS' COUNSEL

Gregory J. Poulos

Gregory J. Poulos, Counsel of Record
Maureen Grady
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
Telephone: (614) 466-8574
poulos@occ.state.oh.us
grady@occ.state.oh.us

Attorneys for the Office of the Ohio Consumers' Counsel

Michael L. Kurtz per tel. authority GJP

David F. Boehm
Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
Telephone: (513) 421-2255
mkurtz@bkllawfirm.com
dboehm@bkllawfirm.com

Attorneys for The Ohio Energy Group

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Post-Hearing Brief of the Office of the Ohio Consumers' Counsel and The Ohio Energy Group was served by regular U.S. Mail Service, postage prepaid, and a courtesy copy via electronic transmission to the persons listed below on this 1st day of July, 2009.

Gregory J. Poulos
Assistant Consumers' Counsel

SERVICE LIST

Marvin Resnik
Steve Nourse
AEP Service Corp.
1 Riverside Plaza, 29th Floor
Columbus, OH 43215

Thomas McNamee
Attorney General's Office
Public Utilities Commission of Ohio
180 E. Broad St., 9th Fl.
Columbus, OH 43215

Clinton A, Vince
Douglas G. Bonner
Daniel D. Barnowski
Emma F. Hand
Sonnenschein Nath & Rosenthal LLP
1301 K Street NW
Suite 600, East Tower
Washington, DC 20005

David F. Boehm
Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

John W. Bentine
Mark S. Yurick
Matthew S. White
Chester, Willcox & Saxbe LLP
65 East State St., Ste. 1000
Columbus, OH 43215-4213

Samuel C. Randazzo
Lisa G. McAlister
Joseph M. Clark
McNees Wallace & Nurick LLC
21 East State St., 17th Fl.
Columbus, OH 43215-4228

Thomas.mcnamee@puc.state.oh.us
miresnik@aep.com
stnourse@aep.com
myurick@cwslaw.com
mwhite@cwslaw.com
jbentine@cwslaw.com
dboehm@bkllawfirm.com
mkurtz@bkllawfirm.com
cvince@sonnenschein.com
ehand@sonnenschein.com
dbonner@sonnenschein.com
dbarnowski@sonnenschein.com
sam@mwncmh.com
lmcalister@mwncmh.com
jclark@mwncmh.com

COLUMBUS SOUTHERN POWER COMPANY

Original Sheet No. 69-1

P.U.C.O. NO. 7

PROVIDER OF LAST RESORT CHARGE RIDER

Effective Cycle 1 April 2009 through the last billing cycle of December 2009, all customer bills subject to the provisions of the Rider, including any bills rendered under special contract, shall be adjusted by the Provider of Last Resort Charge per KWH as follows:

Schedule	¢/KWH
R-R, R-R-1, RLM, RS-ES AND RS-TOD	0.77546
GS-1	0.66660
GS-2 and GS-2-TOD	0.67937
GS-3	0.52603
GS-4 and IRP-D	0.44595
SBS	0.54402
SL	0.25312
AL	0.22207

Effective Cycle 1 January 2010, the Provider of Last Resort Charge shall be the following:

Schedule	¢/KWH
R-R, R-R-1, RLM, RS-ES AND RS-TOD	0.56955
GS-1	0.48959
GS-2 and GS-2-TOD	0.49897
GS-3	0.38635
GS-4 and IRP-D	0.32753
SBS	0.39956
SL	0.18591
AL	0.16311

Customers of a governmental aggregation where the legislative authority that formed such governmental aggregation has filed written notice with the Commission pursuant to Section 4928.20 (J), Ohio Revised Code, that it has elected not to receive default service from the Company at standard service offer rates shall not be subject to charges under this Rider.

Customers that elect to take energy service from a CRES Provider and agree to pay the market price of power should they return to energy service from the Company, shall not be subject to charges under this Rider.

Filed pursuant to Orders dated March 18 and March 30, 2009 in Case No. 08-917-EL-SSO

Issued: March 30, 2009

Effective: Cycle 1 April 2009

Issued by
Joseph Hamrock, President
AEP Ohio

P.U.C.O. NO. 19

PROVIDER OF LAST RESORT CHARGE RIDER

Effective Cycle 1 April 2009 through the last billing cycle of December 2009, all customer bills subject to the provisions of this Rider, including any bills rendered under special contract, shall be adjusted by the Provider of Last Resort Charge per KWH as follows:

Schedule	¢/KWH
RS, RS-ES, RS-TOD and RDMS	0.31771
GS-1	0.35875
GS-2 and GS-TOD	0.38695
GS-3	0.26354
GS-4 and IRP-D	0.21522
EHG	0.39076
EHS	0.50548
SS	0.40104
OL	0.07760
SL	0.07737
SBS	0.25642

Effective Cycle 1 January 2010, the Provider of Last Resort Charge shall be the following:

Schedule	¢/KWH
RS, RS-ES, RS-TOD and RDMS	0.23366
GS-1	0.26384
GS-2 and GS-TOD	0.28988
GS-3	0.19382
GS-4 and IRP-D	0.15828
EHG	0.28739
EHS	0.37175
SS	0.29494
OL	0.05707
SL	0.05690
SBS	0.18858

Customers of a governmental aggregation where the legislative authority that formed such governmental aggregation has filed written notice with the Commission pursuant to Section 4928.20 (J), Ohio Revised Code, that it has elected not to receive default service from the Company at standard service offer rates shall not be subject to charges under this Rider.

Customers that elect to take energy service from a CRES Provider and agree to pay the market price of power should they return to energy service from the Company, shall not be subject to charges under this Rider.