

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Fuel Adjustment Clauses) Case No. 09-872-EL-FAC
for Columbus Southern Power Company and) Case No. 09-873-EL-FAC
Ohio Power Company.)

In the Matter of the Application of Columbus)
Southern Power Company and Ohio Power)
Company to Recover Commission-Authorized) Case No. 09-1094-EL-FAC
Deferrals Through Each Company's Fuel)
Adjustment Clause.)

In the Matter of the Application of Columbus)
Southern Power Company and Ohio Power) Case No. 09-1095-EL-UNC
Company to Adjust Their Economic)
Development Cost Recovery Rider Rates.)

In the Matter of the Application of Columbus)
Southern Power Company and Ohio Power) Case No. 09-1906-EL-ATA
Company to Modify Their Standard Service)
Offer Rates.)

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REPLY OF INDUSTRIAL ENERGY USERS-OHIO

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December 15, 2009

Attorneys for Industrial Energy Users-Ohio

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In the Matter of the Fuel Adjustment Clauses) for Columbus Southern Power Company and) Ohio Power Company.)	Case No. 09-872-EL-FAC Case No. 09-873-EL-FAC
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In the Matter of the Application of Columbus) Southern Power Company and Ohio Power) Company to Modify Their Standard Service) Offer Rates.)	Case No. 09-1906-EL-ATA

REPLY OF INDUSTRIAL ENERGY USERS-OHIO

I. INTRODUCTION

On Friday, December 11, 2009, Industrial Energy Users-Ohio ("IEU-Ohio") filed a Motion to Consolidate ("Motion") the above-captioned proceedings, demonstrating that considering the proposals of Ohio Power Company ("OP") and Columbus Southern Power Company ("CSP") (collectively, "Companies" or "AEP-Ohio") in these cases together will avoid duplication, achieve process and administrative efficiencies, and improve the coordination between the administration of any rates established for the Companies' customers for 2010. IEU-Ohio also urged the Public Utilities Commission of Ohio ("Commission") to hold a hearing on these proposals to permit interested parties an opportunity to fully address the interconnected matters at issue in these cases. The

Companies filed a Memorandum Contra IEU-Ohio's Motion to Consolidate on November 14, 2009. IEU-Ohio hereby files its Reply to the Companies' Memorandum Contra.

The Companies assert that IEU-Ohio has not demonstrated that the Commission should postpone approving the Companies' proposals to adjust their fuel adjustment clause ("FAC") mechanisms (Case Nos. 09-872-EL-FAC and 09-873-EL-FAC) or their non-FAC charges (Case No. 09-1906-EL-ATA), pointing to the Commission Staff's recommendation that the Commission approve these proposals.¹ These cases are not as clean and simple as the Companies portray them. On Friday, December 11, 2009, Ormet Primary Aluminum Company ("Ormet") filed a Motion for Hearing in these cases, suggesting that the Companies' calculations related to Ormet may produce unjust or unreasonable rates for Ormet and the Companies' other customers.² IEU-Ohio is not the only party that has concerns about these interconnected cases and the Commission should grant IEU-Ohio's Motion to Consolidate and set the consolidated matters for hearing.

The Companies also claim that their proposal to recover delta revenue in Case No. 09-1095-EL-UNC is not subject to the increase limitations imposed by the Commission in the Companies' electric security plan ("ESP") cases. The Companies' arguments should be rejected. The Commission took pains to list in its Entry on Rehearing which of the Companies' rate components were not subject to the rate increase limitations and the economic development rider ("Rider EDR") was not listed. Only the Companies' transmission cost recovery rider ("TCRR"), energy efficiency and

¹ Memorandum Contra at 2.

²Ormet Primary Aluminum Company's Motion to Intervene and Set Matters for Hearing, Memorandum in Support at 3 (December 11, 2009).

peak demand reduction ("EE/PDR") rider, and any increases associated with a future distribution rate case during the ESP period are exempted from the rate increase limitations.³ Nowhere does the Commission mention a broad and undefined "new government mandates" exception in its clear and specific language related to what rate components are exempt from the rate increase limitations.

The Companies' interpretation of the Commission's Opinion and Order and Entry on Rehearing in the ESP cases would create an exception that swallows the rule. According to the Companies, anything the Commission orders that they do not agree to are "new government mandates" that are not subject to the Commission's rate increase limitations.⁴ The Commission did not adopt the "new government mandates" exception. The Commission never acknowledges or approves this exception that would render (under the Companies' interpretation) the Commission's rate increase limitations nearly meaningless.

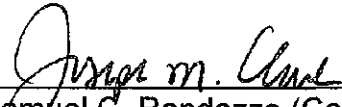
IEU-Ohio urges the Commission to grant its Motion to Consolidate these interconnected proposals that feature common issues of fact and law. Consolidating these proceedings and considering the proposals together will avoid duplication, achieve process and administrative efficiencies, and improve the coordination between the administration of any rates established for the Companies' customers. Consolidation of the proposals and a hearing will ensure that the rate increase protections ordered by the Commission are enforced to protect all customers from rate increases during this time of continued economic uncertainty. At a minimum, should the

³ *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 Generating Assets*, PUCO Case Nos. 08-917-EL-SSO, *et al.*, Entry on Rehearing at 9, 31 (July 23, 2009).

⁴ Memorandum Contra at 3-4.

Commission deny IEU-Ohio's Motion to Consolidate and permit the Companies to recover the delta revenue resulting from AEP-Ohio's interim reasonable arrangement agreement with Ormet through the FAC (as proposed in the Companies' December 1, 2009 filing in Case Nos. 09-872 and 09-873), it should require the Companies to allocate responsibility for that delta revenue as a percentage of base distribution rates, which would mirror the allocation methodology the Commission has previously approved under the Companies' EDR Rider.⁵

Respectfully submitted,



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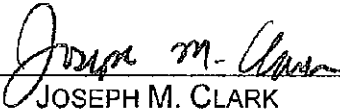
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⁵ The Companies appear to have no objection to collecting the delta revenue from the interim Ormet reasonable arrangement on a non-kilowatt hour ("kWh") basis. Memorandum Contra at 3.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Reply of Industrial Energy Users-Ohio* was served upon the following parties of record this 15th day of December 2009, via first class mail, postage prepaid.


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